

## NOTICE OF MEETING

<b>Meeting:</b>	<b>AUDIT COMMITTEE</b>
<b>Date and Time:</b>	<b>FRIDAY, 10 JULY 2020, AT 9.30 AM*</b>
<b>Place:</b>	<b>SKYPE MEETING - ONLINE</b>
<b>Enquiries to:</b>	<b>E-mail: <a href="mailto:andy.rogers@nfdc.gov.uk">andy.rogers@nfdc.gov.uk</a> 023 8028 5588 - ask for Andy Rogers</b>

### **PUBLIC PARTICIPATION:**

**\*Members of the public may speak in accordance with the Council's public participation scheme:**

- (a) immediately before the meeting starts, on items within the Cabinet's terms of reference which are not on the public agenda; and/or**
- (b) on individual items on the public agenda, when the Chairman calls that item. Speeches may not exceed three minutes.**

**Anyone wishing to speak should contact the name and number shown above no later than 12.00 noon on Wednesday, 8 July 2020. This will allow the Council to provide public speakers with the necessary joining instructions for the Skype Meeting.**

**Bob Jackson**  
**Chief Executive**

Appletree Court, Lyndhurst, Hampshire. SO43 7PA  
[www.newforest.gov.uk](http://www.newforest.gov.uk)

**This Agenda is also available on audio tape, in Braille, large print and digital format**

---

## AGENDA

### **Apologies**

#### **1. MINUTES**

To confirm the minutes of the meeting held on 24 January 2020 as a correct record.

#### **2. DECLARATIONS OF INTEREST**

To note any declarations of interest made by members in connection with an agenda item. The nature of the interest must also be specified.

Members are asked to discuss any possible interests with Democratic Services prior to the meeting.

**3. PUBLIC PARTICIPATION**

To note any issues raised during the public participation period.

**4. ANNUAL INTERNAL AUDIT REPORT AND OPINION 2019-20** (Pages 5 - 20)

To note the Annual Internal Audit Report and Opinion for 2019/20.

**5. FRAUD REPORT 2019/20** (Pages 21 - 24)

To receive an update on fraud reduction activities for 2019/20.

**6. FINAL ACCOUNTS 2019/20 BAD DEBTS WRITE OFF** (Pages 25 - 32)

To consider the Final Accounts Bad Debts Write-offs Report for 2019/20.

**7. PROCUREMENT RULES, REGULATIONS & CONTRACT STANDING ORDERS - WAIVERS 2019/20** (Pages 33 - 36)

To receive an update on waivers to Procurement Rules, Regulations & Contract Standing Orders approved during 2019/20.

**8. TREASURY MANAGEMENT OUTTURN REPORT 2019/20** (Pages 37 - 50)

To review the Treasury Management outturn for 2019/20.

**9. CODE OF GOOD GOVERNANCE REVIEW - ANNUAL REPORT OF THE MONITORING OFFICER AND THE CHIEF FINANCE OFFICER 2019/20** (Pages 51 - 58)

To note the assessment carried out by the Monitoring Officer and the Chief Finance Officer and the actions set out in the report concerning the annual Code of Good Governance review.

**10. DRAFT ANNUAL GOVERNANCE STATEMENT 2019/20** (Pages 59 - 68)

To consider the draft Annual Governance Statement for the Financial Year ended 31 March 2020.

**11. DRAFT ANNUAL FINANCIAL REPORT 2019/20** (Pages 69 - 82)

To consider the draft Annual Financial Report for 2019/20.

**12. AUDIT COMMITTEE WORK PROGRAMME/PLAN** (Pages 83 - 84)

To consider the Audit Committee's Work Plan.

**13. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT**

## **NEW FOREST DISTRICT COUNCIL – VIRTUAL MEETINGS**

### **Background**

This meeting is being held virtually with all participants accessing via Skype for Business.

A live stream will be available on YouTube to allow the press and public to view meetings in real time and can also be found at the relevant meeting page on the Council's website.

### **Principles for all meetings**

The Chairman will read out Ground Rules at the start of the meeting for the benefit of all participants. All normal procedures for meetings apply as far as practicable, as the new Government Regulations do not amend any of the Council's existing Standing Orders.

The Ground Rules for all virtual meetings will include, but are not limited to, the following:-

- All participants are reminded that virtual public meetings are being broadcast live on YouTube and will be available for repeated viewing. Please be mindful of your camera and microphone setup and the images and sounds that will be broadcast on public record.
- All participants are asked to mute their microphones when not speaking to reduce feedback and background noise. Please only unmute your microphone and speak when invited to do so by the Chairman.
- Councillors in attendance that have not indicated their wish to speak in advance of the meeting can make a request to speak during the meeting by typing "RTS" (Request to Speak) in the Skype chat facility. Requests will be managed by the Chairman with support from Democratic Services. The Skype chat facility should not be used for any other purpose.
- All participants should note that the chat facility can be viewed by all those in attendance.
- All participants are asked to refer to the report number and page number within the agenda and reports pack so that there is a clear understanding of what is being discussed at all times.

### **Voting**

When voting is required on a particular item, each councillor on the committee will be called to vote in turn by name, expressing their vote verbally. The outcome will be announced to the meeting. A recorded vote will not be reflected in the minutes of the meeting unless this is requested in accordance with the Council's Standing Orders.

By casting their vote, councillors do so in the acknowledgement that they were present for the duration of the item in question.

### **Technology**

If individuals experience technical issues, the meeting will continue providing that it is quorate and it is still practical to do so. The Chairman will adjourn the meeting if technical issues cause the meeting to be inquorate, the live stream technology fails, or continuing is not practical.

### **Public Participation**

Contact details to register to speak in accordance with the Council's Public Participation Procedures are on the front page of this agenda.

In order to speak at a virtual meeting, you must have the facility to join a Skype for Business Meeting. Joining instructions will be sent to registered speakers in advance of the meeting.

The Council will accept a written copy of a statement from registered speakers that do not wish to join a Skype Meeting, or are unable to. The statement will be read out at the meeting and should not exceed three minutes. Please use the contact details on the agenda front sheet for further information.

To: **Councillors:**

Alan O'Sullivan (Chairman)  
Emma Lane (Vice-Chairman)  
Alan Alvey  
Hilary Brand

**Councillors:**

Mahmoud Kangarani  
Martyn Levitt  
Ann Sevier  
John Ward

## AUDIT COMMITTEE – 10 JULY 2020

### ANNUAL INTERNAL AUDIT REPORT AND OPINION 2019-20

#### 1. INTRODUCTION

- 1.1. The purpose of this report is to provide the Audit Committee with the Chief Internal Auditor's opinion on the adequacy and effectiveness of the Council's framework of risk management, internal control and governance for the year ending 31 March 2020.

#### 2. SUMMARY

- 2.1. In accordance with proper internal audit practices, the Chief Internal Auditor is required to provide a written report reviewing the effectiveness of the system of internal control to inform the production of the Annual Governance Statement.
- 2.2. The Annual Report for 2019-20 (attached at Appendix 1) provides the Chief Internal Auditor's opinion on the adequacy and effectiveness the Council's framework of risk management, control and governance processes and summarises audit work from which that opinion is derived for the year ending 31 March 2020.
- 2.3. The Audit Committee's attention is drawn to the following points:
  - Internal audit was compliant with the Public Sector Internal Audit Standards during 2019-20;
  - The revised internal audit plan for 2019-20 has been substantially delivered;
  - The Council's framework of governance, risk management and management control is considered to be 'Adequate' and audit testing has demonstrated controls to be working in practice; and
  - Where internal audit work identified areas where management controls could be improved or where systems and laid down procedures were not fully followed, appropriate corrective actions and a timescale for improvement were agreed with the responsible officers.

#### 3. FINANCIAL IMPLICATIONS

- 3.1. The audit plan consisted of 470 audit days including 18 audit days provided to the New Forest National Park Authority under the current Service Level Agreement. The Council's budget for 2019-20 reflected these arrangements.

#### **4. CRIME AND DISORDER IMPLICATIONS**

- 4.1. There are no crime and disorder implications arising directly from this report, however inadequate audit coverage may result in areas of control weakness, unacceptable risks or governance failings as well as the increased potential for error and fraud.

#### **5. ENVIRONMENTAL MATTERS & EQUALITY AND DIVERSITY IMPLICATIONS**

- 5.1. There are no matters arising directly from this report.

#### **6. RECOMMENDATION**

- 6.1. The Audit Committee note the Annual Internal Audit Report and Opinion for 2019-20.

**For Further Information Please Contact:**

Antony Harvey  
Deputy Head of Partnership (SIAP)  
(NFDC Chief Internal Auditor)  
Tel: 01962 845701  
E-mail: [antony.harvey@hants.gov.uk](mailto:antony.harvey@hants.gov.uk)

**Background Papers:**

Internal Audit Plan 19-20

**Annual Internal Audit Report & Opinion**

**2019 - 20**

**New Forest District Council**



**Southern Internal  
Audit Partnership**

Assurance through excellence  
and innovation

## Contents

Section	Page
1. Role of Internal Audit	3
2. Internal Audit Approach	4
3. Internal Audit Opinion	5
4. Internal Audit Coverage and Output	6-7
5. Key Observations	8-9
6. Quality Assurance and Improvement	10
7. Disclosure of Non-Conformance	11
8. Quality control	11
9. Internal Audit Performance	12
10. Acknowledgement	12
Annex 1 – 2019/20 Audit Reviews and Opinions	13

∞



## 1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

***‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’***

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].



The role of internal audit is best summarised through its definition within the Standards, as an:

***‘Independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.***

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

## 2. Internal Audit Approach

To enable effective outcomes, internal audit provides a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

A full range of internal audit services is provided in forming the annual opinion.

The approach to each review is determined by the Deputy Head of the Southern Internal Audit Partnership and will depend on the:

- Level of assurance required;
- Significance of the objectives under review to the organisation's success;
- Risks inherent in the achievement of objectives; and
- Level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.



### 3. Internal Audit Opinion

The Deputy Head of the Southern Internal Audit Partnership (SIAP), as the Council's Chief Internal Auditor, is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its' governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of the Council's audit need that has been covered within the period.

#### *Annual Internal Audit Opinion 2019-20*

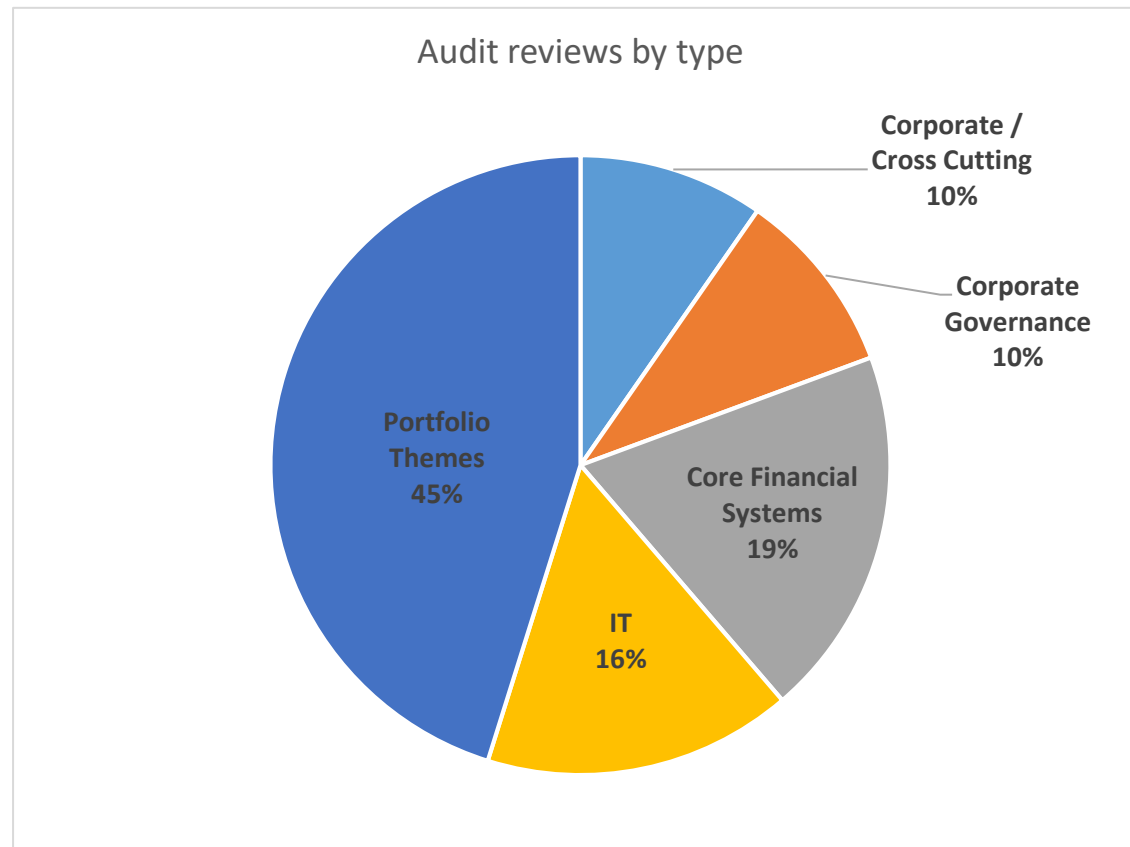
*"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of New Forest District Council's internal control environment.*

*In my opinion, New Forest District Council's framework of governance, risk management and control is 'Adequate' and audit testing has demonstrated controls to be working in practice.*

*Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement."*

#### 4. Internal Audit Coverage and Output

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council’s activities and to support the preparation of the Annual Governance Statement.



Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the internal control system is operating effectively.

The 2019-20 Internal audit plan, approved by the Audit Committee in March 2019, was informed by internal audits own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation.

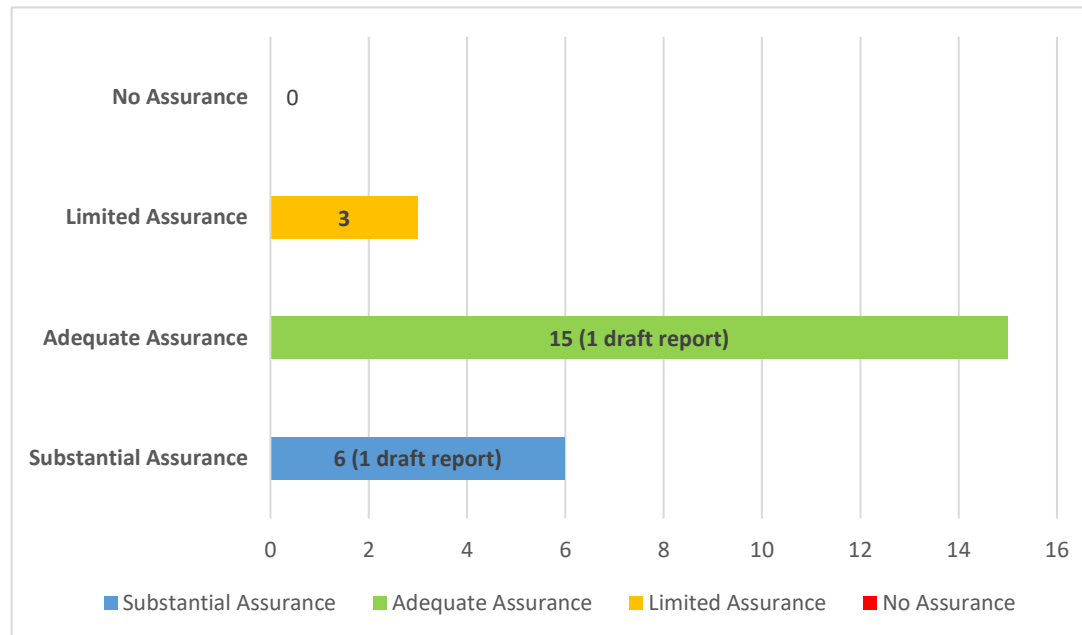
The plan has remained fluid throughout the year to maintain an effective focus.

In delivering the internal audit opinion internal audit have undertaken 31\* reviews during the year ending 31 March 2020.

12

The revised 2019-20 internal audit plan has been delivered with the following exception:

- Due to COVID-19 and subsequent closure of the Leisure Centres, it was not possible to complete the Leisure Centres – Income Collection audit. This review will be carried forward to 2020-21.



**Substantial** – There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be of a high standard and few or no material errors or weaknesses were found;

**Adequate** - While there is a basically sound system, there are weaknesses, which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk;

**Limited** - Weaknesses in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk; or

**No** - Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

\*7 reviews did not culminate in an audit opinion as they provided either an advisory role, a follow-up of a 18-19 'Limited Assurance' review or provided a position statement.

A list of the 2019-20 assurance reviews undertaken and their respective opinions is provided in Annex 1.

13

## 5. Key Observations

Due to the timely delivery of the internal audit plan, we are pleased to report that despite the significant impact and subsequent challenges posed by the coronavirus pandemic both to the way we work and the delivery of Council services, this has not inhibited our ability to provide an opinion on the Council's framework of risk, governance and control for 2019-20.

Internal Audit work found there to be a generally sound control environment in place across the majority of review areas during the year, which were found to be working effectively to support the delivery of corporate priorities, however three reviews concluded with 'Limited Assurance' Opinions as summarised below. No audits concluded with a 'No Assurance' opinion.

**Housing Asset Management – Lift Inspection and Maintenance** (Finalised July 19 and included within the September 2019 Progress Report). All lifts installed prior to 2009 are the responsibility of the Council with anything after this date the responsibility of the tenant. The Facilities Management (FM) Team maintained a list of all lifts requiring inspection, which comprised of approximately 40 appliances inspected under contract with Zurich, with the FM Team retaining responsibility for managing inspections and any subsequent follow-up actions.

Following staff changes and in preparation for the retendering of the lift inspection contract, inconsistencies were identified between data sources therefore a reconciliation of the various housing databases holding information on lifts located within Council Housing was completed by the Maintenance Strategy and Compliance Officer. This reconciliation was also compared to the FM Team routine maintenance and inspection schedule and Zurich Records which identified that approximately 100 additional domestic lifts were retained within the Council housing stock that were not part of the inspection schedule. At the time of the audit, the reconciliation and cleansing of database records had not been fully completed and the newly identified lifts had not been inspected.

The audit also found that the lifts covered by the inspection contract with Zurich were not consistently inspected within the required review periods although once completed, lift inspection detail was received promptly from Zurich, which ensured the Council received timely notification of issues for resolution. At the time of the review, there were no formal meetings undertaken between the Council and the contractor for lift inspections therefore ongoing review of the contract was limited.

**Fleet Management** (Finalised May 20). The audit was requested by the Service Manager, Waste & Transport as there were concerns as to whether TRANMAN (fleet management software) was being fully utilised for recording and monitoring all the costs associated with each vehicle. Internal Audit reviewed the process for capturing all the costs associated with vehicles, including servicing, maintenance, labour, parts and fuel. The review found that all costs are not being accurately attributed directly to individual vehicles, including excessive wear and tear, parts and disposal of waste oil. There are no records supporting stock held or issued, receipts are not recorded, and the value of stock held is not known. The current cost of consumables charged to vehicles as part of the servicing costs is an historic charge and may not cover actual costs. The current method of calculating recharge costs is based on total costs divided by the total number of productive working hours, which does not allow for different types/ages of vehicles. Whilst the total number of vehicles has been reconciled to the TRANMAN system, vehicle makes and models were incorrectly recorded. Expected service / inspection times are not recorded in TRANMAN, so resources cannot be effectively planned and under / overcapacity recognised. 'O' Licence vehicles are currently inspected every 4.5 weeks, in excess of the 6 weekly inspections required by VOSA.

The Annual Service Plans outline Fleet Management responsibility, service aims, background, external influences, expenditure, key challenges and opportunities; and Service Level Agreements (SLAs) between Fleet and departments provide service specifications. Procedure notes, however, do not cover all areas of activity operating within the vehicle workshop, although they are currently being introduced. There is guidance for staff permitting them to work on their own vehicles although this has not been published / communicated effectively and is currently in the process of being reviewed. Currently only corporate induction is undertaken by new starters as there is no specific fleet/workshop induction. There are no instructions issued to users of fuel cards on limitations of use and there is no monitoring to ensure usage is compliant with instructions / policy.

**IT Asset Management/Software Licencing** (Finalised May 20). Roles and responsibilities in terms of the request, issue and disposal of equipment is assigned appropriately with adequate segregation of duties. The IT disposal process is clear, and a third-party contractor is used to dispose of IT equipment. Certificates of disposal are provided and retained. However, the IT Asset Register was found to be out of date both for current equipment and that which has been disposed of. The IT Lifecycle policy, a key guidance document, is not current, and in some areas can lead to inconsistent practice, for example, how to conduct internal IT Asset audit reviews.

The process to identify license requests for new software is documented and executed appropriately, and licensing is effectively reviewed through a third-party on a bi-annual basis. Unused licenses are recovered when IT Hardware is handed back to the IT department however IT are not consistently advised of new starters on a timely basis, and the section were not advised of two leavers until after the members of staff had left.

## 6. Quality Assurance and Improvement

The Quality Assurance and Improvement Programme (QAIP) is a requirement within ‘the Standards’.

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a QAIP to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

An ‘External Quality Assessment’ of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015.

In considering all sources of evidence the external assessment team concluded:

**“It is our view that the Southern Internal Audit Partnership (SIAP) service generally conforms to all of the principles contained within the International Professional Practice Framework (IPPF); the Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).**

**There are no instances across these standards where we determined a standard below “generally conforms”, and 4 instances where the standard is assessed as “not applicable” due to the nature of SIAP’s remit.”**

In accordance with PSIAS, annual self-assessments have been completed since the external inspection concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.



## 7. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments] which requires ‘an external quality assessment to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the organisation’ I can confirm endorsement from the Institute of Internal Auditors that:

‘the Southern Internal Audit Partnership conforms to the, Definition of Internal Auditing; the Code of Ethics; and the Standards’

There are no disclosures of Non-Conformance to report.

## 8. Quality control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2019-20 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success;
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach;
- A tailored audit approach using a defined methodology and assignment control documentation;
- Review and quality control of all internal audit work by professional qualified senior staff members; and
- A self-assessment against the Public Sector Internal Audit Standards.

## 9. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Performance Indicator	Target	2018-19 Actual	2019-20 Actual
Percentage of the revised internal audit plan delivered	95%	97%	100%
Positive customer survey response – all SIAP Partners	90%	99%	98%
Public Sector Internal Audit Standards	Compliant	Compliant	Compliant

*Customer satisfaction has been assessed through response to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process throughout the year.*

## 10. Acknowledgement

I would like to take this opportunity to thank all those staff throughout the Council with whom we have made contact in the year. Our relationship has been positive, and management were responsive to the comments we made both informally and through our formal reporting.

Antony Harvey  
Deputy Head of the Southern Internal Audit Partnership  
June 2020

## 2019-20 Audit Reviews and Opinions

Substantial Assurance	Adequate Assurance	Limited Assurance	No Assurance
1. Asset Management (Appletree Property Holdings) 2. Accounts Payable 3. Payroll 4. Grants Awarded 5. Licencing (draft final) 6. Financial Stability	1. Information Governance 2. HR – Absence Management 3. Health & Safety 4. Accounts Receivable / Debt Management 5. Main Accounting 6. P-Card Taxation (VAT) 7. Service Desk and Incident Management 8. Housing Asset Management - Planned Maintenance (draft final) 9. Housing Finance - Right-to-Buy 10. Environmental and Regulation – Food & Safety and Environmental Protection 11. Planning (incl. Community Infrastructure Levy) 12. Parking & Enforcement 13. Land Charges 14. Community Safety – CCTV & Out of Hours 15. Lease Income	1. Software licensing / Management of assets 2. Fleet Management 3. Housing Asset Management – Lift Inspection and Maintenance	None

This page is intentionally left blank

## AUDIT COMMITTEE – 10 JULY 2020

### FRAUD – ANNUAL REPORT 2019/20

#### 1. INTRODUCTION

- 1.1 The Council is committed to preventing and detecting fraud and will deal openly and forcefully with anyone who acts dishonestly. This report provides an update of the fraud activities for 2019/20.
- 1.2 The Corporate Fraud and Compliance Officer is 0.53FTE.

#### 2. FRAUD REFERRALS

- 2.1 In 2019/20 there have been 54 fraud referrals received relating to Housing Benefit and/or Council Tax Reduction.
- 2.2 There were 22 referrals to the Corporate Fraud and Compliance Officer of which 14 have been completed. Referrals are received via DWP, an e-form, hotline or internally from staff.
- 2.3 Following investigations there has been a total of £69,457.36 in Housing Benefit overpayments and £12,478.15 in Council Tax Reduction non entitlement. For overpayments of Housing Benefit we can claim subsidy of 40% of the overpayment amount. Where the overpayment is recovered, i.e. paid back by the claimant, by 60% or more this is an additional income to the council.
- 2.4 Fraud Referrals from 2019/20

Type of referral	No of referrals	Ongoing cases	Closed cases
Living Together	6	3	3
Undeclared Capital	6	3	3
Undeclared Earnings	5	2	3
Household composition	1		1
Homesearch waiting List	1		1
Internal	3		3
<b>Total Referrals</b>	<b>22</b>	<b>8</b>	<b>14</b>

- 2.5 The outcome of the referrals where investigations have concluded are detailed in Appendix 1.

#### 3. POLICY UPDATE

- 3.1 The following policies are to be reviewed in 2020/21. Their content will then be subject to an audit review as part of the internal audit plan for the year.
- Money laundering
  - Whistleblowing
  - Fraud Strategy

#### 4. JOINT WORKING WITH THE DEPARTMENT FOR WORK AND PENSIONS (DWP)

- 4.1 The Council is working in partnership with the DWP on joint investigations and prosecutions whereby Council Tax Reduction fraud will be included along with DWP benefit fraud. This is voluntary for local authorities, but mandatory for the DWP where the local authority signs-up. There is no funding from DWP, nor is there a Service Level Agreement, however, there is a Data Sharing Agreement.
- 4.2 As any Council Tax Reduction “overpayment” will be included with the DWP overpayment, this may increase the likelihood of a sanction or prosecution. There will be no cost to the council where there is a prosecution.
- 4.3 For 2019/20 there were 6 cases on joint working with DWP, all cases are on-going.

#### 5. NATIONAL FRAUD INITIATIVE

- 5.1 The council undertakes the Cabinet’s office National Fraud Initiative data match and completed the review in January 2020. We targeted those referrals considered high risk of fraud.
- 5.2 The breakdown of data matches is as follows:

Area	No. of matches
Internal (payroll/pension/procurement)	10
Housing Estates (non-residence/deceased/right to buy)	81
Housing Options (waiting list)	169
Revs & Bens (non-residence/entitlement/income)	1,061
Finance (duplicate creditors)	994
HMRC – capital, property ownership	282

- 5.3 From the matches 858 were checked, with 17 matches still being investigated, primarily pension payments. The results to date have identified non-entitlement to Council Tax Reduction of £11,964.

#### 6. SINGLE PERSON DISCOUNT REVIEW

- 6.1 In partnership with Northgate Public Services we undertook a review of 20,499 council tax accounts that have a 25% single person discount. From the initial review 3,774 accounts were contacted to clarify the number of occupants.
- 6.2 Following the exercise 400 accounts had their Single Person Discount ended with a value of £96,081.

#### 7. TRAINING

- 7.1 We are reviewing the e-learning training module. There is also attendance at the Hampshire Fraud Group to keep updated on any changes.

## **8. FRAUD RISK REGISTER**

- 8.1 As part of promoting a counter fraud culture and to raise awareness each service was asked to consider and complete a fraud risk register for their service. This meant Service Managers reviewing their service to identify potential risks, the controls in place and if any controls are required.
- 8.2 The survey generated discussions with many Service Managers to ensure full understanding and completion and for a thorough review of the risks of fraud. We have received completed surveys from all but three services.
- 8.3 The surveys will be reviewed fully in due course to identify any areas for improvements or omissions.
- 8.4 The Fraud Risk Registers will be reviewed annually by each Service Manager.

## **9. PUBLICITY**

- 9.1 We continue to publicise fraud where appropriate.

## **10. FUTURE ACTIVITIES**

- 10.1 We are due to undertake Procurement Card Holder training in partnership with Internal Audit. Training is currently only undertaken when initially authorised to use the cards so introducing training on a cyclical basis will ensure this is kept up-to-date.

## **11. RECOMMENDATION**

- 11.1 It is recommended that Audit Committee note the contents of this report.

## Appendix 1 - Results for 2019/20

Allegation/Investigation	Result	Resulting action or penalty
Use of mobile phone	Management to deal with issue due to health issues of staff.	Management Issue
False Travel Claims	Overclaimed expenses £20.25	Management Issue
DWP Investigation - Living Together	Living Together decision made – ESA overpayment of £55,646.37. Overpayment of Housing Benefit of £35,629.64 and non-entitlement to CTR of £7,948.16 Claim cancelled going forward.	DWP decision not to prosecute
Homeless application - had alternative accommodation	Refused emergency Accommodation	No further action but we did give financial assistance to secure privately rented property through deposit scheme.
Undeclared capital	Overpayment of Housing Benefit of £3,675.10 and CTR non entitlement of £256.51 Claim cancelled. Still investigating an earlier period.	Referred to DWP
Undeclared partner	Ongoing Investigation - Claim cancelled	
Undeclared income	Overpayment of Housing Benefit £2,909.44 and non-entitlement to CTR of £797.53	Civil Penalty of £70
Undeclared earnings for partner	Overpayment of Housing Benefit of £3,232.04 and non-entitlement to CTR of £231.25	Civil Penalty of £70
Undeclared earnings	Overpayment of Housing Benefit of £16,330.00 and non-entitlement to CTR of £1,374.57	Administrative Penalty of £687.28
NFI – Pension Payment of £33k	Non entitlement to CTR of £413.65	Civil Penalty of £70
NFI - Pension Payment of £33k	Overpayment of Housing Benefit of £6,873.68 and non-entitlement to CTR of £1,336.46.	None
Undeclared Capital	Overpayment of Housing Benefit of £ 807.40 and non-entitlement to CTR of £120.02	Civil Penalty of £70



## AUDIT COMMITTEE – 10 JULY 2020

### FINAL ACCOUNTS 2019/20 BAD DEBTS WRITE OFF

#### 1. INTRODUCTION

- 1.1 This report informs Members of the total bad debts written off during the financial year 2019/20.
- 1.2 It is Council policy to take all practical steps to recover debts. The Council's accounting systems provide automated recovery procedures for the collection of the debts, followed where applicable, by court action.
- 1.3 This report is prepared in accordance with the Code of Practice for write offs approved by Cabinet.

#### 2. WRITE OFFS

- 2.1 Debts have been written off in the following services;
  - Council Tax
  - National Non Domestic Rates (NDR)
  - Overpaid Housing Benefit
  - Accounts Receivable
  - Housing and Garage Rents
  - Parking Penalty Charges
  - Stores
- 2.2 Criteria for write off include:
  - Abscond
  - Liquidations and bankruptcies
  - Deceased
  - Small balances
  - Enforcement Agent unable to collect/levy
  - Foreign Vehicles
- 2.3 The total bad debt written off for 2019/20 was £762,293 (2018/19 £618,169). This represents 0.28% of the total income collected.
- 2.4 The total written off by service is detailed in Appendix 1 (A comparison for values written off during 2018/19 is detailed in Appendix 2). The appendix also includes the average value of accounts written off, the write off as a percentage of annual income collected and examples of write offs criteria.

- 2.5 The table below details the service and the value of write ons i.e. write back of credit balances made during the 2019/20 year, together with comparative figures for 2018/19.

<b>CATEGORY OF DEBT</b>	<b>2018/19 £</b>	<b>2019/20 £</b>
COUNCIL TAX	9,049	14,766
NNDR	687	7,614
HOUSING BENEFIT incl. OVERPAID INVOICES	14,969	1,091
ACCOUNTS RECEIVABLE	46	180
HOUSING AND GARAGE RENTS	435	1
PARKING PENALTY CHARGES	Nil	Nil
STORES	1,759	Nil

- 2.6 Write ons are credited where debtors have overpaid and they cannot be traced. All reasonable avenues are explored prior to the credit being written back on. Housing Benefit write-ons are where a previous debt which has been written-off is reversed to recover the amount.

### **3. BAD DEBT PROVISION**

- 3.1 The Council has made allowances for doubtful debts in the accounts based on what it believes to be a prudent but realistic level. For 2019/2020, the NFDC provision is £2,655m (£2,429m in 2018/19).
- 3.2 The total provision made for each type of bad debt write off and the total arrears as at 31 March 2020 is also shown in Appendix 1. Members should note, the total provision figures within Appendix 1 include the NFDC provision as outlined above, plus collection fund provisions which relate to other organisations (i.e. HCC).
- 3.3 The bad debt provision for council tax and business rates is worked out using CIPFA guidance according to the recovery stage of the arrears as follows:

Stage	% for provision
Liability Order	50%
Final	25%
Reminder	10%
Bill	5%

- 3.4 For Housing Benefit overpayments, a provision of 100% is made for any debt which is greater than one year and 50% where the debt is being recovered by DWP.
- 3.5 For Accounts Receivable a provision is made for debts which are greater than one year with an adjusted provision for rent deposit schemes and rent in advance schemes where payment plans often exceed one year.
- 3.6 For Housing and Garage rent a provision is worked out as follows:

Arrears (£)	% of provision
0-100	0
100-250	10
250-500	25
500-750	50
750-1,000	75
1,000+	95

A provision of 95% is made for former tenant arrears.

- 3.7 Due to COVID-19 it is expected to be challenging in 2020/21 to recover arrears brought forward from 2019/20.

#### **4. AUTHORITY TO APPROVE**

- 4.1 Service Managers have authority to approve write offs up to certain limits and the Council's statutory financial officer has authority to approve write offs of any limit, in accordance with the Code of Practice approved by Cabinet. Details of the approval limits are shown in Appendix 4 with no proposed changes to existing limits.

#### **5. RECOMMENDATIONS**

- 5.1 That this report be noted.

#### **For Further Information Please Contact:**

Ryan Stevens – Service Manager  
 Revenues and Benefits  
 Tel: (023) 8028 5588  
 Email: [ryan.stevens@nfdc.gov.uk](mailto:ryan.stevens@nfdc.gov.uk)

APPENDIX 1 CATEGORIES OF WRITE OFFS 2019/20								
Category of Debt	Total Write Off £	Number of Accounts	Average value of Account Written Off £	Annual Income / Turnover £	Provision Made 31/3/2020 £	Arrears Balance as at 31/3/2020 £	Write Off as % of Turnover	Reason for Write Off
Council Tax	207,813	1,292	161	127,318,000	1,286,690	3,272,000	0.2	Abscond, bankruptcy, deceased, no goods on which to levy, other, small balance.
NNDR	256,389	113	2,269	68,635,000	273,070	890,000	0.4	Abscond, bankruptcy, no goods on which to levy, other, small balance.
Housing Benefit incl Overpaid Invoices	87,328	238	367	32,672,000	1,063,050	1,595,000	0.3	Abscond, bankruptcy, collection, deceased, Local Authority/DWP error, small balance.
Accounts Receivable	147,703	362	408	8,573,000	620,210	3,165,000	1.7	Abscond, bankruptcy, small balance, uneconomical to pursue.
Housing and Garage Rents	33,871	35	968	29,158,000	660,000	942,000	0.1	Abscond, bankruptcy, deceased, collection agency unable to collect, individual voluntary agreement/debt relief order, small balance.
Parking Penalty Charges	26,546	426	67	3,425,000	12,010	99,000	0.8	Abscond, bailiff unable to collect/no goods on which to levy, bankruptcy, deceased, foreign vehicle.
Stores	643							Picking errors
<b>Total</b>	<b>762,293</b>	<b>2,466</b>		<b>269,781,000</b>	<b>3,915,030</b>	<b>9,963,000</b>		

APPENDIX 2 CATEGORIES OF WRITE OFFS 2018/19								
Category of Debt	Total Write Off £	Number of Accounts	Average value of Account Written Off £	Annual Income / Turnover £	Provision Made 31/3/2019 £	Arrears Balance as at 31/3/2019 £	Write Off as % of Turnover	Reason for Write Off
Council Tax	242,448	1,315	184	121,305,000	1,161,370	2,902,000	0.2	Abscond, bankruptcy, debt relief order, deceased, no goods on which to levy, other, small balance.
NNDR	186,335	78	2,389	66,811,000	245,000	760,000	0.3	Abscond, bankruptcy, no goods on which to levy, other, small balance.
Housing Benefit incl Overpaid Invoices	45,002	182	247	37,228,000	740,020	1,181,000	0.1	Abscond, bankruptcy, debt relief order, collection, deceased, Local Authority/DWP error, small balance.
Accounts Receivable	26,058	70	372	9,428,000	883,160	2,901,000	0.3	Abscond, bankruptcy, deceased, small balance, uneconomical to pursue.
Housing and Garage Rents	93,175	159	586	28,646,000	523,000	670,000	0.3	Abscond, deceased, debt relief order, small balance, unable to collect, uneconomic.
Parking Penalty Charges	25,151	425	59	315,289	20,159	121,758.21	8.0	Abscond, bailiff unable to collect/no goods on which to levy, bankruptcy, foreign vehicle.
Stores								Picking errors.
<b>Total</b>	<b>618,169</b>	<b>2,229</b>		<b>263,733,289</b>	<b>3,572,709</b>	<b>8,535,758</b>		

<b>Council Tax Arrears by Action Taken</b>		<b>% for Provision</b>	<b>Appropriate Provision</b>
	<b>£000</b>		<b>£000</b>
At Liability Order Stage	2,562	50	1,281
At Final Notice Stage	16	25	4
At Reminder Stage	178	10	18
At Bill Stage (by deduction)	516	5	26
<b>Total</b>	<b>3,272</b>		<b>1,329</b>
Reduction for Court Cost Arrears			-42
<b>Total Arrears</b>			<b>1,287</b>

There is a provision for court costs outstanding.

<b>NNDR Arrears by Action Taken</b>		<b>% for Provision</b>	<b>Appropriate Provision</b>
	<b>£000</b>		<b>£000</b>
At Liability Order Stage	482	50	241
At Final Notice Stage (one stage recovery for NNDR)	99	25	25
At Bill Stage (by deduction)	418	5	21
<b>Total</b>	<b>999</b>		<b>287</b>
Reduction for Court Cost Arrears			-14
<b>Total Arrears</b>			<b>273</b>

<b>SERVICE AREA</b>	<b>SERVICE MANAGER RESPONSIBLE</b>	<b>WRITE OFF / ON CRITERIA</b>	<b>UPPER £ LIMIT PER DEBTOR</b>
Council Tax	Revenues & Benefits	Bankruptcy/Debt relief order Abscond Small Balance (up to £500) Deceased Bailiff unable to collect/no goods on which to levy	£3,500
Business Rates	Revenues & Benefits	Bankruptcy/Liquidation/Indiv vol agreement Abscond Small Balance (up to £500) Deceased Bailiff unable to collect/no goods on which to levy	£3,500
Housing Benefit (including Fraudulent cases)	Revenues & Benefits	Bankruptcy/Debt relief order Abscond Small Balance (up to £500) Deceased LA Error DWP Error Collection Agency unable to collect	£3,500
Housing Rents	Housing – Estates Management	Bankruptcy/Debt relief order Abscond Small Balance (£500) Deceased Collection Agency unable to collect	£3,500
Accounts Receivable	Revenues & Benefits	Bankruptcy/Indiv. Vol. Agreement / Debt Relief Order Abscond Small Balance (up to £500) Deceased Uneconomic to pursue through the court	£1,500
Penalty Charge Notices	Street Scene	Bankruptcy Abscond Deceased Bailiff unable to collect/ no goods on which to levy Foreign Vehicle	£1,500
Garages	Housing – Estates Management	Bankruptcy Abscond Small Balance Deceased	£1,500
Stores	Building Works	Obsolete stock / Damaged stock Picking Error	£1,500
Health and Leisure Centres	Health & Leisure	Small Balance (up to £500) Missing Membership Proofs	£1,500
Estates & Valuations	Legal / Estates	Bankruptcy Abscond Small Balance (up to £500) Deceased	£1,500
All	Section 151 Officer	Any write off/on including; Partial write offs of live accounts, paying accounts, large balances, any other exceptional reason	NO LIMIT

This page is intentionally left blank



## AUDIT COMMITTEE – 10 JUNE 2020

### PROCUREMENT RULES, REGULATIONS & CONTRACT STANDING ORDERS – WAIVERS 2019/20

#### 1. PURPOSE OF REPORT

- 1.1 This report updates Members on waivers to Procurement Rules, Regulations & Contract Standing Orders approved during 2019/20.

#### 2. BACKGROUND

- 2.1 The Procurement Rules, Regulations & Contract Standing Orders provide the rules to be followed for the procurement of goods, services and works and ensure that the Council complies with Procurement Legislation whilst obtaining Value for Money in Purchasing.
- 2.2 Procurement Rules, Regulations & Contract Standing Orders must be followed by all individuals responsible for Procurement for, or on behalf of the Council.
- 2.3 The Regulations provide for limited exceptions to the prescribed rules which include the following:
- Procurement through a Consortium or similar body that the Council is a member of
  - Works carried out under an Agency arrangements which states that the Standing Orders of the Principal Authority apply
  - Appointment of specialist experts for legal matters and proceedings
  - Appointment of Counsel by Legal Services.
  - Financial advice sought by the s151 officer.
- 2.4 Where the above exceptions do not apply and a Contract Administrator has a valid reason for not complying with Standing Orders, an application for a waiver may be submitted for approval. Table 1 shows the level of approval required for waivers for 2019/20:

Table 1 – Delegated authority to approve waivers

Value of Contract	Approval Required
£0 – EU Procurement Levels	Executive Head of Governance and Regulation, Service Manager Legal, Solicitor

#### 3. WAIVERS GRANTED 2019/20

- 3.1 There were 10 applications for a waiver against the Procurement Rules, Regulations and Contract Standing Orders between 1 April 2019 and 31 March 2020, of which 7 were approved. The total value of all approved waivers was £301,148.00. This compares with 39 applications submitted during 2017/18, with approved waivers totalling £2,964,979.96 and 14 applications in 2018/19 with a value of £409,695.00.

3.2 The standing orders that were waived are detailed in Table 2.

Table 2

<b>Contract Standing Order (SO) Paragraph Number and Detail</b>
<p><b>SO6</b> Where the estimated value of a contract is between £15,000 and £25,000 a minimum of three quotations must be invited (via desk-top quotation) for a works, goods or services contract.</p>
<p><b>SO7</b> Where the estimated value of a works, goods or services contract is between £25,000 and £50,000 suitable suppliers for a restricted quotation should be nominated by the Service team and confirmed with Procurement. Procurement will invite quotations via the e-procurement system.</p>
<p><b>SO9</b> Where the estimated contract value for a works, goods or services contract exceeds £50,000 but does not exceed the relevant EU public procurement threshold (*see Annex A for EU threshold £ values) or does not fall within a category subject to the EU public procurement rules, an open tender should be issued by the Procurement team</p>
<p><b>SO21</b> Under Public Contracts Regulations 2015 (Reg 72), a modification to an existing pre-tendered contract may be possible, without the need to re-advertise or retender, in certain limited circumstances.</p>

3.3 One waivers was over £100,000 in value.

3.4 There were 3 waivers that were rejected during the year. The reason for the rejections was due to insufficient information being provided to support the grant of a waiver.

#### **4. FINANCIAL IMPLICATIONS**

4.1 Procurement Rules, Regulations and Contract Standing Orders ensure that the most economically advantageous price is obtained in Procurement. Waivers sought need to demonstrate that where tenders or quotations are not obtained, that Value for Money can still be demonstrated.

#### **5. CRIME & DISORDER IMPLICATIONS**

5.1 Procurement Rules, Regulations and Contract Standing Orders provides procedures to limit the risk of collusive tendering (bid rigging).

#### **6. ENVIRONMENTAL IMPLICATIONS**

6.1 Procurement Rules, Regulations and Contract Standing Orders provide for tender evaluation models to include environmental and sustainability policies.

## **7. EQUALITY & DIVERSITY IMPLICATIONS**

7.1 None.

## **8. RECOMMENDATIONS**

8.1 That the Audit Committee notes the Waivers to the Council's Procurement Rules, Regulations and Contract Standing Orders approved during the financial year 2019/20.

### **For further information contact:**

Andrew Kinghorn  
Service Manager Legal  
and Procurement  
Tel: 023 8028 5588  
E-mail: [Andrew.Kinghorn@nfdc.gov.uk](mailto:Andrew.Kinghorn@nfdc.gov.uk)

### **Background Papers:**

Contract Standing Orders

This page is intentionally left blank

## AUDIT COMMITTEE 10 JULY 2020

### TREASURY MANAGEMENT ANNUAL OUTTURN REPORT 2019/20

#### 1. PURPOSE

- 1.1. New Forest District Council has adopted the key recommendations of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code), last updated in 2017. The CIPFA Code requires the Council to approve a treasury management strategy before the start of the year and a semi-annual and annual treasury outturn report.

#### 2. SUMMARY

- 2.1. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 2.2. The Council's treasury management strategy was most recently updated and approved at a meeting of Full Council in February 2020. The Council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.
- 2.3. Treasury management in the context of this report is defined as:

“The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 2.4. This annual report sets out the performance of the treasury management function during 2019/20, to include the effects of the decisions taken and the transactions executed in the past year.
- 2.5. Hampshire County Council's Investments & Borrowing Team has been contracted to manage the Council's treasury management balances since March 2014 but overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives.
- 2.6. All treasury activity has complied with the Council's revised Treasury Management Strategy and Investment Strategy for 2019/20, and all relevant statute, guidance and accounting standards. In addition support in undertaking treasury management activities has been provided by the Council's treasury advisers, Arlingclose.

### 3. EXTERNAL CONTEXT

- 3.1. The following sections outline the key economic themes currently in the UK against which investment and borrowing decisions were made in 2019/20.

#### **Economic commentary**

- 3.2. The UK's exit from the European Union was one of the main drivers of sentiment on the UK economy for the majority of 2019/20, before focus then shifted to the nation's response to the global coronavirus pandemic in the latter part of the year.
- 3.3. Prior to the pandemic, labour market data remained positive as the employment rate reached a record high of 76.6% in the three months to March 2020, unemployment was 3.9%, and annual pay growth was positive in real terms.
- 3.4. As the early effects of the pandemic and the government measures to reduce transmission began to be felt, the headline rate of UK Consumer Price Inflation fell to 0.8% year on year in April 2020 (down from 1.5% year on year in March 2020), below the Bank of England's target of 2%. Gross Domestic Product (GDP) growth in Quarter 1 of 2020 is also estimated to have reduced by 2.0% alongside falls in financial markets not seen since the Global Financial Crisis, triggered by a flight to quality into sovereign debt and other perceived 'safe' assets.
- 3.5. In response to the spread of the virus, the UK government enforced lockdowns, central banks and governments around the world cut interest rates, and massive stimulus packages were introduced in an attempt to reduce the negative economic impact on domestic and global growth.
- 3.6. The Bank of England, which had previously held policy rates at 0.75% through 2019/20, moved in March 2020 to cut rates to 0.25% and then swiftly brought them down further to the record low of 0.1%. In conjunction with these cuts, the UK government introduced measures to help businesses and households impacted by a series of social restrictions.

#### **Financial markets**

- 3.7. Financial markets sold off sharply towards the end of the financial year as the impact from the coronavirus worsened. After starting positively in 2020, the FTSE 100 fell over 30% with stock markets in other countries seeing similar falls. In March sterling touched its lowest level against the dollar since 1985.
- 3.8. The measures implemented by central banks and governments helped restore some confidence and financial markets have rebounded in recent weeks but remain extremely volatile. The flight to quality caused gilts yields to fall substantially. The 5-year benchmark fell from 0.75% in April 2019 to 0.26% on 31 March 2020 and there were similar falls in 10-year

and 20-year gilts over the same period, dropping from 1.00% to 0.40% and 1.47% to 0.76% respectively.

### **Credit review**

- 3.9. Prior to the coronavirus pandemic, both the Fitch and Standard & Poor's rating agencies affirmed the UK's AA sovereign rating and revised the outlook from negative to stable.
- 3.10. However, Fitch then downgraded the UK sovereign rating to AA- in March 2020 and revised the outlook on the majority of banks on the Arlingclose counterparty list to negative and in some cases also amended the long-term rating (upwards in the case of Canadian and German banks and downwards for Australian banks).
- 3.11. While the UK and Non-UK banks on the Arlingclose counterparty list remain in a strong and well-capitalised position, the recommended maximum duration for unsecured investments with all these banks was cut to 35 days in mid-March 2020.
- 3.12. In December 2019, the Bank of England announced its latest stress tests results for the main seven UK banking groups. All seven passed on both a common equity Tier 1 (CET1) ratio and a leverage ratio basis. Under the test scenario the banks' aggregate level of CET1 capital would still remain twice the level before the 2008 financial crisis, suggesting the banks are in a much stronger position than in 2008.
- 3.13. After remaining flat in January and February, Credit Default Swap (CDS) spreads rose sharply in March as the potential impact of the coronavirus on bank balance sheets gave cause for concern. Spreads declined in late March but remained above their initial 2020 levels.

## **4. LOCAL CONTEXT**

- 4.1. At 31 March 2020 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £140.1m, while usable reserves and working capital which are the underlying resources available for investment were £56.8m (principal invested plus gains on investments with a variable net asset value). These factors and the year-on-year change are summarised in Table 1:

Table 1: Capital Financing Summary

	31/03/19 Balance £m	Movement £m	31/03/20 Balance £m
General Fund CFR	5.1	2.7	7.8
Housing Revenue Account CFR	1.9	0	1.9
HRA Settlement	134.5	(4.1)	130.4
Total CFR	141.5	(1.4)	140.1
Financed By:			
External Borrowing	135.5	(4.3)	131.2
Internal Borrowing	6.0	2.9	8.9
Total Borrowing	141.5	(1.4)	140.1

4.2. The General Fund CFR (and so internal borrowing) has increased as resources have been required to finance direct property investment during 2019/20, albeit mitigated in part through the application of MRP. The HRA CFR and external borrowing have reduced as a result of the repayment of the maturing HRA Public Works Loan Board (PWLB) debt.

4.3. The Council's strategy was to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, to reduce risk and keep interest costs low. The treasury management position as at 31 March 2020 and the year-on-year change is shown in Table 2 below.

Table 2: Treasury Management Summary

	31/03/19 Balance £m	Movement £m	31/03/20 Balance £m	31/03/20 Rate %
Long-term borrowing	(131.2)	4.3	(126.9)	3.28
Short-term borrowing	(4.3)	-	(4.3)	2.23
Total borrowing	(135.5)	4.3	(131.2)	3.25
Long-term investments	28.8	(10.4)	18.4	3.39
Short-term investments	28.7	(8.7)	20.0	1.18
Cash and cash equivalents	6.8	11.5	18.3	0.45
Total investments	64.3	(7.5)	56.8	1.66
Net borrowing	(71.2)	(3.3)	(74.5)	

Note: the figures in the table above are from the balance sheet in the Council's statement of accounts, but adjusted to exclude operational cash, accrued interest and other accounting adjustments.

4.4. Net borrowing in Table 2 has increased during 2019/20 as investment balances have fallen to a greater extent (down £7.5M) than the reduced total external borrowing figure (£4.3M).

## 5. BORROWING UPDATE

5.1. On 9 October 2019 the PWLB raised the cost of certainty rate borrowing by 1% to 1.8% above UK gilt yields as HM Treasury was concerned about the overall level of local authority debt. PWLB borrowing remains available but the margin of 180bp above gilt yields appears expensive



relative to other options. Market alternatives are available and new products will be developed; however, the financial strength of individual authorities will be scrutinised by investors and commercial lenders.

- 5.2. The Chancellor’s March 2020 Budget statement included significant changes to PWLB policy and launched a wide-ranging consultation on the PWLB’s future direction. Announcements included a reduction in the margin on new Housing Revenue Account (HRA) loans to 0.80% above equivalent gilt yields (the value of this discount is 1% below the rate at which the Council usually borrows from the PWLB), available from 12 March 2020 and £1.15bn of additional “infrastructure rate” funding at gilt yields plus 0.60% to support specific local authority infrastructure projects for England, Scotland and Wales for which there is a bidding process.
- 5.3. The consultation closes on 31 July 2020 with implementation of the new lending terms expected in the latter part of this calendar year or financial year beginning 2021/22.

## 6. BORROWING ACTIVITY

- 6.1. At 31 March 2020 the Council held £131.2m of loans, a decrease of £4.3m which was a maturity in the year. The vast majority of the loans being in relation to the resettlement of the HRA in 2012/13. The year-end treasury management borrowing position and year-on-year change is shown in Table 3 below.

Table 3: Borrowing Position

	31/03/19 Balance £m	Movement £m	31/03/20 Balance £m	31/03/20 Rate %	31/03/20 WAM* years
Public Works Loan Board	(135.5)	4.3	(131.2)	3.25	16.3
Total borrowing	(135.5)	4.3	(131.2)	3.25	16.3

\* Weighted average maturity

Note: the figures in the table above are from the balance sheet in the Council’s statement of accounts but adjusted to exclude accrued interest.

- 6.2. The Council’s chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Council’s long-term plans change is a secondary objective.
- 6.3. Short-term interest rates have remained much lower than long-term rates and the Council has therefore considered it to be more cost effective in the near term to use internal resources than to use additional borrowing.
- 6.4. With the assistance of Arlingclose, the benefits of this internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years, when long-term borrowing costs may be higher.

- 6.5. During 2019/20 the Council repaid £4.3m of maturing PWLB debt and did not replace this borrowing. This will reduce the future cost of interest payments on the Council's external debt.

## 7. INVESTMENT ACTIVITY

- 7.1. The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year the Council's investment balances have ranged between £57.5m and £98.1m due to timing differences between income and expenditure. The year-end investment position and the year-on-year change are shown in Table 4 below.

Table 4: Investment Position (Treasury Investments)

Investments	31/03/2019 Balance £m	Movement £m	31/03/2020 Balance £m	31/03/20 Rate %	31/03/20 WAM* years
Short term Investments					
- Banks and Building Societies:					
- Unsecured	8.0	(3.9)	4.1	0.77	0.0
- Secured	5.7	(1.7)	4.0	0.91	0.2
- Money Market Funds	6.8	8.5	15.3	0.40	0.0
- Local Authorities	11.0	(2.0)	9.0	0.94	0.4
- Registered Providers	2.0	2.0	4.0	1.93	1.0
- Cash Plus Funds	2.0	-	2.0	1.37	0.0
	<b>35.5</b>	<b>2.8</b>	<b>38.3</b>	<b>0.83</b>	<b>0.2</b>
Long term investments					
- Banks and Building Societies:					
- Secured	7.0	(4.0)	3.0	0.97	2.9
- Local Authorities	4.0	(1.0)	3.0	1.33	1.2
- Registered Providers	4.0	(4.0)	-	-	-
	<b>15.0</b>	<b>(9.0)</b>	<b>6.0</b>	<b>1.15</b>	<b>2.0</b>
High yield investments					
- Pooled Property Funds**	7.6	-	7.6	4.25	N/A
- Pooled Equity Funds**	3.0	-	3.0	5.37	N/A
- Pooled Multi-Asset Funds**	3.0	-	3.0	4.38	N/A
	<b>13.6</b>	<b>-</b>	<b>13.6</b>	<b>4.53</b>	<b>N/A</b>
<b>TOTAL INVESTMENTS</b>	<b>64.1</b>	<b>(6.2)</b>	<b>57.9</b>	<b>1.73</b>	<b>0.5</b>

\* Weighted average maturity, excluding pooled funds

\*\* The rates provided for pooled fund investments are reflective of annualised income returns over the year to 31 March 2020.

Note: the figures in the table above are from the balance sheet in the Council's statement of accounts but adjusted to exclude operational cash, market value adjustments and accrued interest.

- 7.2. The CIPFA Code and Government guidance both require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is therefore to strike

an appropriate balance between risk and return, minimising the risk of incurring losses from defaults against the risk of receiving unsuitably low investment income.

- 7.3. Security of capital has remained the Council's main investment objective and has been maintained by following the Council's counterparty policy, as set out in its Treasury Management Strategy Statement for 2019/20.
- 7.4. Counterparty credit quality was assessed and monitored with reference to credit ratings, the analysis of funding structures and susceptibility to bail-in, credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.
- 7.5. The Council also makes use of secured investments products that provide collateral in the event that the counterparty cannot meet its obligations for repayment.
- 7.6. To reduce risk, 54% of the Council's internally invested cash is invested so that it is not subject to bail-in risk, as it is invested in local authorities, registered providers and secured bank bonds. Of the remaining balance, the majority is invested in overnight money market funds which are subject to reduced bail in risk. By comparison, only 41% of the cash held by other similar Local Authorities is not subject to bail-in risk.
- 7.7. The UK Bank Rate was cut from 0.75% to 0.25% and then 0.10% in March 2020 due to the effect of the coronavirus pandemic on the economy. Rates had been historically low even prior to these cuts, impacting the Council's ability to generate income on cash investments.
- 7.8. Against this backdrop, the Council has sought to optimise returns commensurate with the objectives of security and liquidity, achieving an average rate of return of 1.16% on internally managed funds during 2019/20 whilst also maintaining sufficient liquidity through the use of call accounts and money market funds.
- 7.9. The progression of credit risk and return metrics for the Council's investments managed in-house are shown in extracts from Arlingclose's investment benchmarking in Table 5 below. This compares the data for the quarter ended 31 March 2020 with the same period from the previous year.

Table 5: Investment Benchmarking (excluding pooled funds)

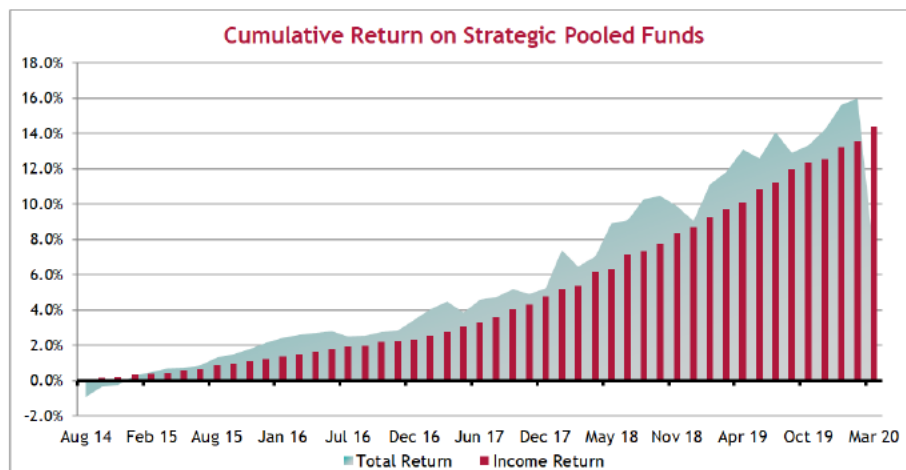
	Credit Rating	Bail-In Exposure	Weighted Average Maturity (days)	Internal Investment Return
31.03.2019	AA-	31%	325	1.11%
31.03.2020	AA	46%	159	0.85%
Similar LAs	AA-	59%	53	0.68%
All LAs	AA-	56%	20	0.64%

- 7.10. Table 5 shows the average credit rating of the portfolio improved to a level of AA at 31 March 2020. This was alongside increased liquidity in part to fund the prepayment of one year's Pension Fund contributions on

1 April 2020, as well as the late receipt of cash flow support from the Treasury as a result of the Coronavirus pandemic. Expenditure within the Capital programme was also lower than originally anticipated when the Capital Strategy for 2019/20 was drawn up. This increased liquidity meant higher bail-in exposure as a greater proportion of the Council's funds were invested in money market funds, which invest in instruments that are liable to bank bail-in but which are highly diversified therefore reducing this risk.

- 7.11. Interest rates on shorter duration investments are often lower and, coupled with the impact of the two Bank Rate cuts in March, meant average investment returns at 31 March 2020 were lower than at the same time the previous year. These returns were however greater than other Local Authorities covered by Arlingclose's benchmarking and the Council's internal investment portfolio also compared favourably to the benchmark in terms of the average credit rating, bail-in exposure and weighted average maturity period (the longer the maturity period the less exposed the Council is to reductions in short term interest rates).
- 7.12. In order to minimise the risk of receiving unsuitably low investment income, the Council has continued to invest a proportion of steady core balances in externally managed pooled funds as part of its high yield strategy.
- 7.13. The Council's investments in pooled property, equity and multi-asset funds allow diversification into asset classes other than cash without the need to own and manage the underlying investments, with £13.6m now invested. The Council also invests a further £2m into an externally managed cash plus pooled fund, which forms part of its short-term cash portfolio.
- 7.14. Pooled fund investments are likely to be more volatile than cash in the short-term but generate regular revenue income whilst also providing diversification and the potential for enhanced returns over the longer term.
- 7.15. The impact of the COVID-19 pandemic on financial markets at the end of the financial year meant that the Council's investments in these pooled funds suffered a £1.3m fall in capital value (9.82%) over the year to 31 March 2020, however this loss will only be realised if the assets are sold before they have regained their value. Under the accounting standard IFRS 9 the Council must in the meantime defer these fair value losses to the Financial Instruments Revaluation Reserve until at least 2023/24.
- 7.16. The fall in the capital value of the Council's pooled funds during 2019/20 reflects the wider market reaction to the coronavirus pandemic, with large falls in equity prices and corporate bond markets, and property markets also affected. Market volatility, as measured by the VIX index, was historically high as investors reacted to the unprecedented situation and attempted to forecast the likely impact on economies, businesses, and individuals. The unrealised capital losses (the 'drawdown' referred to by fund managers) in equity income funds owned by the Council were -19.6% and -33.2% respectively with the peak of the fall coinciding with the Council's financial year end.

- 7.17. Although capital values fell, the pooled funds delivered strong positive income returns during 2019/20, contributing £0.6m income (a return of 4.53%) to the revenue budget to support the provision of services by the Council, significantly more than could have been achieved through cash investments. Income returns from these funds in 2018/19 were £0.5m (4.10%).
- 7.18. The total pooled funds return in 2019/20, allowing for the fall in capital value offset in part by the income generated, was a loss of £0.7m (5.29%).
- 7.19. The cumulative total return from the Council's investments in pooled equity, property and multi-asset funds since purchase is shown in the graph below. This highlights that the Council has benefited from the strong and steady income returns over time. The volatility experienced due to the COVID-19 pandemic has been significant, but this period has not completely eroded the total cumulative positive returns made over the time that these investment have been held by the Council, and although the pooled funds are reporting a negative capital return of 9.82% for the year to 31 March 2020, the cumulative total return from these investments since purchase is positive at 6.39% (made up of an 8.59% capital fall and a 14.98% income return).



- 7.20. Strategic pooled fund investments are made as long-term investments using core balances that aren't required for current day-to-day liquidity. Investments are made with advice from Arlingclose and in the knowledge that capital values will move both up and down in the short term but with confidence that over longer periods total returns will exceed cash interest returns.
- 7.21. These investments have no defined maturity date, but are available for withdrawal after a notice period and their performance and continued suitability in meeting the Council's investment objectives is monitored regularly and discussed with Arlingclose
- 7.22. Given the exceptional impact of the COVID-19 crisis on financial markets, the investments in pooled funds have been reviewed with Arlingclose. Despite the current fall in capital values, Arlingclose's advice remains that these investments continue to be appropriate for the Council and will have a positive impact on the Council's investment income.

## 8. FINANCIAL IMPLICATIONS

- 8.1. The outturn for debt interest paid (HRA) in 2019/20 matched the budget set at £4.41m.
- 8.2. The outturn for investment income received in 2019/20 was £1.29m on an average investment portfolio of £78.64m, therefore giving a yield of 1.64%. In the context of 1.39% being achieved in 2018/19, and an original budgeted target of £0.857m, this is a positive outturn result for the Council.
- 8.3. The budget for interest payable (HRA) has been reduced within the base budget for 2020/21, in reflection of the principal repayments commencing from 2017/18. The Interest earning target for 2020/21 has been left at a level equivalent to the original budget for 2019/20, on the assumption that cash balances will reduce as a result of the Council implementing its Commercial and Residential Property Strategies. At the time of setting the budget, the fall in markets hadn't occurred, nor had the base rate reduction. The Council may well see a significantly lower return in 2020/21.

## 9. OTHER NON-TREASURY HOLDINGS AND ACTIVITY

- 9.1. The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.
- 9.2. This could include service investments for operational and/or regeneration reasons as well as commercial investments which are made mainly for financial reasons.
- 9.3. The Council's existing non-treasury investments are listed in Table 6 below.

Table 6 – Non-Treasury Investments	31/03/20 Asset value £m	31/03/20 Rate of Return
Hythe Marina	2.70	5.6%
Saxon Inn Calmore	0.18	7.0%
Meeting House Lane	0.13	-
New Milton Health Centre	2.33	5.97%
Ampress Car Park	2.10	4.48%
<b>Total</b>	<b>7.44</b>	<b>5.34%</b>

- 9.4. Two investment property purchases were made in 2019/20 pursuant to the Council's adoption of the Asset Investment Strategy in February

2017. One is included above (Ampress Car Park) as is immediately income earning (with the Rate of Return reflecting an annualised calculation). The other is not currently income earning as it is a bare land site that the Council intends to develop out into an industrial park.

9.5. The Investment Property note within the Annual Financial Report gives further information on the net gains / losses, and fair value movements.

## 10. COMPLIANCE REPORT

10.1. The Council confirms compliance of all treasury management activities undertaken during 2019/20 with the CIPFA Code of Practice and the Council's approved revised Treasury Management Strategy.

10.2. Compliance with the authorised limit and operational boundary for external debt, is demonstrated in Table 7 below.

Table 7: Debt Limits

	2019/20 Maximum £m	31/03/20 Actual £m	2019/20 Operational Boundary £m	2019/20 Authorised Limit £m	Complied
Total debt	135.5	131.3	186.3	201.6	✓

10.3. Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

## 11. TREASURY MANAGEMENT INDICATORS

11.1. The Council measures and manages its exposures to treasury management risks using the following indicators.

### Interest rate exposures

11.2. The following indicator shows the sensitivity of the County Council's current investments and borrowing to a change in interest rates.

Table 9 – Interest Rate Risk Indicator

	31 March 2020	Impact of +/- 1% interest rate change
Sums subject to variable interest rates		
Investment	£41.4m	+/- £0.4m
Borrowing	£0.0m	+/- £0.0m

11.3. Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

#### **Maturity structure of borrowing**

11.4. This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits show the maximum and minimum maturity exposure to fixed rate borrowing as agreed in the Treasury Management Strategy Statement:

Table 10: Refinancing rate risk indicator

	31/03/20 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	3%	25%	0%	✓
12 months and within 24 months	3%	25%	0%	✓
24 months and within 5 years	10%	25%	0%	✓
5 years and within 10 years	16%	25%	0%	✓
10 years and above	68%	100%	0%	✓

#### **Principal sums invested for periods longer than a year**

11.5. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

Table 11: Price risk indicator

	2019/20	2020/21	2021/22
Actual principal invested beyond a year	£19.6m	£16.6m	£16.6m
Limit on principal invested beyond a year	£40m	£40m	£40m
Complied	✓	✓	✓

## **12. OTHER**

12.1. IFRS 16 – CIPFA/LASAAC has proposed delaying the implementation of the new IFRS 16 Leases accounting standard for a further year to 2021/22.

## **13. CRIME AND DISORDER AND ENVIRONMENTAL IMPLICATIONS**

13.1. None arising directly from this report.



## 14. RECOMMENDATIONS

Members are recommended to:

14.1. consider the performance of the treasury function detailed in this report.

<b>Further information</b>	<b>Background papers</b>
Please contact;	The Prudential Code, CIPFA Guidance Notes and ODPM Investment Guidance
Rob Sarfas Senior Accountant Investments & Borrowing Hampshire County Council rob.sarfas@hants.gov.uk	Local Government Act 2003  SI 2003/3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
Alan Bethune Head of Finance (S151) New Forest District Council alan.bethune@nfdc.gov.uk	Treasury Management Strategy Report 2019/20 Audit Committee – 25 January 2019 Council – 25 February 2019  Treasury Management Mid-Year Monitoring Report 2019/20 Audit Committee – 25 October 2019  Treasury Management Strategy Report 2020/21 Audit Committee – 24 January 2020 Council – 24 February 2020

This page is intentionally left blank

AUDIT COMMITTEE – 10 JULY 2020

## CODE OF GOOD GOVERNANCE REVIEW ANNUAL REPORT OF THE MONITORING OFFICER AND CHIEF FINANCE OFFICER IN RESPECT OF 2019/20

### 1. INTRODUCTION

- 1.1 The Council's Monitoring Officer and the Chief Finance Officer are responsible for annually reviewing the Council's compliance against the adopted CIPFA/SOLACE Code of Good Governance - "*Delivering Good Governance in Local Government Framework 2016*" and reporting their findings and recommended actions. This review provides one of the assurance strands in support of the Annual Governance Statement, required under the Account and Audit Regulations 2015.
- 1.2 This report brings together the outcomes of the review carried out for 2019/20.

### 2. REVIEW OF COMPLIANCE

- 2.1 The good governance framework centres on the following 7 core principles.

<b>A</b>	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
<b>B</b>	Ensuring openness and comprehensive stakeholder engagement.
<b>C</b>	Defining outcomes in terms of sustainable economic, social and environmental benefits.
<b>D</b>	Determining how to best optimize the achievement of intended outcomes
<b>E</b>	Developing the entity's capacity, including the capability of its leadership and the individuals within it.
<b>F</b>	Managing risks and performance through robust internal control and strong public financial management.
<b>G</b>	Implementing good practices in transparency, reporting and audit to deliver effective accountability.

- 2.2 The Council's compliance with the Code has been assessed, and a summary of the findings is detailed in **Appendix 1**.
- 2.3 This assessment also considers progress made against the previous year's (2018/19) Action Plan, which was reported to Audit Committee in June 2019. The reported progress can be found in **Appendix 2**.
- 2.4 The main areas identified for further improvement arising out of this review are summarised below with detailed actions recommended in **Appendix 3**.

### **3. FINANCIAL IMPLICATIONS**

- 3.1 Although there are no direct financial implications arising from this report, good governance arrangements provide assurance in respect of financial management.

### **4. ENVIRONMENTAL MATTERS**

- 4.1 There are no environmental matters arising directly from this report.

### **5. CRIME AND DISORDER IMPLICATIONS**

- 5.1 Ethical behaviour in terms of avoiding fraud and corruption is an intrinsic element of good corporate governance and this report provides assurance in that regard.

### **6. EQUALITY AND DIVERSITY IMPLICATIONS**

- 6.1 There are no equality and diversity implications arising directly from this report.

### **7. CONCLUSIONS**

- 7.1 It is the view of the Monitoring Officer and Chief Finance Officer that the Council is able to have confidence in the effectiveness of its governance arrangements. This is illustrated by the few and relatively minor areas identified in **Appendix 3** for review.

### **8. RECOMMENDATIONS**

- 8.1 The Audit Committee notes the assessment carried out by the Monitoring Officer and the Chief Finance Officer and the actions set out in **Appendix 3**.

#### **For Further Information Please Contact:**

Grainne O'Rourke  
Monitoring Officer  
Tel: (023) 8028 5588  
E-mail: [grainne.orourke@nfdc.gov.uk](mailto:grainne.orourke@nfdc.gov.uk)

Alan Bethune  
Chief Finance Officer (S151)  
Tel: (023) 8028 5588  
E-mail: [alan.bethune@nfdc.gov.uk](mailto:alan.bethune@nfdc.gov.uk)

#### **Background Papers:**

Local Code of Good Governance-  
The New Framework March 2017

## Summary of the Council's compliance with its adopted Code of Good Governance for period 2019/20

Principle	Assessment of Monitoring Officer and Chief Finance Officer and Evidence
A. How does the organisation behave with integrity, demonstrating strong commitment to ethical values, and respect the rule of law?	Detailed and up to date Constitution on decision making including expected standards of conduct of both Members and officers. Good emphasis on Member Induction and Member Development generally. Sound rules on Procurement procedures and Contract Standing Orders which were reviewed within the last 2 years to ensure they are fit for purpose - Procurement Strategy 2018 - <a href="http://www.newforest.gov.uk/article/1070/Procurement-Strategy">http://www.newforest.gov.uk/article/1070/Procurement-Strategy</a> . Comprehensive Scheme of Delegations and transparent decision making processes. Robust financial procedures ensuring probity and openness in decision making. Protocols in place for statutory Chief Officers in carrying out their functions. Member and Officer Codes of Conduct in place, as well as an established complaints procedure. Register of Gifts and Hospitality for Members and Officers. Up to date whistleblowing policy, equality & diversity and data protection training modules in place. Good emphasis on ICT security through the Council's Security Policy which keeps abreast of emerging cyber security risks. Up to date Financial Regulations governing financial framework.
B. How does the organisation ensure openness and comprehensive stakeholder engagement?	Detailed Constitution on how the Council makes decisions including rights of stakeholders. Well established overview and scrutiny panels open to the public. Council's website includes published calendar of meetings, including agendas, minutes and key decisions of both members and officers; good FOI policies in place and sound system for dealing with requests for information and good emphasis on compliance with deadlines. Draft Local Plan approved (involved significant public consultation); robust Transparency Code; Annual Financial Report and Annual Governance Statement published. Good positive use of Social Media for Council business purposes i.e. Facebook; H&L, Mystery Shopper; Annual User Survey. Good engagement with relevant charities/voluntary groups providing training on universal credit. Work with libraries to assist with the digital champion programme and welfare reforms continues. Hometalk magazine produced twice a year ensuring good liaison with Council tenants. Well established Tenants' Involvement Group to discuss housing matters. Multi-Agency Forum for homelessness established bringing together community groups and other public sector groups to ensure wider and better engagement on the key issue of homelessness. Employee survey conducted 19/20. Draft Partnership Register produced, which was a key action from last year's (18/19) review.

<p>C. How does the organisation define outcomes in terms of sustainable economic, social and environmental benefits?</p>	<p>Good standard of reports; Corporate Plan; Corporate Framework; Draft Local Plan ; risk management strategy; Annual Performance and Budget Outturn report; Procurement rules, Regulations and Contract Standing Orders; good compliance with Environmental Information Regulations (EIR); Medium Term Financial Plan; Capital Programme – all add to the achievement of positive economic, social and environmental benefit. Significant work ongoing in Planning to ensure schemes enhance the environment. The Economic Development Section supports sustainable development and works with the local community to facilitate new businesses with upskilling and supporting measure to improve the skills of the existing workforce.</p>
<p>D. How does the organisation determine how to best optimize the achievement of intended outcomes</p>	<p>Evidence of well thought out processes involving key officers including EMT at relevant stages of new projects/initiatives. Well established reporting to Cabinet, Audit Committee and Overview and Scrutiny Panels in place with stakeholder engagement also achieved through bespoke Task and Finish Groups. Clear decision making protocols in place. Corporate Plan sets out the overall Council strategy and key priorities. Publication of annual performance reporting including key performance indicators. Regular Medium Term Financial Planning sets overall context of financial challenges. Risk Register sets overall context for risk management. The Corporate Framework, supported by Overview and Scrutiny Panels, articulates how the Council's priorities are to be delivered through strategies that will help support that delivery.</p>
<p>E. How does the organisation develop the entity's capacity, including the capability of its leadership and the individuals within it?</p>	<p>Cabinet of 8 Members, each with distinct areas of responsibility. Good use of Task and Finish Groups to utilise 'Back Bencher' Members on bespoke projects/issues; detailed Constitution; good Member Induction and Member Development Programme; Annual Workforce report; Good emphasis on development of individuals generally through continuous professional learning programmes and opportunities for self-development. Well established annual appraisal process. Opportunities for secondments and apprenticeships; benchmarking; training programmes in existence including Health &amp; Safety, Fire Safety, Safeguarding, Equalities, Social Media; Staff 1:1s; Employee Survey 19/20. In recent years, reviews of senior management and structures have brought about positive changes to meet the challenges of the future with emphasis remaining on the delivery of quality services to the community. Regular EMT visits to teams within the organisation and Chief Executive communications.</p>

<p>F. How does the organisation manage risks and performance through robust internal control and strong public financial management?</p>	<p>Detailed and up to date Constitution. Well established reporting to Audit Committee and Overview and Scrutiny Panels in place with good emphasis on member induction and input. Risk Management Strategy in place, as well as Strategic and Service Risk Registers. Strong emergency response plan and suitable training of key officers on emergency planning scenarios. Financial Regulations have recently undergone extensive review to ensure they are suitable and fit-for-purpose. Robust financial procedures ensuring probity and openness in making decisions. Detailed Medium Term Financial Planning and Financial Monitoring reporting throughout the year. Suitable level of expertise within the finance and audit functions. External Audit of Annual Financial Report including value for money opinion. Risk based internal auditing service/planning, with progress regularly reviewed by the Audit Committee. Key strategies and policies in place; Anti-Fraud and Corruption Strategy; Information Governance Policy; Information Asset Register; ICT Security Policy; GDPR Action Plan. Good testing of business continuity in light of COVID-19 has demonstrated that the Council can react to working remotely and in very different ways to deliver services to the community.</p>
<p>G. How does the organisation implement good practices in transparency, reporting and audit to deliver effective accountability?</p>	<p>Well established reporting to Cabinet, Audit Committee and Overview and Scrutiny Panels. Council website includes published calendar of meetings, including agendas, minutes and key decisions of both members and officers. Transparency pages on website gives information on contracts, payments to suppliers, access to information and other useful information. Clear decision making protocols and detailed Scheme of Delegation so that accountability for decisions is clear. Financial responsibility and accountability understood by senior management and members alike. Auditors prepare and present independent Annual Opinion Report, and regular updates on audit plan progress. Sound and suitably resourced internal audit service. Detailed Medium Term Financial Planning and Financial Monitoring reporting throughout the year. Regular financial updates provided by Finance Service to accountable officers. Peer review undertaken within last 3 years which provided positive feedback along with recommended actions. These have been considered and actioned appropriately. Annual Governance Statement reviewed by Audit Committee and external audit. New approach to the provision of Internal Audit through the Southern Internal Audit Partnership (hosted by Hampshire County Council) going very well.</p>

## Progress against Actions arising from the previous year's Code of Good Governance Review

Topic	Action	Responsible Officer	Deadline	Follow up status
Business Continuity Arrangements	To review Business Continuity arrangements	Executive Heads with Service Managers	End of March 2019	Good joint work underway with Hampshire County Council to test the Council's approach to business continuity. Also the Council's response to the Covid-19 pandemic starting March 2020 enabled it to fully test its business continuity arrangements with positive results. The new Covid-19 Task and Finish Groups will examine the outcome of the Council's response and will consider future ways of working and make appropriate recommendations.
ICT Security Policy/ Cyber Risk	Ongoing review of the ICT Security Policy to include emerging Cyber Security risks	Rob Beere/Executive Head	End of March 2019	As with any organisation, the Council is at risk of external attempts to breach its security. The Council has dedicated extra resources to focus on reducing its exposure to such risks as far as reasonably practicable. The key attack risks are phishing, password attacks, malware, interception of messages and SQL injection. To mitigate each risk the Council has installed monitoring software which aims to ensure attempted attacks are blocked, registered and analysed. In addition, the Council has signed up to Beazley's cyber insurance policy. This provides financial compensation and practical help in dealing with the consequences and impacts of a serious cyber-attack. In addition, the Council has in place mandatory training modules for all staff to ensure they understand how to avoid becoming victim to an attack or exposing the Council to vulnerabilities through email or insecure websites.



Partnership Register	An accurate and up to date Partnership Register is required to ensure fit for purpose terms of reference, risks of collaborative working and the added value of partnerships all of which should be suitably documented	Beccy Drummond/Executive Heads	End of March 2019	A draft Partnership Register now produced. The Partnership Register will be finalised by the Monitoring Officer and the Chief Finance Officer prior to it proceeding through the decision making process.
PCI Accreditation	To agree the Council's strategy with regards to achieving the necessary accreditation	Alan Bethune	End of March 2019	Work is underway on PCI accreditation in light of the recent changes to the Finance System and Telephone Payment System.

### APPENDIX 3

#### Actions arising from the Good Governance Review 2019/20

Topic	Responsible Officer	Deadline
To review the robustness and adequacy of governance arrangements and decision making in respect of the Council's HRA development programme including the development of a Housing Development Plan.	Executive Heads/EMT	March 2021
To review the robustness and adequacy of governance arrangements and decision making in connection with the Council's Commercial Property Investment Strategy	Executive Heads/EMT	March 2021
To review the implementation of the Council's performance development framework with particular emphasis on the production of Service specific 'performance dashboards' to complement Portfolio Holder dashboards to ensure consistency across the Council.	Executive Heads/EMT	March 2021

## AUDIT COMMITTEE – 10 JULY 2020

### DRAFT ANNUAL GOVERNANCE STATEMENT – 2019/20

#### 1. INTRODUCTION

- 1.1 As prescribed by the Account and Audit Regulations 2015, regulation 13, the Council is required to produce an Annual Governance Statement (AGS) following an assessment of its governance framework.
- 1.2 The Leader of the Council and the Head of Paid Services (Chief Executive) are required to sign the AGS and be satisfied that the document is supported by reliable evidence. It will be published with the Annual Financial Report and provided to the External Auditor for review.

#### 2. THE ANNUAL GOVERNANCE STATEMENT (AGS)

- 2.1 The Statement seeks to demonstrate that the Council's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. There is a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which the Council's functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.2 In compiling the Statement, the Council has regard to its Internal Control arrangements including the outcomes of the annual Good Governance Review, risk registers, any external auditor reports and other management arrangements. It further considers the process applied in maintaining and reviewing the governance framework including the authority itself, the executive, audit/scrutiny committees and other assurance mechanisms.
- 2.3 Whilst the Council maintains high standards of governance and internal control, some areas for improvement have been identified by the review process mentioned above. These have been reported in the AGS. An Action Plan has been developed accordingly and this will be monitored by the Council's Executive Management Team and Audit Committee.
- 2.4 Whilst the AGS covers the period 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020, the document remains open for update until it is approved at the end of October 2020 and can make reference to any significant matters that arise.
- 2.5 The Statement has been reviewed by the Executive Management Team. The draft AGS for 2019/20 is attached in Appendix 1.

#### 3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial consequences arising directly from this report.

#### 4. EQUALITIES & DIVERSITY AND ENVIRONMENTAL MATTERS

- 4.1 There are no equalities & diversity or environmental matters associated with this report.

#### 5. CRIME & DISORDER IMPLICATIONS

- 5.1 There are no crime and disorder issues arising directly from this report.

## **6. CONCLUSIONS**

- 6.1 The Annual Governance Statement reports that the Council has sound levels of internal control and good governance arrangements.
- 6.2 The Statement does identify some areas for improvement and these will be managed by the Council's Executive Management Team.

## **7. RECOMMENDATIONS**

- 7.1 That the Audit Committee approves the draft Annual Governance Statement for the Financial Year ended 31<sup>st</sup> March 2020 as reported in Appendix 1.

### **For Further Information Contact**

Alan Bethune  
Chief Finance Officer (S151)  
[alan.bethune@nfdc.gov.uk](mailto:alan.bethune@nfdc.gov.uk)

Grainne O'Rourke  
Executive Head – Governance & Housing  
[grainne.orourke@nfdc.gov.uk](mailto:grainne.orourke@nfdc.gov.uk)

### **Background Papers**

Delivering Good Governance in Local  
Government Framework 2016

**THE ANNUAL GOVERNANCE STATEMENT  
NEW FOREST DISTRICT COUNCIL  
2019/20**

## 1. Scope of Responsibility

New Forest District Council is responsible for ensuring that its business is conducted in accordance with the law, proper standards are adhered to and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. It has a duty under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to best value. In discharging this overall responsibility New Forest District Council is required to have in place proper arrangements for the governance of the Council's affairs, facilitating the effective exercise of its functions and arrangements for the management of risk.

New Forest District Council has approved and adopted a Code of Good Governance, which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". This Statement explains how New Forest District Council has complied with the Code and also meets the requirements of regulation 13 of the Accounts & Audit Regulations 2015 in relation to the publication of a statement of corporate governance.

## 2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, as well as the culture and values, by which the authority is directed and controlled and its activities, through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievements 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 that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure in delivery of policies, achieving aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing 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 materialising and the impact should they be realised, and to manage them efficiently, effectively and economically.

## 3. The Governance Framework

The good governance framework centres on the following 7 core principles:

<b>A</b>	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
<b>B</b>	Ensuring openness and comprehensive stakeholder engagement.
<b>C</b>	Defining outcomes in terms of sustainable economic, social and environmental benefits.
<b>D</b>	Determining the interventions necessary to optimize the achievement of the intended outcomes.
<b>E</b>	Developing the entity's capacity, including the capability of its leadership and the individuals within it.
<b>F</b>	Managing risks and performance through robust internal control and strong public financial management.
<b>G</b>	Implementing good practices in transparency, reporting and audit to deliver effective accountability.

Following District elections in May 2019, 'Community Matters', the Council's Corporate Plan for 2020-2024 was approved in March 2020 and focuses on the challenges faced and the plans to address them. It recognises the ongoing financial constraints, whilst building on the strong financial position created and sets priorities that matter to the people of the District to deliver a prosperous New Forest and put the community first.

The Council is concerned to ensure that quality of service delivery is maintained at a time of financial constraint and uses a variety of mechanisms to assess this. This helps inform future service delivery.

The Council continually revises its Medium Term forecast according to latest information received around likely funding levels and expenditure increases. The Council's current strong financial position and on-going efficiencies programme (including the development of new income generation initiatives) will help protect front-line service delivery and is underpinned by the healthy General Fund reserve, will enable the Council to respond to changes accordingly.

During 2020, the world-wide Coronavirus COVID-19 pandemic has impacted global economies in ways that haven't been seen for decades. The UK's response has included an unprecedented package of financial measures to try and protect the UK economy.

Local Authorities have been significantly impacted with disruption to services, enforced home-working, new legislation and responsibilities and more recently playing a role in the recovery phase.

At a meeting in June, the Council's Cabinet agreed that the Council would need to re-cast the Medium Term Financial Plan, including the provision of an Emergency Budget for 2020/21 in light of the severity of the impact to the Council's budget. Four Task and Finish Groups have been established to assist in the Council's recovery plan and meetings commenced in the week of 22/06/2020.

Over the years, the Council has developed a number of successful joint or collaborative working arrangements with other public partners. This has continued into 2019/20 and includes arrangements with Hampshire County Council (in respect of Audit and Treasury functions) and a joint Information Office 'The Ringwood Gateway' between Ringwood Town Council, HCC and the District Council.

The Council's Constitution sets out how the Council operates, including the roles, responsibilities and relationships between Council, the Executive (Cabinet), Audit Committee and other bodies such as the Overview and Scrutiny Panels and Officers in respect of policy and decision-making processes. There is a comprehensive scheme of delegations to officers to ensure timely decision-making. The Constitution also sets out details on Codes of Conduct and key policies such as Financial Regulations and Contract Standing Orders as to Contracts. It is important that the Council operates efficiently and transparently and is accountable to the local people.

The Constitution is reviewed and updated where opportunities for improvement are identified.

The Risk Management Framework is in place to ensure that risks to the Council in achieving its strategic objectives, both at a corporate and service level, are more consciously identified, assessed and managed. It aligns risk with existing arrangements, in particular the performance management framework with an assessment of risk forming part of the Service Planning processes.

In 2016 CIPFA/SOLACE carried out a review of their framework to ensure that it still reflects the environment in which Councils are operating and to also reflect the International framework which had been developed by CIPFA and the International Federation of Accountants (IFAC) in 2014. As a result of their review in April 2016 CIPFA/SOLACE published a new framework document "Delivering Good Governance in Local Government Framework 2016 Edition" with the key focus of governance processes and structures centring on the attainment of sustainable economic,

societal and environmental outcomes. Council approved the revised code in April 2017 which follows the recommended text in the CIPFA/SOLACE framework.

#### **4. Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior statutory officers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

This Council has always maintained a strong internal control environment and sees risk management as an integral part of everyday management. It has long established principles on the way its business is conducted enabling good governance and control of risk. Factors that influence the control environment include; integrity, ethics, operating style and the way management and members assign responsibility and authority.

A summary of the review activities undertaken during 2019/20 are included below:

1. A number of Council policies were reviewed or new Plans/Policies implemented including:
  - The Local Plan;
  - A new Housing Allocation Policy;
  - Compulsory Purchase and Overriding Easements Policy;
  - Gas Safety, Legionella, Lifts and Lifting Equipment Policy;
  - Void and Mutual Exchange Policy;
  - ICT Security Policy updated;
  - The Council's Publication Scheme (which is updated regularly)
2. The Council's Executive Management Team has remained unchanged throughout 2019/20 offering continuity in the top tier of management within the Council.
3. The Council's arrangements for financial management and reporting are sound and are well documented. Proposals for asset maintenance expenditure are supported by a business case as are new requests for revenue resources. These are scrutinised initially by EMT and the relevant Service Portfolio Holder prior to inclusion within the budget setting process. The financial planning process also includes a review of proposals by the relevant Overview and Scrutiny Panels, before final budgetary proposals and the council tax levels are considered and approved by Council each year.
4. Financial monitoring is achieved by regular budgetary control reports to nominated budget holders, Executive Management Team, the relevant Portfolio Holder, and Cabinet. All elected Members have access to Cabinet Agendas and the financial reports; a process is in place to enable members to request additional, more detailed information and question any financial issues. Strong Overview and Scrutiny arrangements in place with an annual report of work carried out presented to Council.
5. In line with the continuous improvement culture of the Council, it is recognised that all Members and Officers of the Council must have the skills, knowledge and capacity that they need to discharge their responsibilities effectively and therefore significant emphasis is placed on continuous improvement and development. Following the elections in May 2019, a number of training sessions were arranged and run for all newly elected, and re-elected councillors.
6. The responsibility of S151 functions sits with the Chief Finance Officer who undertakes that statutory role. The Executive Head of Governance and Regulation is the Monitoring Officer, which is also a statutory role. All committee reports are reviewed by members of the Executive Management Team, as well as being provided to the Executive Head of

Governance and Regulation (who is also the Council's Solicitor), prior to any decisions being made. This safeguards the Council to ensure that decisions are taken lawfully and that risks are properly considered.

7. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). A review of the Council's Financial Regulations was completed during 2017/18 with the new regulations presented to and endorsed by the Audit Committee. The new regulations went live during April 2018, following approval by full Council.
8. Performance Management ensures strategic monitoring with a focus on organisational and service based indicators, reflecting the aims and objectives of the Corporate Plan. A review of the Council's Performance Management Framework commenced during 2019/20 in light of the new Corporate Plan and will be finalised during 2020/21.
9. The Audit Committee meet regularly and training is available to all members to ensure they are clear in their responsibilities in providing an independent assurance to the Council in relation to the effectiveness of the Council's internal control environment, in accordance with Regulation 6 of the Accounts and Audit (England) Regulations 2015.
10. The Council reviewed its insurance and risk management arrangements and employed a new officer during 2019/20 with responsibility for these respective areas. The Council's approach to risk management has been long standing, although the annual review originally scheduled for March 2020 was temporarily postponed. The review and associated update to the Audit Committee will take place during 2020/21.
11. Internal Audit forms part of the internal control framework. It is a mandatory function whose primary aim is to ensure that the Chief Financial Officer's responsibilities, to maintain proper control over the Council's financial affairs, as defined by Section 151 of the Local Government Act 1972, are fully met. The Audit Committee has reviewed and approved the risk based audit plan and progress reports against the audit plan throughout the year. This risk based audit plan was also approved by the Section 151 Officer and the Executive Management Team. The Committee has also received reports and updates from the External Auditor.
12. The Internal Audit function is provided by the Southern Internal Audit Partnership (operated by Hampshire County Council) and accords with the Public Sector Internal Audit Standards. Internal Auditors are trained and have acted independently, objectively and ethically at all times. The Internal Audit Charter was approved during the year.
13. The Principal Auditor's annual opinion report, concluded that whilst Internal Audit are unable to give absolute assurance, the results of the reviews completed during the year have resulted in his overall opinion that:
  - sufficient assurance work has been carried out to allow a reasonable conclusion on the adequacy and effectiveness of New Forest District Council's internal control environment
  - New Forest District Council's framework of governance, risk management and control is 'Adequate' and audit testing has demonstrated controls to be working in practice
  - where weaknesses have been identified through internal audit review, Internal Audit have worked with the Council's management to agree appropriate corrective actions and a timescale for improvement.
14. Ernst & Young acts as the Council's independent external auditor. The Section 151 Officer and Chair of Audit Committee have responded openly to the External Auditor under the requirements of the International Auditing Standards.
15. All organisations, worldwide face increasing cyber related threats. The Council maintains sound standards and continually reviews opportunities to further strengthen these. The Council is a member of the Cyber security Information Sharing Partnership (CISP) and has



signed up the South East Government Warning, Advisory and Reposting Point (providing information, knowledge and alerts on threat and incidents. The Audit Committee received an update during 2019/20 on cyber risks, and as a result of an adopted recommendation from that meeting, has since taken out a cyber insurance policy. ICT also reviewed the ICT Security Policy during 2019/20.

16. Internal Audit has reported an 'Adequate' opinion on the overall control environment. Three limited assurance audit opinions were given and monitoring of progress against the management actions of these audits has been conducted during 2019/20 and will continue into 2020/21 where necessary. The following audit areas have previously received high priority recommendations:
  - Payment Card Industry Data Security Standard Accreditation
  - Business Continuity
    - Good joint work underway with Hampshire County Council to test the Council's approach to business continuity. Also the Council's response to the Covid-19 pandemic starting March 2020 enabled it to fully test its business continuity arrangements with positive results. The new Covid-19 Task and Finish Groups will examine the outcome of the Council's response and will consider future ways of working and make appropriate recommendations.
17. The Council has developed an accurate and up to date draft Partnership Register during the year to ensure that terms of reference, the risks of collaborative working and the added value of partnership working is reviewed and suitably documented.
18. During 2019/20, the Council undertook a significant project to replace the aging and largely unsupported Financial Management System. Governance on this project was provided by way of a formal Board, containing 2 Executive Officers from the Council (including the S151 Officer), 2 Cabinet Members, 2 representatives from our third party implementation partner and our client manager from the software provider. During the implementation of this difficult project, a key motivation and outcome was to move away from extreme levels of NFDC customisations to the more standard product and processes that are used more readily across the user base.

## **5. Significant Governance Issues**

Whilst there have been a number of improvements made throughout the year, the Council constantly strives for continuous improvement. The following significant areas will be included in the action plan:

1. Payment Card Industry Data Security Standard Accreditation
2. A review of the new workflow processes as included within the new Finance System to ensure their appropriateness in offering suitable financial control and management

## **6. Certification**

To the best of our knowledge, governance arrangements, as defined above, have been in place at New Forest District Council for the year ended 31<sup>st</sup> March 2020 and up to the date of approval of the annual report and statement of accounts.

We propose to take steps over the coming year to address those areas identified above to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

*Signed:* .....

**Leader of the Council**

*Signed:* .....

**Chief Executive**

*Date:* .....

*Date:* .....

**Annual Governance Statement Action Plan for 2020/21**

<b>Heading</b>	<b>Update / Action</b>	<b>Responsible</b>	<b>Target</b>
PCI Accreditation	<p>Work is underway on PCI accreditation in light of the recent changes to the Finance System and Telephone Payment System.</p> <p>Action: to finalise the process in relation to seeking PCI accreditation</p>	Chief Finance Officer	March 2021
Finance System Workflow	<p>Following the implementation of the new finance system which went live on 1/4/20, a review will be undertaken to provide assurance on the suitability of the adopted workflow processes imbedded within it.</p> <p>Action: to complete an audit review of the new workflow processes within the new Finance System</p>	Chief Finance Officer	March 2021

This page is intentionally left blank

## DRAFT ANNUAL FINANCIAL REPORT 2019/20

### 1. Introduction

- 1.1 The Council's statutory Annual Financial Report, which includes 6 Statements of Account, will be presented to this Committee in October, after completion of the external audit (taking place throughout September). Prior to submission for audit, by the deadline of 31 August (see 1.2), it will be signed by the certified Responsible Financial (S151) Officer as complete and presenting the position of the Council, as at 31 March 2020.
- 1.2 New 'Accounts and Audit (Coronavirus)(Amendment) Regulations 2020' came into force from 30 April 2020, which had the effect of extending the draft accounts publication date from 31 May 20 to 31 August 20, and the audit timeline back from 31 July 20 to 30 November 20. It is the intention of the Council's Responsible Financial Officer to release the draft Annual Financial Report to the external auditor ahead of the revised publication deadline.

### 2. Purpose of the Report

- 2.1 This report updates Members on progress to achieve the required timetable, to advise Members of key issues in the planned report and to seek Members approval for any changes to Accounting Policies (if applicable).

### 3. Statement of Accounts Position

- 3.1 The Council is required to include the following accounting statements within the Annual Financial Report:
  - 1a) Comprehensive Income and Expenditure Statement
  - 1b) Expenditure and Funding Analysis (in NFDC management format)
  - 2) Movement in Reserves
  - 3) Balance Sheet
  - 4) Housing Revenue Account
  - 5a) Collection Fund – Council Tax
  - 5b) Collection Fund – Business Rates
  - 6) Cash Flow Statement
- 3.2 The draft Accounting Statements for 2019/20, prior to external audit, are set out in Appendices 1 – 6. The Expenditure and Funding Analysis Statement included as appendix 1b, is a supporting statement to the Comprehensive Income and Expenditure Statement.
- 3.3 The full Draft Unaudited Annual Financial Report will be made available on the Council's Website before the statutory deadline of 31 August 20. Should any member of the Audit Committee wish to raise any queries on the statement before the October Committee meeting, the contact details for the Council's Head of Finance are included at the foot of this report.

#### 4. Accounting Policy Changes and Other Key Issues

- 4.1 There has been no requirement to change any Accounting Policies for 2019/20.
- 4.2 From 2020/21, the Council's new Finance System supports a more accurate costing methodology for the issue of stock from the Council's central store. The previous policy of issuing stock at average price will be replaced with the more commonly used FIFO method, representing 'First in First Out'. Business units will be charged for items removed from stores based on the value the Council paid for those specific items.
- 4.3 Previous years' reports highlighted changes to the Business Rates Retention scheme that took place in April 2013 and the need for the Council to hold a provision for anticipated successful appeals against rating assessments. As at 1 April 2019 the total provision was £9.975 million, of which the Council's share totalled £3.990 million (40%). Table 1 confirms the movements in the provision during 2019/20, and the revised balances as at 31 March 2020:

<b>Table 1</b>	<b>Total</b>	<b>NFDC</b>
	<b>£'000</b>	<b>£'000</b>
Appeal Provision 1 April 2019	(9,975)	(3,990)
Additional Provisions Made 2019/20	(2,340)	(936)
Amounts Used 2019/20	2,745	1,098
<b>Appeal Provision 31 March 2020</b>	<b>(9,570)</b>	<b>(3,828)</b>

- 4.4 New Forest District Council has been significantly impacted by the Coronavirus COVID-19 pandemic. In producing the accounts to 31 March 2020, the impact has been considered in the context of a Post Balance Event, but ultimately no adjustment is necessary in terms of the accounts being produced in a manner befitting with a 'Going Concern' status, and appropriate narrative has been included within the notes confirming the basis of property valuation in the context of 'Material Valuation Uncertainty'.

#### 5. Summary of Financial Position

- 5.1 The Comprehensive Income and Expenditure Statement and Balance Sheet show the value of the Council's net worth to have decreased by £7.322 million during 2019/20 (of which £7.306 million has reduced usable reserves as shown below). The value of net assets held by the Council now totals £273 million. The principal reasons and the breakdown of this year-on-year decrease between the various reserves are summarised as follows:

	<b>£'000</b>		
Net Increase in PPE Assets	3,520		5,535
Community Assets	325		(1,073)
Assets Under Construction	(2,361)		(616)
Increase in Investment Property	4,273		(326)
Decrease in Long-Term Investments	(10,150)		<u>3,520</u>
Decrease in Short-Term Investments	(8,746)		
Increase in Short-Term Debtors	1,152		
Increase in Short-Term Creditors	(5,946)		
Increase in Cash and Cash Equivalents	12,679		
Decrease in Long-Term Borrowing	4,301		
Decrease in Provisions	388		
Increase in Pensions Liability	(6,378)		
Capital Grants - Receipts in Advance	(376)		
Developers' Contributions - Receipts in Advance	62		
Increase in Long-Term Debtors	99		
Inventories	(53)		
Increase in Bad Debt Provision	(238)		
Short-Term Borrowing	1		
Developers' Contributions - Receipts in Advance	126		
Net Other	(3)		
	<u>(7,322)</u>		
	<b>Usable Reserves</b>	<b>Unusable Reserves</b>	
Earmarked Reserves	(5,844)	3,537	Revaluation Reserve
Capital Programme Reserve	(2,118)	3,849	Capital Adjustment Account
Capital Receipts Reserve	(1,183)	(1,391)	Financial Instruments Revaluation Reserve
Community Infrastructure Levy Unapplied	1,118	3	Deferred Capital Receipts Reserve
Developers' Contributions Unapplied	721	(6,378)	Pensions Reserve
		353	Collection Fund Adjustment Account
		11	Accumulating Absences Adjustment Account
	<u>(7,306)</u>	<u>(16)</u>	

5.2 Usable reserves have reduced by £7.306 million, with the majority being down to a £5.994 million reduction in the (Earmarked) Housing Acquisition and Development Reserve. The Council will utilise cash reserve first ahead of any new external borrowing to avoid unnecessary cost of carry when considering the financing arrangements for the Capital Programme (including the additional housing being acquired and developed by the Council; 5,120 owned Council dwellings as at 31 March 20, up 66 on the previous year).

5.3 The 2019/20 original net budget requirement for the General Fund was £17.493 million, an increase of £250,000 from 2018/19. The Council's budget anticipated being funded £12.3 million from Council Tax (including a £5 increase) and £5.7 million from retained business rates. In order to support the delivery of a balanced budget over the Medium Term and to flatten out Business Rate Collection Fund adjustments, the budget allowed for £748,000 to be credited to the Budget Equalisation Reserve.

- 5.4 Net income shortfalls and additional expenditure pressures in services during the year were £859,000 (£1.284 million in services partially offset through direct transfers from earmarked reserves of £425,000). A one-off VAT refund of £834,000 was received and Interest Earnings were £436,000 ahead of the original target. Retained business rates were £527,000 below the original budget; this has resulted in a lower credit transfer to the Budget Equalisation Reserve.
- 5.5 The Housing Revenue account deficit for 2019/20 was £757,000 compared with an originally budgeted break-even position. Income was £286,000 higher than originally budgeted, and Repairs and Maintenance spend £753,000 higher than originally budgeted due in part to the revised Voids policy adopted by the Council part way through the year and as a direct consequence of the number and type of reactive jobs required during the year. There was an increased level of Supervision & Management expenditure in comparison to the original budget as a result of the structural changes approved during the year. The balance on the account as at 31 March 2020 was retained at £1 million, after allowing for the transfer of £757,000 from the earmarked Housing Acquisitions and Developments Reserve. The budget for 2020/21 anticipates a break-even position for the year.
- 5.6 The level of approved capital expenditure is reviewed regularly throughout the year, to ensure that it is achievable within the estimated resources available. The original Capital Programme for 2019/20 (including the gross value of the Coastal Regional Monitoring Programme) was £27.919 million. This was initially supplemented by rephasings of £1.660 million from 2018/19. A review of the programme during the year as reported through Financial Monitoring increased the approved budget to £34.810 million. Actual expenditure of £27.481 million was £7.329 million less than the last approved budget, predominately in relation to lower expenditure on Housing Acquisitions and scheme rephasings to 2020/21.
- 5.7 The strategy to diversify investments in a variety of pooled funds has continued in 2019/20. Interest earnings have increased to £1.29 million in 2019/20. The impact of the COVID-19 pandemic on financial markets at the end of the financial year meant that the Council's investments in its pooled funds suffered a £1.3m fall in capital value (9.82%) over the year to 31 March 2020, however this loss will only be realised if the assets are sold before they have regained their value. Under the accounting standard IFRS 9 the Council must in the meantime defer these fair value losses to the Financial Instruments Revaluation Reserve until at least 2023/24.
- 5.8 The Council's Balance Sheet shows a net pension liability of £99.470 million; an increase of £6.378 million from 31 March 2019. Whilst this has a substantial impact on the net worth of the Council, as recorded in the Balance Sheet, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, as the liabilities under the scheme will be made good by increased contributions over the working lives of employees. The Pension Fund actuary completed their 3 yearly actuarial review during 2019/20, resulting in individual primary rate contribution percentage for each scheme member (at organisation level) and confirming the elimination of the fund deficit, resulting in 0% deficit contributions required for the 3 years covering 2020/21 – 2022/23.



## 6. Recommendations

- 6.1 That the Committee note the draft Accounting Statements set out in Appendices 1-6 (which are a summary) of the Annual Financial Report that will be certified by the Responsible Financial (S151) Officer for submission to the external auditor by the deadline of 31 August.

### **For Further Information Please Contact:**

Alan Bethune

Head of Finance (S151)

Telephone: (023) 8028 5588

E-mail: [Alan.Bethune@nfdc.gov.uk](mailto:Alan.Bethune@nfdc.gov.uk)

This page is intentionally left blank

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2018/19					2019/20		
Gross Expend £000	Gross Income £000	Net Expend £000		Note	Gross Expend £000	Gross Income £000	Net Expend £000
2,354	(505)	1,849	Community Affairs		2,566	(562)	2,004
12,465	(3,328)	9,137	Environment and Regulatory Services		12,996	(3,290)	9,706
46,650	(38,986)	7,664	Finance, Investment and Corporate Services		40,250	(34,327)	5,923
6,544	(5,053)	1,491	Housing Services		6,901	(4,573)	2,328
44	0	44	Leader and Corporate Affairs		45	0	45
8,488	(7,251)	1,237	Leisure and Wellbeing		9,894	(7,253)	2,641
637	(392)	245	Economic Development		837	(614)	223
6,514	(5,556)	958	Planning and Infrastructure		7,489	(5,457)	2,032
83,696	(61,071)	22,625	General Fund		80,978	(56,076)	24,902
22,324	(27,641)	(5,317)	Housing Revenue Account		28,492	(28,002)	490
<b>106,020</b>	<b>(88,712)</b>	<b>17,308</b>	<b>Cost of Services</b>	5	<b>109,470</b>	<b>(84,078)</b>	<b>25,392</b>
			<b>Other Operating Expenditure</b>				
5,738			Town and Parish Council Precepts		6,106		
574			Payments to the Government Housing Capital Receipts Pool		574		
	(1,231)		(Gains)/Losses on the disposal of Non-Current Assets			(1,365)	
0	0		VAT Assessment / (Refund)		358	(1,192)	
80	(800)		Car Parks Non Domestic Rates Refund		0	0	
		<b>4,361</b>	<b>Total Other Operating Expenditure</b>				<b>4,481</b>
			<b>Financing and Investment Income and Expenditure</b>				
			Interest Payable and Similar Charges:				
40			- General Fund		26		
4,411			- HRA		4,339		
9			Expected Credit (Gain)/Loss on Investments			(1)	
	(108)		Changes in the fair value of Investments		1,419	(27)	
	(1,192)		Other Investment Income			(1,339)	
2,410			Net interest on the net defined benefit liability/(asset)	43	2,164		
	(788)		Income, expenditure and changes in the fair value of Investment Properties	12		(109)	
		<b>4,782</b>	<b>Total Financing and Investment Income and Expenditure</b>				<b>6,472</b>
			<b>Taxation and Non-Specific Grant Income</b>				
	(17,851)		Council Tax Income (incl. Parish precepts)			(18,660)	
	(5,903)		Non-Domestic Rates Income and Expenditure	45		(5,514)	
	(795)		Unringfenced Government Grants	45		(526)	
	(3,686)		Capital Grants and Contributions	45		(2,407)	
		<b>(28,235)</b>	<b>Total Taxation and Non-Specific Grant Income</b>				<b>(27,107)</b>
119,282	(121,066)	<b>(1,784)</b>	<b>(Surplus)/Deficit on the Provision of Services</b>		124,456	(115,218)	<b>9,238</b>
	(4,230)		(Surplus)/Deficit arising from the revaluation of Property, Plant and Equipment Assets			(3,577)	
(8,540)		<b>(12,770)</b>	Re-measurement of the defined benefit liability/(asset)	43	1,661		
			<b>Other Comprehensive Income and Expenditure</b>				<b>(1,916)</b>
		<b>(14,554)</b>	<b>Total Comprehensive Income and Expenditure</b>	5			<b>7,322</b>

**EXPENDITURE AND FUNDING ANALYSIS**  
(supporting note to the Comprehensive Income and Expenditure Statement)

	Income and Expenditure chargeable to the General Fund and HRA	Adjustments between the Funding and Accounting Basis	Net Expenditure for the equivalent amounts in the Comprehensive Income and Expenditure Statement
	£000	£000	£000
<b>2019/20:</b>			
Community Affairs	1,857	147	2,004
Environment and Regulatory Services	8,765	941	9,706
Finance, Investment and Corporate Services	5,234	689	5,923
Housing Services	2,125	203	2,328
Leader and Corporate Affairs	43	2	45
Leisure and Wellbeing	1,144	1,497	2,641
Economic Development	(88)	311	223
Planning and Infrastructure	1,473	559	2,032
General Fund	20,553	4,349	24,902
Housing Revenue Account	(8,436)	8,926	490
<b>Cost of Services</b>	<b>12,117</b>	<b>13,275</b>	<b>25,392</b>
Total Other Operating Expenditure	5,272	(791)	4,481
Total Financing and Investment Income and Expenditure	2,938	3,534	6,472
Total Taxation and Non-Specific Grant Income	(24,701)	(2,407)	(27,108)
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>(4,374)</b>	<b>13,611</b>	<b>9,237</b>
Other Comprehensive Income and Expenditure	12,336	(14,251)	(1,915)
<b>Total Comprehensive Income and Expenditure</b>	<b>7,962</b>	<b>(640)</b>	<b>7,322</b>
Opening General Fund and HRA Balances	(4,000)		
Less Deficit/(Surplus) on General Fund and HRA in Year	7,962		
Transfer to/ (from) Earmarked Reserves	(7,962)		
<b>Closing General Fund and HRA Balances</b>	<b>(4,000)</b>		
<b>2018/19:</b>			
Community Affairs	1,772	77	1,849
Environment and Regulatory Services	8,653	484	9,137
Finance, Corporate Services and Improvement	4,697	2,967	7,664
Housing Services	1,394	97	1,491
Leader and Corporate Affairs	43	1	44
Leisure and Wellbeing	1,692	(455)	1,237
Local Economic Development, Property and Innovation	(9)	254	245
Planning and Infrastructure	689	269	958
General Fund	18,931	3,694	22,625
Housing Revenue Account	(9,690)	4,373	(5,317)
<b>Cost of Services</b>	<b>9,241</b>	<b>8,067</b>	<b>17,308</b>
Total Other Operating Expenditure	5,018	(657)	4,361
Total Financing and Investment Income and Expenditure	3,260	1,522	4,782
Total Taxation and Non-Specific Grant Income	(24,549)	(3,686)	(28,235)
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>(7,030)</b>	<b>5,246</b>	<b>(1,784)</b>
Other Comprehensive Income and Expenditure	7,709	(20,479)	(12,770)
<b>Total Comprehensive Income and Expenditure</b>	<b>679</b>	<b>(15,233)</b>	<b>(14,554)</b>
Opening General Fund and HRA Balances	(4,000)		
Less Deficit/(Surplus) on General Fund and HRA in Year	679		
Transfer to/ (from) Earmarked Reserves	(679)		
<b>Closing General Fund and HRA Balances</b>	<b>(4,000)</b>		

## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Earmarked General Fund / HRA Reserves	Housing Revenue Account	Capital Programme Reserve	Capital Receipts Reserve	Community Infrastructure Levy Unapplied	Developers' Contributions Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000		£000	£000	£000	
<b>Balance at 31 March 2018</b>	<b>(3,000)</b>	<b>(25,843)</b>	<b>(1,000)</b>	<b>(12,409)</b>	<b>(5,915)</b>	<b>(2,277)</b>	<b>(3,089)</b>	<b>(53,533)</b>	<b>(212,411)</b>	<b>(265,944)</b>
<b><i>Movement in reserves during 2018/19</i></b>										
(Surplus)/deficit on the provision of services	1,029	0	(2,813)	0	0	0	0	(1,784)	0	(1,784)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(12,770)	(12,770)
<b>Total Comprehensive Income and Expenditure</b>	<b>1,029</b>	<b>0</b>	<b>(2,813)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,784)</b>	<b>(12,770)</b>	<b>(14,554)</b>
Adjustments between accounting basis and funding basis under regulations (note 8)	(2,787)	0	5,250	0	114	(1,817)	(437)	323	(323)	0
<b>Net (Increase)/Decrease Before Transfers to Earmarked Reserves</b>	<b>(1,758)</b>	<b>0</b>	<b>2,437</b>	<b>0</b>	<b>114</b>	<b>(1,817)</b>	<b>(437)</b>	<b>(1,461)</b>	<b>(13,093)</b>	<b>(14,554)</b>
Transfers to/(from) earmarked reserves (notes 9/10)	1,758	685	(2,437)	(6)	0	0	0	0	0	0
<b>(Increase) / Decrease in Year</b>	<b>0</b>	<b>685</b>	<b>0</b>	<b>(6)</b>	<b>114</b>	<b>(1,817)</b>	<b>(437)</b>	<b>(1,461)</b>	<b>(13,093)</b>	<b>(14,554)</b>
<b>Balance at 31 March 2019</b>	<b>(3,000)</b>	<b>(25,158)</b>	<b>(1,000)</b>	<b>(12,415)</b>	<b>(5,801)</b>	<b>(4,094)</b>	<b>(3,526)</b>	<b>(54,994)</b>	<b>(225,504)</b>	<b>(280,498)</b>
<b><i>Movement in reserves during 2019/20</i></b>										
(Surplus)/deficit on the provision of services	5,772	0	3,466	0	0	0	0	9,238	0	9,238
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(1,916)	(1,916)
<b>Total Comprehensive Income and Expenditure</b>	<b>5,772</b>	<b>0</b>	<b>3,466</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,238</b>	<b>(1,916)</b>	<b>7,322</b>
Adjustments between accounting basis and funding basis under regulations (note 8)	(3,747)	0	2,471	0	1,183	(1,118)	(721)	(1,932)	1,932	0
<b>Net (Increase)/Decrease Before Transfers to Earmarked Reserves</b>	<b>2,025</b>	<b>0</b>	<b>5,937</b>	<b>0</b>	<b>1,183</b>	<b>(1,118)</b>	<b>(721)</b>	<b>7,306</b>	<b>16</b>	<b>7,322</b>
Transfers to/(from) earmarked reserves (notes 9/10)	(2,025)	5,844	(5,937)	2,118	0	0	0	0	0	0
<b>(Increase) / Decrease in Year</b>	<b>0</b>	<b>5,844</b>	<b>0</b>	<b>2,118</b>	<b>1,183</b>	<b>(1,118)</b>	<b>(721)</b>	<b>7,306</b>	<b>16</b>	<b>7,322</b>
<b>Balance at 31 March 2020</b>	<b>(3,000)</b>	<b>(19,314)</b>	<b>(1,000)</b>	<b>(10,297)</b>	<b>(4,618)</b>	<b>(5,212)</b>	<b>(4,247)</b>	<b>(47,688)</b>	<b>(225,488)</b>	<b>(273,176)</b>

## BALANCE SHEET AS AT 31 MARCH

2018/19			2019/20		
£000	£000		Notes	£000	£000
		<b>Long-Term Assets</b>			
		Property, Plant and Equipment:			
370,038		Council Dwellings	11	375,573	
69,579		Other Land and Buildings	11	68,506	
3,852		Vehicles, Plant and Equipment	11	3,236	
3,712		Infrastructure	11	3,386	
212		Community Assets	11	537	
6,673	454,066	Assets Under Construction	11	4,312	455,550
	5,181	Investment Property	12		9,454
	28,786	Long-Term Investments	14		18,636
	1,368	Long-Term Debtors	15		1,467
	489,401	<b>Total Long-Term Assets</b>			485,107
		<b>Current Assets</b>			
28,808		Short-Term Investments	16	20,062	
338		Inventories	17	285	
10,510		Short-Term Debtors	18	11,662	
(2,429)		Bad Debt Provision	18	(2,667)	
5,874		Cash and Cash Equivalents	19	18,553	
	43,101	<b>Total Current Assets</b>			47,895
	<b>532,502</b>	<b>Total Assets</b>			<b>533,002</b>
		<b>Current Liabilities</b>			
(4,349)		Short-Term Borrowing	20	(4,348)	
(18,109)		Short-Term Creditors	21	(24,055)	
(62)		Developers' Contributions - Receipts in Advance	22	0	
	(22,520)	<b>Total Current Liabilities</b>			(28,403)
		<b>Long-Term Liabilities</b>			
(131,207)		Long-Term Borrowing	23	(126,906)	
(4,266)		Provisions	24	(3,878)	
(168)		Capital Grants - Receipts in Advance	25	(544)	
(751)		Developers' Contributions - Receipts in Advance	26	(625)	
(93,092)		Net Pensions Liability	43	(99,470)	
	(229,484)	<b>Total Long-Term Liabilities</b>			(231,423)
	<b>280,498</b>	<b>Net Assets</b>			<b>273,176</b>
		<b>Usable Reserves</b>			
3,000		General Fund Balance		3,000	
25,158		Earmarked Reserves	9	19,314	
1,000		Housing Revenue Account Balance		1,000	
12,415		Capital Programme Reserve	10	10,297	
5,801		Capital Receipts Reserve	27	4,618	
4,094		Community Infrastructure Levy Unapplied	28	5,212	
3,526	54,994	Developers' Contributions Unapplied	28	4,247	47,688
		<b>Unusable Reserves</b>			
38,327		Revaluation Reserve	29	41,864	
279,466		Capital Adjustment Account	30	283,315	
172		Financial Instruments Revaluation Reserve	31	(1,219)	
555		Deferred Capital Receipts Reserve	32	558	
(93,092)		Pensions Reserve	33	(99,470)	
369		Collection Fund Adjustment Account	34	722	
(293)	225,504	Accumulating Absences Adjustment Account	38	(282)	225,488
	<b>280,498</b>	<b>Total Reserves</b>			<b>273,176</b>

**HOUSING REVENUE ACCOUNT  
INCOME AND EXPENDITURE STATEMENT**

2018/19		Notes	2019/20
£000			£000
	<b>Income</b>		
(25,762)	Dwelling rents		(26,200)
(767)	Non-dwelling rents		(769)
(730)	Charges for services and facilities		(658)
(382)	Contributions towards expenditure		(375)
<b>(27,641)</b>			<b>(28,002)</b>
	<b>Expenditure</b>		
4,295	Repairs and maintenance	3	4,804
6,010	Supervision and management		6,535
25	Rents, rates, taxes and other charges		93
11,674	Depreciation, impairment and revaluation of non-current assets	4	16,729
16	Debt Management Costs		14
157	Movement in the allowance for bad debts		171
<b>22,177</b>			<b>28,346</b>
<b>(5,464)</b>	<b>Net (Income) / Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>344</b>
146	HRA services' share of Corporate and Democratic Core		146
<b>(5,318)</b>	<b>Net (Income) / Expenditure for HRA Services</b>		<b>490</b>
	<b>HRA share of the Operating Income and Expenditure included in the whole authority Comprehensive Income and Expenditure Statement</b>		
(1,143)	(Gain) / Loss on sale of HRA non-current assets		(1,320)
4,411	Interest payable and similar charges		4,339
(176)	Interest and investment income		(147)
422	Net interest on the net defined benefit liability / (asset)	5	405
(13)	Income and expenditure in relation to investment properties and changes in their fair value		(13)
(996)	Capital Grants and Contributions Receivable		(288)
<b>(2,813)</b>	<b>(Surplus) or Deficit for the year on HRA services</b>		<b>3,466</b>

## COLLECTION FUND

## COLLECTION FUND – COUNCIL TAX

The Council collects council tax for its own spending needs and on behalf of Hampshire County Council, Police and Crime Commissioner for Hampshire, Hampshire Fire and Rescue Authority and local town and parish councils.

2018/19			2019/20	
£000	£000		£000	£000
	(121,309)	<b>Income</b>		
		Income from Council Tax		(127,318)
		Transfers to / (from) General Fund:		
(1)		Flood Relief	0	
(65)	(66)	Family Annex Relief	(73)	(73)
	<b>(121,375)</b>	<b>Total Income</b>		<b>(127,391)</b>
		<b>Expenditure</b>		
		Precepts:		
84,813		Hampshire County Council	87,910	
12,532		Police and Crime Commissioner for Hampshire	14,319	
4,643		Hampshire Fire And Rescue Authority	4,812	
17,628		New Forest District Council (including town and parish council requirements)	18,428	
	119,616			125,469
		Bad and Doubtful Debts		
215		Write-offs	177	
35	250	Increase / (decrease) in provisions	168	345
		Contributions:		
	1,567	Previous year's estimated council tax surplus		1,494
	<b>121,433</b>	<b>Total Expenditure</b>		<b>127,308</b>
	<b>58</b>	<b>Movement on fund balance</b>		<b>(83)</b>
(1,510)		(Surplus) / Deficit at 1 April		(1,452)
	58	Movement on fund balance for year		(83)
	<b>(1,452)</b>	<b>(Surplus) / Deficit at 31 March</b>		<b>(1,535)</b>



## COLLECTION FUND

## COLLECTION FUND – BUSINESS RATES

The Council collects business rates for its own spending needs and on behalf of the Government, Hampshire County Council and Hampshire Fire and Rescue Authority.

2018/19			2019/20	
£000	£000		£000	£000
		<b>Income</b>		
	(66,811)	Income collectable from Business Ratepayers Current System		(68,635)
	(1,120)	Transitional Protection Payments		1,015
	<b>(67,931)</b>	<b>Total Income</b>		<b>(67,620)</b>
		<b>Expenditure</b>		
32,862		Payments to DCLG - Business Rates Retention	33,097	
26,290		New Forest District Council	26,478	
5,915		Hampshire County Council	5,958	
657		Hampshire Fire And Rescue Authority	662	
277		Costs of Collection	276	
10		NFDC - Renewable Energy Schemes	10	
	66,011			66,481
		Bad and Doubtful Debts		
184		Write-offs	245	
(84)		Increase / (decrease) in provisions	28	
1,559		Appeals Provision	(404)	
	1,659			(131)
		Contributions:		
	1,671	Previous year's estimated business rates deficit		415
	<b>69,341</b>	<b>Total Expenditure</b>		<b>66,765</b>
	<b>1,410</b>	<b>Movement on fund balance</b>		<b>(855)</b>
(1,797)		(Surplus) / Deficit at 1 April		(387)
1,410		Movement on fund balance for year		(855)
	<b>(387)</b>	<b>(Surplus) / Deficit at 31 March</b>		<b>(1,242)</b>

## CASH FLOW STATEMENT

2018/19			2019/20
£000		Notes	£000
(1,784)	Net (surplus) or deficit on the provision of services		9,238
(22,344)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	35	(28,858)
5,200	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	35	3,169
(18,928)	Net cash flows from Operating Activities		(16,451)
11,024	Investing Activities	36	1,735
6,582	Financing Activities	37	2,037
(1,322)	Net (increase) or decrease in cash and cash equivalents		(12,679)
(4,552)	Cash and cash equivalents at the beginning of the reporting period		(5,874)
(5,874)	<b>Cash and cash equivalents at the end of the reporting period</b>	19	(18,553)

## Audit Committee Draft Work Plan 2020/21

<b>DATE</b>	<b>WORK / REPORTS</b>
23 October 2020	Internal Audit Progress Report 2020/21  Treasury Management Monitoring Report 2020/21 Dates for Future Meetings Insurance Arrangements 20-23 Overview of Workflow and Approval Levels Risk Management Final Annual Financial Report Final Annual Governance Statement Audit Results Report
29 January 2021	Internal Audit Progress Report 2020/21 Internal Audit Plan 2021/22 Treasury Management Strategy 2021/22 Risk Management Regulation of Investigatory Powers Act 2000 Policy Annual Audit Letter
26 March 2021	

This page is intentionally left blank