

NOTICE OF MEETING

Meeting: AUDIT COMMITTEE

Date and Time: WEDNESDAY, 31 MAY 2023, AT 9.30 AM*

Place: COUNCIL CHAMBER - APPLETREE COURT, BEAULIEU ROAD, LYN DHURST, SO43 7PA

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PUBLIC PARTICIPATION:

Members of the public may watch this meeting live on the [Council's website](#).

*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 Audit Committee'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 Thursday, 25 May 2023.

Kate Ryan
Chief Executive

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This agenda can be viewed online (<https://democracy.newforest.gov.uk>).

It can also be made available on audio tape, in Braille and large print.

AGENDA

Apologies

1. MINUTES

To confirm the minutes of the meeting held on 24 March 2023 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. TREASURY MANAGEMENT ANNUAL OUTTURN REPORT 2022/23 (Pages 3 - 16)

To consider the Treasury Management Outturn Report for 2022/23.

5. BAD DEBT WRITE - OFFS 2022/23 (Pages 17 - 26)

To receive a summary of the bad debt write - offs for 2022/23.

6. ANNUAL FRAUD REPORT 2022/23 (Pages 27 - 30)

To receive the Annual Fraud Report for 2022/23.

7. INTERNAL AUDIT OPINION REPORT 2022/23 (Pages 31 - 52)

To receive the Internal Audit Opinion Report for 2022/23.

8. CODE OF GOOD GOVERNANCE REVIEW 2022/23 (Pages 53 - 60)

To receive the Code of Good Governance Review and Annual Report of the Monitoring Officer and Chief Finance Officer in respect of 2022/23.

9. DRAFT ANNUAL GOVERNANCE STATEMENT 2022/23 (Pages 61 - 72)

To consider the draft Annual Governance Statement for the Financial Year ended 31 March 2023.

10. DRAFT ANNUAL FINANCIAL REPORT 2022/23 (TO FOLLOW)

To consider the Draft Annual Financial Report 2022/23.

11. AUDIT COMMITTEE WORK PLAN (Pages 73 - 74)

To consider the Audit Committee's Work Plan.

12. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT

AUDIT COMMITTEE 31 MAY 2023

TREASURY MANAGEMENT ANNUAL OUTTURN REPORT 2022/23

1. RECOMMENDATIONS

Members are recommended to:

- 1.1. consider the performance of the treasury function detailed in this report.

2. PURPOSE

- 2.1. 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 2021. 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. The purpose of this report is therefore to meet this obligation by providing an update on the performance of the treasury management function during 2022/23.

3. SUMMARY

- 3.1. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code and provides an update on the performance of the treasury management function during 2022/23.
- 3.2. The Council's treasury management strategy was most recently updated and approved at a meeting of Full Council in February 2023. 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.
- 3.3. 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.”
- 3.4. This annual report sets out the performance of the treasury management function during 2022/23, to include the effects of the decisions taken and the transactions executed in the past year.
- 3.5. 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.

- 3.6. All treasury activity has complied with the Council's revised Treasury Management Strategy and Investment Strategy for 2022/23, 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.
- 3.7. The Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The latest iteration of the Council's Capital Strategy, complying with CIPFA's requirement, was approved by full Council in February 2023.

4. **EXTERNAL CONTEXT**

- 4.1. The following sections outline the key economic themes in the UK against which investment and borrowing decisions were made in 2022/23.

Economic commentary

- 4.2. The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March 2023 period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.
- 4.3. Central Bank rhetoric and actions remained consistent with combatting inflation. The Bank of England, US Federal Reserve, and European Central Bank all increased interest rates over the period, even in the face of potential economic slowdowns in those regions.
- 4.4. Starting the financial year at 5.5%, the annual CPI measure of UK inflation rose strongly to hit 10.1% in July and then 11.1% in October 2022. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February 2023. Annual headline CPI registered 10.4% in February, up from 10.1% in January 2023, with the largest upward contributions coming from food and housing. RPI followed a similar pattern during the year, hitting 14.2% in October 2022. In February 2023 RPI measured 13.8%, up from 13.4% in the previous month.
- 4.5. Following the decision by the UK government under Rishi Sunak and Jeremy Hunt to reverse some of the support to household energy bills announced under Liz Truss, further support in the form of a cap on what energy suppliers could charge household was announced in the March Budget to run from April until end June 2023. Before the announcement, typical household bills had been due to rise to £3,000 a year from April 2023.
- 4.6. The labour market remained tight albeit with some ongoing evidence of potential loosening at the end of the period. The unemployment rate

3mth/year eased from 3.8% April-June to 3.6% in the following quarter, before picking up again to 3.7% between October-December 2022. The most recent information for the period December-February 2023 showed an unemployment rate of 3.7%.

- 4.7. The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December 2022 and February 2023 and then 25bps in March 2023, taking Bank Rate to 4.25%. March's rise was voted by a majority of 7-2, with two MPC members preferring to maintain Bank Rate at 4.0%. The Committee noted that inflationary pressures remain elevated with growth stronger than was expected in the February Monetary Policy Report. The February vote was also 7-2 in favour of a hike, and again with two members preferring to keep Bank Rate on hold.

Financial markets

- 4.8. Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility.

Credit review

- 4.9. Credit Default Prices had been rising since the start of the period on the back of the invasion of Ukraine, and in the UK rose further in September/October 2022 at the time of the then-government's mini budget. After this, CDS prices had been falling, but the fallout from SVB caused a spike on the back of the heightened uncertainty. However, they had moderated somewhat by the end of the period as fears of contagion subsided, but many are still above their pre-March levels reflecting that some uncertainty remains.
- 4.10. On the back of this, Arlingclose reduced its recommended maximum duration limit for unsecured deposits for all UK and Non-UK banks/institutions on its counterparty list to 35 days as a precautionary measure. No changes were made to the names on the list.
- 4.11. As market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the PCC's counterparty list recommended by Arlingclose remains under constant review.

5. LOCAL CONTEXT

- 5.1. At 31 March 2023 the Council's underlying need to borrow for capital purposes, as measured by the Capital Financing Requirement (CFR), was £156.4m, while usable reserves and working capital which are the underlying resources available for investment were £31.5m (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

	31/03/22 Balance £m	Movement £m	31/03/23 Balance £m
General Fund CFR	16.1	11.4	27.5
Housing Revenue Account CFR	5.9	4.9	10.8
HRA Settlement	122.2	(4.1)	118.1
Total CFR	144.2	12.2	156.4
Financed By:			
External Borrowing	122.6	(4.1)	118.5
Internal Borrowing	21.6	16.3	37.9
Total Borrowing	144.2	12.2	156.4

- 5.2. The General Fund CFR (and so internal borrowing) has increased as resources have been required to finance direct property investment and vehicle replacement during 2022/23, albeit mitigated in part through the application of Minimum Revenue Provision (MRP). The Housing Revenue Account (HRA) CFR and internal borrowing has increased to part fund the Housing Delivery Strategy, but external borrowing has reduced as a result of the repayment of the maturing HRA Public Works Loan Board (PWLb) debt.
- 5.3. 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 at 31 March 2023 and the change during the year is shown in Table 2.

Table 2: Treasury Management Summary

	31/03/22 Balance £m	Movement £m	31/03/23 Balance £m	31/03/23 Rate %
Long-term borrowing	(118.3)	4.3	(114.0)	3.37
Short-term borrowing	(4.3)	(0.0)	(4.3)	2.69
Total borrowing	(122.6)	4.3	(118.3)	3.34
Long-term investments	15.9	(2.3)	13.6	4.07
Short-term investments	46.5	(43.5)	3.0	2.48
Cash and cash equivalents	24.1	(9.2)	14.9	3.85
Total investments	86.5	(55.0)	31.5	3.77
Net borrowing	(36.1)	(50.7)	(86.8)	

Note: the figures in Table 2 are from the balance sheet in the Council's statement of accounts adjusted to exclude operational cash, market value adjustments and accrued interest.

- 5.4. The increase in net borrowing of £50.7m shown in Table 2 reflects the combination of a decrease in investment balances of £55.0m following the repayment of Government grants and new capital expenditure as well as the repayment at maturity of borrowing of £4.3m, in line with the Council's policy on borrowing. Further details are provided in the

Borrowing Strategy and Treasury Investments Activity sections of this report.

6. BORROWING UPDATE

- 6.1. The Council has no plans to borrow to invest primarily for commercial return and so is unaffected by the changes to the Prudential Code.
- 6.2. The Council is not planning to purchase any investment assets primarily for yield, so is able to retain full access to the PWLB.
- 6.3. Further, the Council has invested in pooled funds as part of its Treasury Management strategy. This is not a policy to primarily generate yield but a part of the implementation of the wider Treasury Management strategy to invest the Council's surplus cash and reserves ensuring it is investing its funds prudently, having regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. By investing a diversified portfolio in respect of yield this meets the Council's aim of protecting reserves from high inflation.
- 6.4. The Council is a net borrower and as stated in the Treasury Management Strategy 2023/24, the Council expects a positive liability benchmark across the forecast period, which generally means an authority is required to take external borrowing to fund the gap between its resources and the CFR. Although the Council currently has taken external borrowing, this is not predicted to be sufficient to meet the CFR between 2023 and 2033 and therefore, as a result, further borrowing will be considered by the Section 151 Officer over the coming months and years, if required.
- 6.5. The Section 151 Officer will review the current pooled fund investment prior to making any external borrowing decisions.

7. BORROWING ACTIVITY

- 7.1. At 31 March 2023 the Council held £118.3m of loans, a decrease of £4.3m which matured during the year. The vast majority of the outstanding loans are in relation to the resettlement of the HRA in 2012/13. The year-end treasury management borrowing position and year-on-year change are summarised in Table 3.

Table 3: Borrowing Position

	31/03/22 Balance £m	Movement £m	31/03/23 Balance £m	31/03/23 Rate %	31/03/23 WAM* years
Public Works Loan Board	(122.6)	4.3	(118.3)	3.34	14.9
Total borrowing	(122.6)	4.3	(118.3)	3.34	14.9

* Weighted average maturity

Note: the figures in Table 3 are from the balance sheet in the Council's statement of accounts adjusted to exclude accrued interest.

- 7.2. 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.

- 7.3. The cost of carry (the difference between the interest paid on long-term borrowing versus short-term investments) continue to make taking out new long-term borrowing in advance of need not cost effective. The Council has therefore considered it to be more advantageous in the near term to use internal resources than to use additional borrowing. In line with this strategy £4.3m of PWLB loans was allowed to mature without refinancing.
- 7.4. This borrowing strategy has been monitored by Arlingclose and has enabled the Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

8. TREASURY INVESTMENT ACTIVITY

- 8.1. CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20 December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 8.2. 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 £28.9m and £95.9m due to timing differences between income and expenditure. The year-end investment position and the year-on-year change are shown in Table 4.

Table 4: Treasury investment position

Investments	31/03/2022 Balance £m	Movement £m	31/03/2023 Balance £m	31/03/23 Rate %	31/03/23 WAM* years
Short term Investments					
Banks and Building Societies:					
- Unsecured	11.7	(6.7)	5.0	3.47	0.00
- Secured	21.7	(20.7)	1.0	4.14	0.03
Money Market Funds	20.2	(13.3)	6.9	4.09	0.00
Government:					
- Local Authorities	7.0	(7.0)	0.0	-	0.00
- Supranational Banks	3.9	(3.9)	0.0	-	0.00
- UK Treasury Bills	3.0	0.0	3.0	3.92	0.01
- UK Gilts	1.0	(1.0)	0.0	-	0.00
Cash Plus Funds	2.0	0.0	2.0	1.65	0.02
	70.5	(52.6)	16.9	3.62	0.01
Long term investments					
Banks and Building Societies:					
- Secured	1.0	(1.0)	0.0	-	0.00
	1.0	(1.0)	0.0	-	0.00
High yield investments					
Pooled Property Funds**	7.6	0.0	7.6	3.55	N/A
Pooled Equity Funds**	3.0	0.0	3.0	5.09	N/A

Table 4: Treasury investment position

	31/03/2022 Balance £m	Movement £m	31/03/2023 Balance £m	31/03/23 Rate %	31/03/23 WAM* years
Investments					
Pooled Multi-Asset Funds**	3.0	0.0	3.0	4.35	N/A
	13.6	0.0	13.6	4.07	N/A
TOTAL INVESTMENTS	85.0	(53.6)	31.5	3.81	0.01

* 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 2023 based on the market value of investments at the start of the year.

Note: the figures in Table 4 are from the balance sheet in the Council's statement of accounts but adjusted to exclude operational cash, market value adjustments and accrued interest.

- 8.3. Both the CIPFA Code and government guidance require the Authority 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 Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 8.4. The security of investments has been maintained by following the counterparty policy and investment limits within the TMSS, taking advice from Arlingclose on changes in counterparty credit worthiness, and making use of secured investment products that provide collateral. The Council should invest in liquid investments to ensure money is available when required to meet its financial obligations, spreading these investments across a number of counterparties to mitigate operational risk.
- 8.5. The Council benchmarks the performance of its internally managed investments against that of other Arlingclose clients. Internally managed investments include all investments except externally managed pooled funds but do include MMFs. The performance of these investments against relevant measures of security, liquidity and yield are shown in Table 5, providing data for the quarter ended 31 March 2023 and at the same date in 2022 for comparison.

Table 5: Investment benchmarking (excluding pooled funds)

	Credit rating	Bail-in exposure	Weighted average maturity (days)	Rate of return
31.03.2022	AA+	46%	95	0.43%
31.03.2023	AA-	75%	2	3.86%
Similar LAs	A+	63%	56	3.57%
All LAs	A+	59%	12	3.67%

- 8.6. As a result of reduced cash balances which require the Council to have a greater proportion of liquid investments Table 5 shows the Council's

average credit rating of the portfolio has reduced from AA+ to AA and bail-in exposure has risen, in comparison to the same time in 2022, However this does not reflect that a significant proportion of liquid balances are invested in money market funds, which are technically exposed to bail-in risk however these are diversified products and are considered by Arlingclose to be 'bail-in risk light'. Despite the changes in 2022/23 the Council's investment portfolio compares favourably to other Arlingclose clients, with a higher credit rating and average rate of return.

Externally managed pooled funds

- 8.7. 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 higher yielding strategy.
- 8.8. The CIPFA Code requires the Council to invest its funds prudently and to have regard to the security and liquidity of its investments before seeking the highest yield. As a result, the Council's investments targeting higher yields have been made from its most stable balances and with the intention that they will be held for at least the medium term. This means that the initial costs of any investment and any periods of falling capital values can be overcome and mitigates the risk of having to sell an asset for liquidity purposes, helping to ensure the long-term security of the Council's investments.
- 8.9. The negative correlation between bonds and equities, which had featured for some years, turned positive in 2022 as both bonds and equities sold off simultaneously against an outlook of sticky inflation and high interest rates. Simultaneously, tighter financial conditions, higher bond yields and challenges in some segments of commercial real estate (e.g. offices post-COVID, high street shops and shopping centres) saw commercial property values fall during 2022, with a large fall in the final calendar quarter.

Table 6: Higher yielding investments – market value performance

	Amount invested	Market value at 31/03/23	Gain / (fall) in capital value	
			Since purchase	2022/23
	£m	£m	£m	£m
Pooled property funds	7.6	7.3	(0.3)	(1.4)
Pooled equity funds	3.0	3.4	0.4	(0.0)
Pooled multi-asset funds	3.0	2.6	(0.4)	(0.2)
Total	13.6	13.2	(0.3)	(1.7)

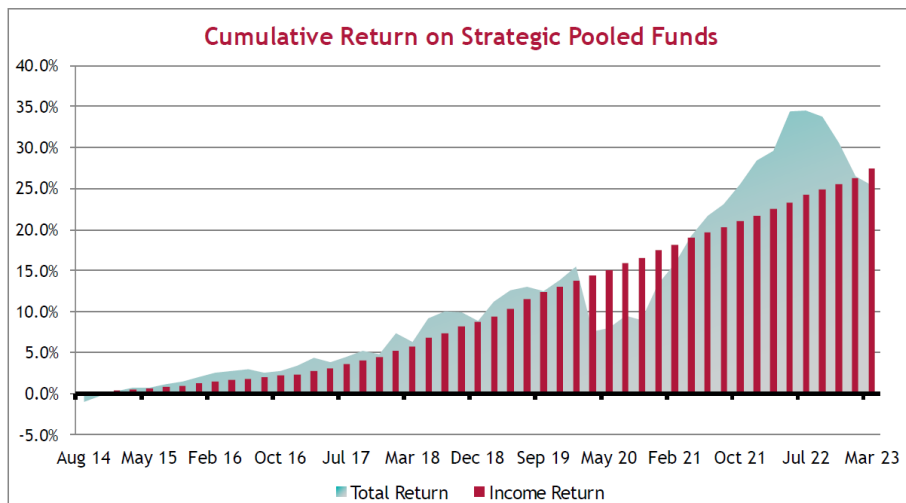
- 8.10. The Council's investments in pooled funds target long-term price stability and regular revenue income and bring significant benefits to the revenue budget. As shown in Table 7 below, the annualised income returns have averaged 4.03% pa (per annum) since purchase, contributing to a total return of 25.39%.

Table 7: Higher yielding investments – income and total returns since purchase

	Annualised income return	Total return
	%	%
Pooled property funds	3.89	24.43
Pooled equity funds	4.50	42.35
Pooled multi-asset funds	3.90	10.84
Total	4.03	25.39

8.11. The margin between cash and non-cash (pooled fund) investments was negligible by the end of March 2023. In these conditions it is unlikely any new pooled fund investments will be made. The existing allocation of £13.6m to pooled funds has provided good income returns for the Council (as shown in the return figures above), mostly in contrast to very low interest rates prior to 2022. This allocation will continue to provide protection against a return to lower interest rates but the position remains under review with the assistance of Arlingclose.

8.12. The return from the Council’s investments in pooled equity, property and multi-asset funds in the last year is shown in the following graph.



8.13. The DLUHC published a consultation on the IFRS 9 pooled investment fund statutory override for English authorities for fair value gains and losses on pooled investment funds which was due to expire with effect from 2023/24. The options under evaluation were to allow the override to lapse, to extend it, or to make it permanent. The override will be extended for two years and therefore remain in place for the 2023/24 and 2024/25 financial years. Under the Regulations, gains and losses resulting from unrealised fair value movements relating to treasury pooled investment funds, that otherwise must be recognised in profit or loss under IFRS 9, are not charges to the revenue account, and must be taken into an unusable reserve account.

9. FINANCIAL IMPLICATIONS

9.1. The outturn for investment income received in 2022/23 was £1.53m on an average investment portfolio of £69.34m, therefore giving a yield of

2.21%. By comparison, investment income received in 2021/22 was £0.63m on an average portfolio of £81.98m with a yield of 0.77%.

9.2. The outturn for debt interest paid (HRA) in 2022/23 was £4.06m, which matched the budget set for the year.

9.3. The budget for interest payable (HRA) has been increased within the base budget for 2023/24, in reflection of increasing interest rates and anticipated loan financed expenditure on the capital programme, offset by the continuing principal repayments of the HRA settlement.

10. NON-TREASURY INVESTMENTS

10.1. 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. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

10.2. Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also broadens the definition of investments to include all such assets held partially or wholly for financial return.

10.3. This could include loans made to local businesses or the direct purchase of land or property and such loans and investments will be subject to the council's normal approval process for revenue and capital expenditure and need not comply with the treasury management strategy.

10.4. The Council's existing non-treasury investments are listed in Table 8.

Table 8 – Non-treasury investments		
	31/03/23 Asset value £m	31/03/23 Annual rate of return
Hythe Marina	2.553	5.27%
Saxon Inn Calmore	0.179	7.04%
Meeting House Lane Ringwood	0.177	-
New Milton Health Centre	2.629	5.14%
Ampress Car Park Lymington	2.030	4.80%
The Parade Salisbury Road Totton	1.599	4.65%
1-3 Queensway New Milton	1.013	5.71%
Unit 1 Nova Business Park	0.559	6.26%
Drive -Thru Salisbury Road Totton	1.382	4.79%
Units 1-3 27 Salisbury Road Totton	1.901	8.88%
85 Station Road New Milton	5.000	5.00%
Ib Junction Road Totton	0.208	-
Unit 800 Ampress Park Lymington	1.904	4.97%
Total investment properties	21.134	5.43%
Lymington Town Hall	3.645	2.52%
Hardley Industrial Estate	5.088	5.32%
Total income earning properties	8.733	4.15%

Grand total	29.867	4.99%
Property Under Construction		
Employment Land at Crow Lane	9.552	-

* Rates of return exclude MRP contributions

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

11. COMPLIANCE REPORT

11.1. The Council confirms compliance of all treasury management activities undertaken during 2022/23 with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

11.2. Compliance with the authorised limit and operational boundary for external debt, is demonstrated in Table 9.

Table 9: Debt limits

	2022/23 Maximum £m	31/03/23 Actual £m	2022/23 Operational Boundary £m	2022/23 Authorised Limit £m	Complied
Total debt	137	118.5	189.6	207.3	✓

11.3. 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.

12. TREASURY MANAGEMENT INDICATORS

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

Interest rate exposures

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

Table 10 – Interest Rate Risk Indicator

	31/03/23 Actual	Impact of +/- 1% interest rate change
Sums subject to variable interest rates		
Investment	£15.0m	+/- £0.2m

Borrowing	(£0.1m)	+/- £0.0m
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12.3. 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

12.4. 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 11: Refinancing rate risk indicator

	31/03/23 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	4%	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	17%	25%	0%	✓
10 years and above	65%	100%	0%	✓

Principal sums invested for periods longer than a year

12.5. 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 were:

Table 12: Price risk indicator

	2022/23	2023/24	2024/25
Actual principal invested beyond a year	£13.6m	£13.6m	£13.6m
Limit on principal invested beyond a year	£35m	£35m	£35m
Complied	✓	✓	✓

12.6. The table includes investments in strategic pooled funds of £13.6m as although these can usually be redeemed at short notice, the Council intends to hold these investments for at least the medium-term.

13. CRIME AND DISORDER AND ENVIRONMENTAL IMPLICATIONS

13.1. None arising directly from this report.

Further information	Background papers
<p>Please contact:</p> <p>Daniel O'Rourke Corporate Accountant Investments & Borrowing Hampshire County Council Daniel.O'Rourke@hants.gov.uk</p> <p>Alan Bethune Strategic Director Corporate Resource and Transformation Section 151 Officer New Forest District Council Tel: 023 8028 5001 alan.bethune@nfdc.gov.uk</p>	<p>The Prudential Code, CIPFA Guidance Notes and ODPM Investment Guidance</p> <p>Local Government Act 2003</p> <p>SI 2003/3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003</p> <p>Treasury Management Strategy Report 2022/23 Audit Committee – 28 January 2022 Council – 21 February 2022</p> <p>Treasury Management Mid-Year Monitoring Report 2021/22 Audit Committee – 28 October 2022</p> <p>Treasury Management Strategy Report 2023/24 Audit Committee – 27 January 2023 Council – 27 February 2023</p>

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AUDIT COMMITTEE – 31 May 2023

FINAL ACCOUNTS 2022/23 BAD DEBTS WRITE-OFF

1. RECOMMENDATION

- 1.1 That the Audit Committee;
 - a. note the contents of the report

2. INTRODUCTION

- 2.1 This report informs Members of the total bad debts written-off during the financial year 2022/23.
- 2.2 The Council collects Council Tax, Business Rates, Sundry Income, Rent and Parking Charges and every effort is made to collect all sums by the most appropriate and efficient method. 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 appropriate recovery, and all methods of recovery are considered and where appropriate pursued in line with legislative provision before recommending that debts are written-off, for example enforcement agents, tracing services and through the court.
- 2.3 This report is prepared in accordance with the policy for write-offs approved by Council.

3. WRITE-OFFS

- 3.1 Debts have been written-off in the following services during 2022/23;
 - Council Tax
 - National Non-Domestic Rates (NNDR)
 - Housing Benefit
 - Sundry Income
 - Housing and Garage Rents
 - Parking Penalty Charges
 - Stores
- 3.2 The need to write-off debt can arise for a number of reasons, including:
 - Abscond
 - Liquidations and bankruptcies
 - Deceased
 - Small balances
 - Enforcement Agent unable to collect/levy
 - Foreign Vehicles
- 3.3 The total debt written off for 2022/23 was £771,515 (£642,213 for 2021/22). This represents 0.27% of the total income collected (0.24% for 2021/22). Although some debts are written-off in 2022/23 they are not necessarily related

to 2022/23 due to the timescales involved in pursuing recovery of the debt, for example council tax.

- 3.4 The total written-off by each service is detailed in Appendix 1, with Appendix 2 providing comparison values for 2021/22. The appendix also includes the average value of the amount written off, the write off as a percentage of annual income collected and examples of write offs criteria.

4. WRITE-ONS

- 4.1 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 Housing Benefit overpayment debt which has been written-off is reversed to recover the amount.
- 4.2 The table below details the service and the value of accounts that have had a credit on an account which has been written-on, together with comparative figures for 2021/22.

CATEGORY OF DEBT	2022/23 £	2021/22 £
Council Tax	139,705	47,385
National Non-Domestic Rates	5,038	16,466
Housing Benefit overpayments	10,320	Nil
Sundry Income	1,268	127
Housing and Garage rents	18,301	Nil
Parking Penalty Charges	Nil	Nil
TOTAL	174,632	63,978

5. BAD DEBT PROVISION

- 5.1 The Council has made allowances for doubtful debts in the accounts based on what it believes to be a prudent but realistic level. For 2022/23, the Council's provision is £2.866 million (£2.718 million in 2021/22).
- 5.2 The total provision made for each type of bad debt write off and the total arrears as at 31 March 2023 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. Hampshire County Council).
- 5.3 The bad debt provision for council tax and business rates are:

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

Appendix 3 provides details of the workings

- 5.4 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.
- 5.5 For Sundry Income 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.
- 5.6 For existing Housing and Garage tenants 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

- 5.7 A provision of 95% is made for debts of former tenant arrears.
- 5.8 Due to the impact of the current cost of living it is expected to be challenging in 2023/24 to recover arrears brought forward from 2022/23.

6. AUTHORITY TO APPROVE

- 6.1 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. Details of the approval limits are shown in Appendix 4 with no proposed changes to existing limits.

For Further Information Please Contact:

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APPENDIX 1 WRITE-OFFS 2022/23

Category of Debt	Total Write-off	Number of Accounts	Average value of write-off	Annual Income / Turnover	Provision Made 31/3/2023	Arrears balance as at 31/3/2023	Write-off as % of Turnover	Reasons for write-off
	£		£	£	£	£		
Council Tax	337,982	1,270	266	144,538,000	2,135,400	5,135,000	0.2	Abscond, bankruptcy, deceased, enforcement agent unable to collect, other, small balance.
NDR	122,996	39	3,154	61,065,000	331,830	1,194,000	0.2	Abscond, bankruptcy, no goods on which to levy, other, small balance.
Housing Benefit Overpayments	34,450	89	387	28,106,000	719,470	1,082,000	0.1	Abscond, bankruptcy, collection agency unable to collect, deceased, Local Authority/DWP error, small balance.
Sundry Income	96,225	151	637	8,819,000	809,960	5,131,000	1.1	Abscond, bankruptcy, small balance, deceased, uneconomical to pursue.
Housing and Garage Rents	165,603	284	583	29,528,000	885,000	1,201,000	0.6	Abscond, bankruptcy, deceased, collection agency unable to collect, individual voluntary agreement/debt relief order, old, small balance.
Parking Penalty Charges	13,984	222	63	3,719,000	23,709	80,235	0.4	Abscond, bailiff unable to collect/no goods on which to levy, bankruptcy, foreign vehicle.
Stores	275							Change in law, obsolete
Total	771,515	2,055		275,775,000	4,905,369	13,823,235		

APPENDIX 2 WRITE OFFS 2021/22

Category of Debt	Total Write Off £	Number of Accounts	Average value of write-off £	Annual Income / Turnover £	Provision Made 31/3/2022 £	Arrears balance as at 31/3/2022 £	Write-off as % of Turnover	Reasons for write-off
Council Tax	337,123	1,146	294	139,629,000	1,843,960	4,572,000	0.2	Abscond, bankruptcy, deceased, enforcement agent unable to collect, other, small balance.
NNDR	192,731	38	5,072	55,299,000	261,360	1,353,000	0.3	Abscond, bankruptcy, enforcement agent unable to collect, other, small balance.
Housing Benefit Overpayments	60,825	136	447	28,388,000	818,410	1,154,000	0.2	Abscond, bankruptcy, collection agency unable to collect, deceased, Local Authority/DWP error, small balance.
Accounts Receivable	2,798	10	280	7,958,000	745,000	4,701,000	0.0	Abscond, bankruptcy, small balance, uneconomical to pursue.
Housing and Garage Rents	27,324	17	1,607	29,852,000	772,000	1,082,000	0.1	Abscond, bankruptcy, deceased, collection agency unable to collect, individual voluntary agreement/debt relief order, small balance.
Parking Penalty Charges	21,412	263	81	3,674,000	7,941	70,946	0.6	Abscond, bailiff unable to collect/no goods on which to levy, bankruptcy, deceased, foreign vehicle.

Total	642,213	1,610		264,800,000	4,448,671	12,932,946		
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Council Tax Arrears by Recovery Stage			
	Arrears	Provision	Provision
	£'000	%	£'000
At Liability Order Stage	4,245	50	2,122
At Final Notice Stage	27	25	7
At Reminder Stage	362	10	36
At Bill Stage (by deduction)	501	5	25
Total	5,135		2,190
Reduction for Court Cost Arrears			-55
Total			2,135

There is a provision for court costs outstanding.

NNDR Arrears by Recovery Stage			
	Arrears	Provision	Provision
	£'000	%	£'000
At Liability Order Stage	592	50	296
At Reminder Stage	293	10	29
At Bill Stage (by deduction)	427	5	21
Total	1,312		346
Reduction for Court Cost Arrears			-14
Total			332

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

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AUDIT COMMITTEE 31 May 2023

FRAUD ANNUAL REPORT 2022/23

1. RECOMMENDATION

- 1.1 That the Audit Committee note the contents of the report.

2. INTRODUCTION

- 2.1 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 2022/23.
- 2.2 The Corporate Fraud and Compliance Officer (0.56 FTE) supported the Revenues, Benefits and Housing team with investigations during 2022/23 and seeks to promote fraud and error throughout the council. The role is also responsible for the Housing Benefit Assurance Process and working with external auditors as part of the Housing Benefit Subsidy claim.

3. FRAUD REFERRALS

- 3.1 In 2022/23 there have been 46 fraud referrals received relating to Housing Benefit, Council Tax Reduction, Single Person Discount and Housing tenancy issues. Referrals are received via Department for Work and Pensions, our website, by phone to our dedicated line, or internally from staff. The category of referral is shown in the following table:

Service	Type of referral	No of referrals	Ongoing cases	Closed cases
Benefits				
	Living Together	13	2	11
	Undeclared Capital	2	1	1
	Undeclared Earnings/Pension	6	0	6
	Household composition	7	2	5
Housing				
	Housing Tenancy	9	5	4
Revenues				
	Council Tax / Single Person Discount	9	1	8
	Total Referrals	46	11	35

- 3.2 Following investigations there has been a total of £24,723. 25 in Housing Benefit overpayments and £11,066.11 in Council Tax Reduction non-entitlement. One Civil Penalty has been issued.
- 3.3 Nine allegations of non-residency of a council owned property were received and investigated, working jointly with Housing., These investigations have resulted in four Council properties being returned thus bringing them back into use for much

needed accommodation and allocated to a household with a priority housing need. The remaining five cases are ongoing investigations.

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

- 4.1 The Council is working in partnership with the Department for Work and Pensions (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 Following the pandemic, joint working is returning with an emphasis on re-building working relationships with the DWP and a meeting is booked with the DWP Area Partnership Manager to further progress this.

5. NATIONAL FRAUD INITIATIVE

- 5.1 The council partakes in the Cabinet Office National Fraud Initiative which is a biennial exercise that matches data within and between public and private sector bodies to prevent and detect fraud. There is a legal obligation to supply data but not to undertake the exercise. The Council needed to supply the Cabinet Office data in September 2022 ready for the data match exercise for the 2022/23 year. We received 1,304 data-matches in January 2023, and we target referrals considered to be high risk of fraud. The interrogation of these matches is currently ongoing.
- 5.2 The breakdown of data matches is as follows:

Area	No. of matches
Internal (payroll/pension/procurement)	64
Housing Estates (non-residence/deceased/right to buy)	103
Housing Options (waiting list)	85
Revenues & Benefits (non-residence/entitlement/income)	260
Finance (duplicate creditors)	792
Total	1,304

6. PAYMENTS TO HOUSEHOLDS

- 6.1 The £150 Energy Rebate scheme was announced to support households in council tax bands A to D with the cost of living, and the Household Support Fund was administered via an application process to support vulnerable households with housing costs. In developing the application process a fraud risk review was undertaken with recommended actions to mitigate fraud and error.

7. TRAINING

- 7.1 Our e-learning training module is completed by staff every two years and we are currently reviewing the content.
- 7.2 Information Officers were reminded of the Money Laundering policy and procedure.
- 7.3 There is attendance at the Hampshire Fraud Group to keep updated on any changes and to discuss training, new initiatives, and good practices.

8. FRAUD RISK REGISTER

- 8.1 As part of promoting a counter fraud culture, and to raise awareness, each service is asked to consider and complete a fraud risk register for their service. This means Service Managers review their service to identify potential risks of fraud, the controls in place and if any controls are required to eliminate or mitigate fraud.
- 8.2 Service Managers are responsible for reviewing their Fraud Risk Register as part of an annual review process to ensure accuracy and to reflect any changes to service delivery.

9. PUBLICITY

- 9.1 We continue to publicise fraud where appropriate and let it be known that we act on information shared with us.

10. FUTURE ACTIVITIES

- 10.1 We have reviewed our website and will be launching our central fraud landing page with links to services, for example Benefits and Housing, to provide information on how to report fraud, as well as information about scams. We will also utilise social media to promote awareness.
- 10.2 We will continue to work with teams to review processes and procedures and to raise awareness of mitigating fraud and error.

Further Information:

Ryan Stevens

Service Manager – Revenues, Benefits and Customer Services

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AUDIT COMMITTEE - 31 MAY 2023

INTERNAL AUDIT REPORT AND OPINION 2022-23

1. RECOMMENDATION

- 1.1 That the Audit Committee approve the Internal Audit Report and Opinion for 2022-23.

2. INTRODUCTION

- 2.1 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 2023.

3. BACKGROUND

- 3.1 In accordance with proper internal audit practices, the Chief Internal Auditor is required to provide a written report reviewing the effectiveness of Council's framework of risk management, internal control and governance to inform the production of the Annual Governance Statement.
- 3.2 The Annual Report for 2022-23 (attached as Appendix A) provides the Chief Internal Auditor's opinion and summarises the audit work from which that opinion is derived.

4. FINANCIAL IMPLICATIONS

- 4.1 The audit plan consisted of 400 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 2022-23 reflected these arrangements.

5. CRIME & DISORDER IMPLICATIONS

- 5.1 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.

6. ENVIRONMENTAL IMPLICATIONS

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

7. EQUALITY & DIVERSITY IMPLICATIONS

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

8. DATA PROTECTION IMPLICATIONS

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

For further information contact:

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07784 265289
antony.harvey@hants.gov.uk

Background Papers:

Internal Audit Plan 2022-23
Internal Audit Charter 2022-23

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**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

NEW FOREST DISTRICT COUNCIL
Internal Audit Report & Opinion 2022-23

Prepared by: Antony Harvey, Deputy Head of Partnership

May 2023

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1. Role of Internal Audit

The Council is required by the Accounts and Audit (England) Regulations 2015, to

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

In fulfilling this requirement, the Council should have regard to the Public Sector Internal Audit Standards (PSIAS), as the internal audit standards set for local government. In addition, the Statement on the Role of the Head of Internal Audit in Public Service Organisations issued by CIPFA sets out best practice and should be used to assess arrangements to drive up audit quality and governance arrangements.

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.

As the Chief Internal Auditor, I review the approach to each audit, considering the following key points:

- Level of assurance required.
- Significance of the objectives under review to the organisation's success.
- Risks inherent in the achievement of objectives.
- 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.



The Southern Internal Audit Partnership (SIAP) maintain an agile approach to audit, seeking to maximise efficiencies and effectiveness in balancing the time and resource commitments of our clients, with the necessity to provide comprehensive, compliant and value adding assurance.

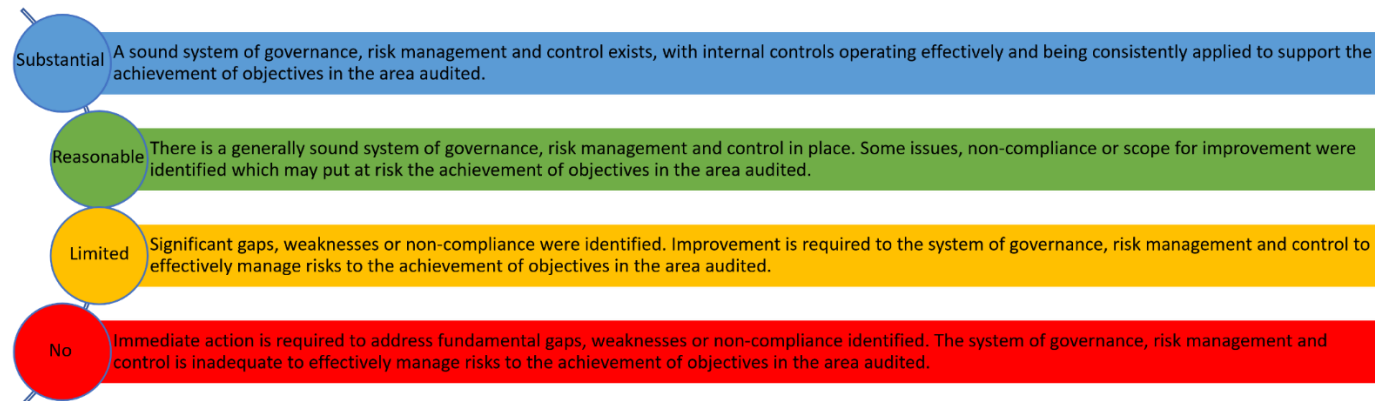
Working practices have been reviewed, modified and agreed with all partners following the impact and lessons learned from the COVID-19 pandemic and as a result we have sought to optimise the use of virtual technologies to communicate with key contacts and in completion of our fieldwork. However, the need for site visits to complete elements of testing continues to be assessed and agreed on a case-by-case basis.

3. Internal Audit Coverage

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council activities and to support the preparation of the Annual Governance Statement. Work has been planned and performed to obtain sufficient evidence to provide reasonable assurance that the internal control system is operating effectively.

The 2022-23 internal audit plan was considered by the Audit Committee in March 2022. It was informed by internal audit's 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 and ensure that it continues to provide assurance, as required, over new or emerging challenges and risks that management need to consider, manage, and mitigate. Changes made to the plan were agreed with the Executive Management Team and reported to the Audit Committee in the internal audit progress reports which were reviewed at each meeting.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:



4. Internal Audit Opinion

As Chief Internal Auditor, I am responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform their annual 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.

We enjoy an open and honest working relationship with the Council. Our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance raised by management to ensure that ongoing organisational improvements can be achieved. I feel that the maturity of this relationship and the Council's effective use of internal audit has assisted in identifying and putting in place action to mitigate weaknesses impacting on organisational governance, risk and control over the 2022-23 financial year.

Annual Internal Audit Opinion 2022-23

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 the internal control environment.

In my opinion frameworks of governance, risk management and management control are **reasonable** and audit testing has demonstrated controls to be working in practice.

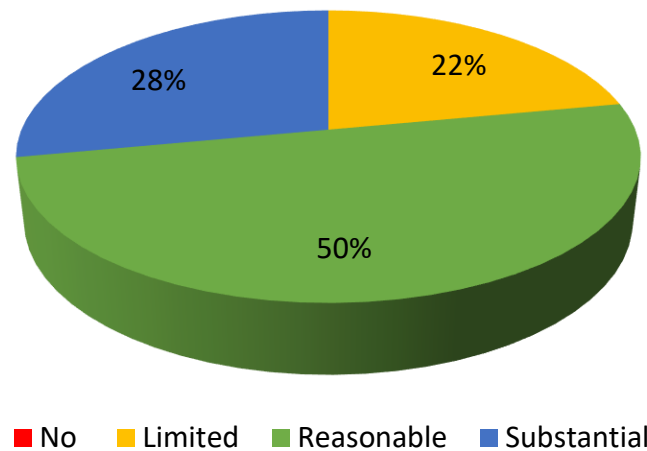
Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

5. Governance, Risk Management & Control – Overview & Key Observations

Assurance opinions for 2022-23 reviews

The findings from our reviews have been reported to the Audit Committee throughout the year and a summary of the assurance opinions is outlined below.

Assurance Opinions



Annex 1 provides further information on the audits completed and their respective opinions, together with a summary of the audit findings. Annex 1 also provides the detail of audit activity which did not culminate in an assurance opinion and audits that remain in progress, but have not sufficiently progressed to inform the 2022-23 assurance opinion and will therefore contribute to the 2023-24 report.

Governance

Governance arrangements are considered during the planning and scoping of each review and in most cases, the scope of our work includes an overview of:

- the governance structure in place, including respective roles, responsibilities and reporting arrangements
- relevant policies and procedures to ensure that they are in line with requirements, regularly reviewed, approved and appropriately publicised and accessible to officers and staff.

Based on the work completed during the year, in our opinion the governance frameworks in place across the Council are generally robust and fit for purpose although common opportunities for improvement include documenting or updating policies and procedures to increase resilience and help ensure consistent practice; clarifying roles and responsibilities within updated job descriptions; and developing or enhancing performance measures and associated reporting arrangements.

Risk management

We reviewed risk management arrangements in the Council during 2021-22 which resulted in a limited assurance opinion. During 2022-23, we conducted a follow-up review to assess the progress with addressing the issues identified within the original audit and found that all initial actions had been completed, primarily through the development of a new risk management policy which was approved by Full Council in October 2022. The policy provides a clear framework for risk management including roles, responsibilities and procedures. The strategic risk register has been reviewed and will be regularly assessed by EMT before reporting to Members.

The rollout of the new risk management framework to service areas has only recently commenced, by initially trialling in one area. An action plan and timelines will need to be developed, and training provided, to rollout the framework to all service areas. We have therefore not completed a full audit at this stage as further work is needed to implement and embed the new framework within the Council.

Control

In general, internal audit work found there to be a sound control environment in place across the majority of review areas included in the 2022-23 plan that were working effectively to support the delivery of corporate objectives.

We generally found officers and staff to be well aware of the importance of effective control frameworks and compliance, and also open to our suggestion for improvements or enhancements where needed. Where our work identified risks that we considered fell outside the parameters acceptable to the Council, we agreed appropriate corrective actions and a timescale for improvement with the responsible officers. Progress with implementing agreed actions is reported to the Audit Committee throughout the year through the regular internal audit progress reports.

As outlined in section 4, we enjoy an open and honest working relationship with the Council and our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance raised by management to ensure that ongoing organisational improvements can be achieved. It is therefore expected that areas of challenge will be identified or confirmed through our work as outlined below:

Use of Agency Staff – Limited Assurance Opinion

The policy for using agency workers and guidance/procedure notes are available to support managers. A multi-supplier Framework Agreement is in place which includes 15 agencies providing a range of operative, administrative and professional & technical temporary workers to match the range of skills requirements to support the Council's day-to-day operations. If the Framework Agreement suppliers are unable to provide a temporary worker to suit the Council's need (skillset or timeline) then the Council can source a temporary worker from a non-framework supplier. Under the Framework Agreement, the agencies are required to ensure all candidates have an up-to-date Disclosure Barring Service (DBS) check which is clear of convictions and are vetted to ensure they have the appropriate skills/qualifications for the role.

At the time of review, total agency expenditure for 2021-22 was approximately £480k, equivalent to 2% of budgeted staff pay. Analysis highlighted £183k of off framework expenditure, including aggregated spend of £103k and £75k with two agencies, however we were unable to ascertain documented senior management approval for recruiting off framework. We acknowledge that in certain situations e.g. refuse workers, maintaining services will be the priority; and in other situations, external factors such as the availability of workers during the COVID-19 pandemic, national shortage of HGV drivers or in other sectors where specific skills/qualifications are required, off framework spend may

be required. However, the aggregated value of off framework/contract spend highlights that a contract should be in place with these providers if continuing use is anticipated.

The audit also found a general lack of awareness of the processes to follow/documentation to complete when using agency staff; an absence of formal contract/performance management of the Framework Agreement; or formal reporting specifically focussed on the overall use of agency staff to inform a strategic view on their use.

Following the issue of the final report in June 2022, the responsible officers have confirmed that all 10 of the agreed management actions have been implemented, including updating procedures; and confirming responsibilities, the processes to follow and providing targeted training to Service Managers. Quarterly performance reports from framework agencies are now received and assessed. Framework and non-framework agency spend for 2022/23 has been collated and assessed and the reasons why non-framework agencies have been used will form part of future HR Metrics reports to EMT and the HR Committee.

IT - Asset Management – Limited Assurance Opinion

We established there are no policies and procedures for IT asset management at NFDC although we note that they are currently being drafted. There are no policies and procedures for disposal of IT assets.

We visited five NFDC sites and found access to IT assets is restricted via multiple locked doors. When visiting we found nine assets were seen in the correct site location however 18 assets could not be located at the assigned site although one of these assets was later found to have been returned as faulty. Whilst the secondary datacentre within Appletree Court requires a code to enter as well as an access card, security could be improved as 50% of the access cards are not assigned to individuals and the code to enter the secondary datacentre has not been changed for at least one year.

Access to amend and delete records within the IT asset database is restricted to eight members of staff who all require access as a part of their role. The database is updated to reflect starters and leavers. However, we found 513 assets were missing a serial number on the IT asset database including 246 laptops.

Jamie's recycle and dispose of IT equipment for NFDC. We checked the documentation from Jamie's to confirm our sample of assets had been disposed of however the "barcode" number for each asset related to Jamie's records and not NFDC's, therefore there was insufficient audit

trail to confirm which assets had been disposed of. Restore Data Shred are used to cleanse and dispose of Hard drives from PC/Laptops. Certificates of destruction confirm total numbers of hard drives destroyed however individual assets are not listed therefore there is a lack of audit trail confirming the hard drives removed from devices and the hard drives being destroyed.

Open Spaces and Playground Safety Checks – Limited Assurance Opinion

The review focused on how the Council's Open Spaces and Housing Teams inspects and maintains its playgrounds and other open space assets. Open Spaces have the responsibility for inspecting the vast majority of NFDC play and open spaces assets with the exception of seven playgrounds which are the responsibility of the Housing Team, as these were funded through the Housing Revenue Account.

The audit confirmed that all playgrounds and open spaces assets are recorded on either the Ezyasset (Opens spaces) or Keystone (HRA Housing Service) systems as appropriate and have an assigned inspection timeframe (monthly, quarterly or annually), with inspection details and images held. All weekly, quarterly and annual inspections were found to be up to date. Inspection records are fully completed and retained, to assist the Council to appropriately defend against any legal action and comply with investigations carried out by the Health and Safety Executive.

Whilst no issues were found with the inspections, the audit identified the absence of governance arrangements for the Open Spaces Team. Housing have a documented maintenance and inspection strategy for their play areas and the assets within these facilities, outlining the legal responsibilities and how the Council will meet these responsibilities through a system of inspection, assessing risk and responses to faults and risks. There is currently no such policy document for the Open Spaces Team. Bar the Open Spaces Inspection Criteria Flowchart (last reviewed in 2018), there is no formal guidance, policies, or operational procedures in place for inspections regimes within the Open Spaces Team. There is also no formal performance measures or reporting.

Both the Housing Asset and the Open Spaces Team have risk assessed the open space areas that they are responsible for and the assets within them, however the Open Spaces Team risk assessments could be reviewed more frequently.

The annual Open Spaces works budget (circa 30K) is spent on reactive maintenance however little routine maintenance is planned or undertaken.

Engineering Works – Limited Assurance Opinion

The Engineering Team are primarily a reactive service, responding to requests from other service areas to complete emergency works although some planned works are also undertaken. Once a request is received into the team, it is recorded in a Job Log Database however the Log is simplistic, for example it does not enable prioritisation of works and there is no option for deadline reminders to be set. This has resulted in a manual, largely paper-based process, heavily reliant on one Supervisor to manage the workload of the team to ensure works are completed in a timely manner.

The Job Log is routinely monitored by the Supervisor to assess how many outstanding works need to be actioned and a review of the Log showed that there are no jobs outstanding having exceeded their set deadline. Through testing of a sample of emergency jobs, we were able to confirm that the team were able to respond to emergency works and complete them within the deadlines set by the Engineering Supervisor however we found that there is no time management guidance or measures in place to monitor how long jobs should take, or expected deadlines. The current arrangements do not facilitate effective performance measures or management.

Although the Team is primarily reactive, testing of planned works cases confirmed that the Team had received sufficient advanced notification to undertake the agreed work within expected deadlines although the Cemeteries department is the only client out of twelve who provides an annual plan for routine works. Planned works scheduled in advance would help with the allocation and management of the team's workload. The Supervisor is able to decline jobs if the Team cannot resource them, however records are not kept therefore we are unable to confirm how frequent an issue this is.

We were advised that the processes for staff to follow are clear and understood by the team, however, they are not documented. There are no internal documents in place, including job descriptions, to outline roles and responsibilities for the Team. The Engineering Supervisor utilises the Job Log Database however there is limited understanding within other members of the Engineering Management Team on how to use the Database, therefore the service lacks resilience due to reliance on a single officer.

The Engineering Team uses a paper filing system to evidence completed jobs. The paperwork is not stored in a structured system, for example job number order, chronologically or by client. Testing found that paper copies are being destroyed after some time or lost as documentation requested to inform the audit could not be located.

6. Quality Assurance and Improvement

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a Quality Assurance and Improvement Programme (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 provision for 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 2020.

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

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

7. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments], I can confirm through 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. Complementing the QAIP this was achieved in 2022-23 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.
- An internal quality assessment against the IPPF, PSIAS & LGAN.

9. Internal Audit Performance

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

Performance Indicator	Target	Actual
Percentage of internal audit plan delivered (to draft report)	95%	93%
Positive customer survey response		
● New Forest District Council	90%	100%
● SIAP – all Partners	90%	99%
Public Sector Internal Audit Standards	Compliant	Compliant

Customer satisfaction is an assessment of responses to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process (survey date April 2023).

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 Southern Internal Audit Partnership

May 2023

Annex 1

Summary of Audit Reviews Completed 2022-23

Substantial

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Review area	Summary
HR – Pay Awards and Spinal Point Review	The audit assessed the process followed to authorise and implement inflationary pay awards and apply the payroll spinal point review and confirmed a sound governance framework to ensure staff received the correct increases in salaries.
Main Accounting and Reconciliations	The audit found a robust framework to ensure the integrity and security of information input to the general ledger, including journal entries, clearing of suspense accounts and bank reconciliations, with no issues identified.
Leisure Contract Management	There is a clear and complete contract in place with Freedom Leisure which is managed through an effective governance framework, including regular formal meetings to discuss performance against KPIs, building maintenance and safety checks.
Boundary Commission Changes	The audit found there was a clear, systematic process followed to ensure that changes recommended by the Electoral Boundary Commission for England review were fully implemented ahead of the May 2023 elections.
Environmental Health – Food Hygiene Inspections	The audit assessed the governance framework to ensure that Environmental Health Team inspect (and enforce if required) food premises and found robust arrangements to inspect premises in line with legislative requirements, document outcomes, serve improvement or prosecution notices when required, and investigate/action complaints when received such as suspected hygiene breaches. There is regular performance monitoring and reporting, including progress against the Food Standards Agency Recovery Plan following the pandemic.

Reasonable There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

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Review area	Summary
Leased Income	The audit assessed the governance framework to ensure the Council effectively charge and collect lease income for their investment properties. The audit found recent property acquisitions were in line with the Asset Investment Strategy and followed the correct approval process. Up to date files are maintained for all leases including appropriate legal agreements; rent reviews/lease renewals are taking place in line with the legal agreements; and accurate rent invoices are issued on a timely basis. There is an opportunity to increase resilience as the Property Team are reliant upon a single officer for many of their administrative processes, which had not been documented.
Community Safety Partnership	The scope of the audit was to provide assurance on the effectiveness of the Council’s approach to the Community Safety Partnership. Effective, documented and agreed governance arrangements are in place including the publication of an approved strategic Safer New Forest Partnership Plan; priorities are informed by a strategic assessment which is reviewed and agreed annually; and progress with achieving priorities are monitored and reported at regular meetings. Opportunities to enhance action tracking, measure success and formalise risk registers were identified during the review.
Statutory Safety Checks – Corporate Estate	The scope of this review focussed on statutory safety checks (including lifts, fire, asbestos, legionella etc) to ensure that the corporate estate is appropriately maintained and safe for staff and the public to use. The review did not cover the safety checks of the Council’s housing stock as these are subject to separate reviews. The audit found that safety checks/inspections are completed in an efficient and timely manner to meet legislative requirements; and are undertaken by competent / appropriately qualified staff or contractors. However, a basic spreadsheet is used to monitor and record inspection schedules which is simplistic and does not provide reportable alerting to highlight when inspections are becoming due or facilitate performance reporting; operational processes have not been documented; and roles and responsibilities have not been reflected in updated job descriptions.
Accounts Receivable and Debt Management	The audit found an effective framework for raising invoices and collecting money due to the Council. Court action to recover unpaid debts had ceased during the pandemic with current recovery action passed directly to a Collection Agency. At the time of review, there were issues with accessing collection information / performance reporting from the Collection Agency although we understand this has been resolved.
IT – Identity Management	The audit assessed whether there is effective and secure use of a user’s identity to the Council’s IT environment, including to three higher risk business applications (HR, Finance and Housing systems due to the personal and/or sensitive data held). The audit found effective processes for managing starters, movers and leavers promptly and accurately; access to (in scope) business applications is effectively managed; and higher privilege (e.g. system and domain administrator) accounts have strong password

	requirements and are only available to IT staff with a legitimate need. Some processes (within IT and specific to individual business applications) have not been documented and there is an opportunity to provide a more a consistent application of security standards to business applications through single sign-on.
Homelessness - Triage	Following a restructure of the Homelessness Team, the team have been divided into three distinct areas (Triage, Prevention and Relief). The purpose of this audit was to review the triage process once a new referral has been received from a household at risk of homelessness, through to the subsequent transfer of cases to the Prevention Team. The review found the team effectively use the 'LocataPro' system to allocate households to Case Officers, prioritise cases, undertake all necessary checks/complete actions in a timely manner, and document decisions made. Performance is regularly monitored a reported. At the time of review, processes and procedures have not been formalised. A review of the Prevention and Relief stages is included within the 2023/24 plan.
Housing – Legionella Checks	The audit confirmed there is a sound framework to ensure all relevant checks, maintenance and remedial works are undertaken promptly, and at the correct frequency, with all relevant documentation held. Regular, formal contract management meetings are held with Integrated Water Services and performance is monitored and reported. Whilst there is a sound framework, the review identified the Council's Policy has not been recently reviewed to ensure it reflects current requirements, operational processes have not been documented and roles and responsibilities have not been updated.
Fleet Management	The audit found that all vehicles and some specialist equipment are recorded on the fleet management system (Truckfile) and assigned an appropriate service and inspection schedule. Parts, consumables and engineer's time for servicing, maintenance and repair are recorded against each vehicle's record which are retained for the life of the asset. At the time of review, a long-term fleet strategy had not been documented and performance indicators, monitoring and reporting were being developed but had not been formalised.
Keyhaven Income	The review found that income is collected in line with published fees which are reviewed and approved annually. Whilst all income collected is reconciled and logged on the Council's financial system, enhancements to the process were identified and at the time of review, operational income collection processes had not been documented.

Limited Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

Review area	Summary
Use of Agency Staff	Please refer to pages 8-9
IT Asset Management	Please refer to pages 9-10
Open Spaces – Safety Checks	Please refer to page 10
Engineering Works	Please refer to page 11

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Whilst not resulting in an assurance opinion, other planned internal audit activity for the year included:-

Test and Trace Payment Scheme; Contain Outbreak Management Fund; and Biodiversity Net Gain Grant – we certified that all grant conditions were met (9 grants in total)

IT Disaster Recovery and Business Continuity Planning; and Risk Management (follow-up audits).

Whilst in progress, the Business Continuity and Housing Asset Management – Electrical Safety Check audits have not sufficiently progressed to inform the 2022-23 Annual Internal Audit Report and Opinion and will therefore contribute to the 2023-24 report.

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AUDIT COMMITTEE – 31 MAY 2023

CODE OF GOOD GOVERNANCE REVIEW ANNUAL REPORT OF THE MONITORING OFFICER AND CHIEF FINANCE OFFICER IN RESPECT OF 2022/23

1. RECOMMENDATIONS

- 1.1 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**.

2. INTRODUCTION

- 2.1 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.
- 2.2 This report brings together the outcomes of the review carried out for 2022/23.

3. REVIEW OF COMPLIANCE

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

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

- 3.2 The Council's compliance with the Code has been assessed, and a summary of the findings is detailed in **Appendix 1**.
- 3.3 This assessment also considers progress made against the previous year's (2021/22) Action Plan, which was reported to Audit Committee in May 2022. The reported progress can be found in **Appendix 2**.
- 3.4 The main areas identified for further consideration arising out of this review are summarised below and form part of the action plan at **Appendix 3**.
1. Procurement Strategy - to ensure that it aligns with the Council's priorities, that value for money is being achieved and processes/procedures are being complied with.

2. Financial Regulations - to ensure that the controls are appropriate for the Council's decision making arrangements and ensure efficient running of the business.
3. Continuous improvement and development programme for Members and Officers - to ensure that there are appropriate arrangements in place to demonstrate that Services are carrying out their continuous improvement functions and that corporately, there is in place an on-going Development Programme for Members and Officers.
4. The Corporate Report Template - to promote the effective completion of Impact Assessments as part of the Council's formal decision making.

4. FINANCIAL IMPLICATIONS

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

5. ENVIRONMENTAL MATTERS

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

6. CRIME AND DISORDER IMPLICATIONS

- 6.1 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.

7. EQUALITY AND DIVERSITY IMPLICATIONS

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

8. CONCLUSIONS

- 8.1 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 areas identified in **Appendix 3** for review.

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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 2022/23

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Principle	Assessment of Monitoring Officer and Chief Finance Officer and Evidence
<p>A. How does the organisation behave with integrity, demonstrating strong commitment to ethical values, and respect the rule of law?</p>	<p>Detailed and up to date Constitution on decision making including expected standards of conduct of both Members and officers. This was updated to take account of the new Council following May 2023 elections. Sound rules on Procurement procedures and Contract Standing Orders which are regularly reviewed to ensure they are fit for purpose - http://www.newforest.gov.uk/article/1070/Procurement-Strategy. 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. Also statutory officers regularly meet in their statutory capacity to ensure good governance and legality of decision making, as well as robust financial management. Member and Officer Codes of Conduct in place, as well as an established and robust corporate and member complaints procedures. 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 - https://democracy.newforest.gov.uk/documents/s21799/Financial%20Regulations%20April%202022.pdf</p>
<p>B. How does the organisation ensure openness and comprehensive stakeholder engagement?</p>	<p>Resident Insight survey took place during 22/23 with statistically representative results to enable the Council to consider the views of residents on a wide range of topics and the delivery of services: https://www.newforest.gov.uk/residentssurvey. Overall, very positive feedback. Also, during 22/23 Council carried out wide consultation on proposals to make 2 Public Space Protection Orders, inviting views from a wide selection of individuals, public partners, voluntary groups, landowners, and the public generally. Further, consultation was carried out with the business community in 22/23 prior to agreeing the budget and setting the Council Tax.</p> <p>The Council also has a 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. Local Plan in place; robust Transparency Code; Annual Financial Report and Annual Governance Statement published.</p>

B. cont.	<p>Good positive use of Social Media for Council business purposes i.e. Facebook; Annual User Survey. Good engagement with relevant charities/voluntary groups providing training on universal credit and collaborative initiatives to support welfare issues. 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 and Landlords' Forum established bringing together community groups, other public sector groups and landlords to ensure wider and better engagement on the key issue of homelessness and issues facing the private renters.</p> <p>New Employee survey conducted in 22/23 to gauge employees' views on a wide variety of issues with results presented to EMT/Service Managers. Appropriate procedures are in place to build on the results and to ensure there are regular surveys in the future.</p> <p>Council Chamber Audio Visual improvements carried out in the latter part of 2022/23 to improve the quality of broadcasting for meetings held in the Chamber, promoting openness and transparency.</p>
C. How does the organisation define outcomes in terms of sustainable economic, social and environmental benefits?	<p>Corporate Plan; Corporate Framework; Local Plan; risk management policy; 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. The Council has endorsed the creation of the Solent Freeport to bring about social, environmental and economic benefits for the District. The Council has adopted a Climate and Nature Change Action Plan to respond to the Government's commitment to be carbon neutral by 2050 - Climate Change & Nature Emergency Annual Update 2023 A new specific Greener Housing Strategy has also been devised - Greener Housing Strategy Increasing sustainability is a key priority of the Corporate plan, in part monitored through the number of projects that result in more sustainable use of assets.</p> <p>Following elections in May 2023, the Council's Corporate Plan will be revisited.</p>

<p>D. How does the organisation determine how to best optimize the achievement of intended outcomes</p>	<p>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 with its delivery regularly monitored through portfolio performance dashboards considered at every overview and scrutiny panel meeting. 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. Further, a strengthening of arrangements with regard to the monitoring of Capital spend by EMT has led to the setting up of a new Capital and Change Delivery Board (April 2022) to oversee Capital spend and the Council's transformation programme.</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. This will be a review action for 23/24 to ensure robust programme in place for Officers and Members which is ongoing throughout the year. Well established annual appraisal process. Opportunities for secondments and apprenticeships; benchmarking; training programmes in existence including Health & Safety, Fire Safety, Safeguarding, Equalities, Social Media; Staff 1:1s; Regular EMT visits to teams within the organisation and Chief Executive communications. Greater engagement between EMT and Service Managers has been brought about by regular monthly meetings (led by the Chief Executive). Emphasis on building capacity and modernising the Council's approach to delivery of services.</p>

<p>F. How does the organisation manage risks and performance through robust internal control and strong public financial management?</p>	<p>Risk Management Policy in place, as well as Strategic and Service Risk Registers. Strategic risks are kept under regular review and reported to overview and scrutiny panels by virtue of the portfolio performance dashboards. Financial Regulations have undergone extensive review in recent times 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. The Council's business continuity arrangements have been extensively tested in recent times which has demonstrated that the Council can react to working remotely and in very different ways to deliver services to the community. New dedicated resources allocated to emergency planning with new officer starting in March 2023. This will enhance the Council's capabilities for civil emergency functions and business continuity.</p> <p>The Council's three statutory officers meet on a regular basis to ensure openness and awareness of matters arising including corporate risks and performance, demonstrating strong collective management.</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 in line with the Local Government Transparency Code 2015 requirements. 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. Greater transparency in annual reporting of housing compliance matters in place. Annual Governance Statement reviewed by Audit Committee and external audit. The provision of Internal Audit Services, through the Southern Internal Audit Partnership (hosted by Hampshire County Council), going well.</p>

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

Topic	Responsible Officer	Deadline	Follow up status
To assess the effectiveness of the Capital Change and Delivery Board, set up by EMT to oversee major Capital spend and the Council's Transformation Programme.	S151 Officer and Monitoring Officer	March 2023	The new Capital and Change Board set up in April '22 has brought about greater monitoring and oversight of important Capital projects by the Council's senior management. Regular updates are provided enabling the Board to react to changes in planned delivery and/or budget to ensure that projects remain on course or require alternative delivery mechanisms.
To assess the effectiveness of the new Project Management framework for projects to ensure appropriate Governance arrangements are in place for all projects.	S151 Officer and Monitoring Officer	March 2023	The Capital Change Board received monthly updates throughout the year covering project management and programme delivery and consistency in project governance.
Financial Management Code – to review how the Council complies with the new code (as full implementation is expected in 2021/22)	S151 Officer	March 2023	An assessment against the (draft) code was completed during 2022/23 and reported to the Audit Committee. The assessment demonstrated a sound level of compliance, with some actions to be completed following the formation of the new administration.

Actions arising from the Good Governance Review 2022/23

Topic	Responsible Officer	Deadline
To review the Council's Procurement Strategy to ensure that it aligns with the Council's priorities, that value for money is being achieved and processes/procedures are being complied with.	S151 Officer and Monitoring Officer	April 2024
To review the Council's Financial Regulations to ensure that the controls remain appropriate for the Council's decision-making arrangements and ensure efficient running of the business	S151 Officer and Monitoring Officer	April 2024
To review the Council's approach to continuous improvement and the existence of a comprehensive development programme for Members and Officers to ensure that there are appropriate arrangements in place to demonstrate that Services are carrying out their continuous improvement functions and that corporately, there is in place an on-going comprehensive Development Programme for Members and Officers.	S151 Officer and Monitoring Officer	April 2024
To review the Council's Corporate Report Template, to promote the effective completion of Impact Assessments as part of formal decision making.	S151 Officer and Monitoring Officer	April 2024

AUDIT COMMITTEE – 31 MAY 2023

DRAFT ANNUAL GOVERNANCE STATEMENT – 2022/23

1. RECOMMENDATIONS

- 1.1 That the Audit Committee approves the draft Annual Governance Statement for the Financial Year ended 31st March 2023 as reported in Appendix 1.

2. INTRODUCTION

- 2.1 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.
- 2.2 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.

3. THE ANNUAL GOVERNANCE STATEMENT (AGS)

- 3.1 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.
- 3.2 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.
- 3.3 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.
- 3.4 Whilst the AGS covers the period 1st April 2022 to 31st March 2023, the document remains open for update until it is approved in line with the final sign off of the 2022/23 annual financial report and can make reference to any significant matters that arise.
- 3.5 The Statement has been reviewed by the Executive Management Team. The draft AGS for 2022/23 is attached in Appendix 1.
- 3.6 For members reference, and to support this covering report, an update as against the 2021/22 AGS action plan is provided at Appendix 2.

4. FINANCIAL IMPLICATIONS

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

5. EQUALITIES & DIVERSITY AND ENVIRONMENTAL MATTERS

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

6. **CRIME & DISORDER IMPLICATIONS**

6.1 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.

7. **CONCLUSIONS**

7.1 The Annual Governance Statement reports that the Council has sound levels of internal control and good governance arrangements.

7.2 The Statement does identify some areas for improvement and these will be managed by the Council's Executive Management Team.

For Further Information Contact

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Background Papers

Delivering Good Governance in Local
Government Framework 2016

**THE DRAFT ANNUAL GOVERNANCE STATEMENT
NEW FOREST DISTRICT COUNCIL
2022/23**

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:

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

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. The MTFP is underpinned by the healthy Budget Equalisation and General Fund reserves and these enable the Council to respond to changes accordingly.

Over the years, the Council has developed a number of successful joint or collaborative working arrangements with other public partners. This has continued into 2022/23 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. During 22/23, the Council worked closely with local partners including the National Park Authority, Forestry England and the Verderers, including with wider membership of the New Forest Recreation Management Strategy Steering Group to bring in new laws within Public Space Protection Orders relating to anti-social behaviour concerned with wildfires and the feeding and petting of Forest animals.

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 was reviewed during 2022/23 to ensure it remains fit-for-purpose and the new version will come into effect after the 4 May 2023 elections.

During 2022/23, the Council adopted a new Risk Management Policy and Strategic Risk Register. 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.

In May 2023 all-out District elections took place with the new ward boundaries in use (according to the Boundary review work concluded during 2022/23), reflecting a new Councillor base of 48, as opposed to the previous 60. The Council is in overall control by the Conservative Party who have with 26 (out of 48) members. The remaining 22 seats are held by 14 Liberal Democrats, 4 Independents, 3 Green Party members and 1 Labour Party Member. Cllr Jill Cleary is the Leader of the Council.

During 2022/23, the Solent Freeport was designated. The Section 151 Officer, Monitoring Officer, Strategic Director Place, Operations and Sustainability and Chief Executive all remain involved in the broad objective to deliver economic growth to the wider freeport area and the Council has

representation on the Solent Freeport Consortium Ltd Board, and on the Investment Committee, the latter set up to evaluate projects for funding from the retained business rates pool.

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 2022/23 are included below:

1. A number of Council policies were reviewed or new plans/policies implemented including:
 - Local Planning Enforcement Plan 2022
 - New Forest National Park Partnership Plan 2022-27
 - Waste Strategy 2022-27
 - Digital Strategy 2022-25
 - Housing Development Plan
 - Greener Housing Strategy 2022-32
 - Risk Management Policy & Strategic Risk Register
 - Health & Wellbeing Plan
 - Asset Investment Strategy
 - Housing Services Service Charge Policy
 - Housing Rent Policy
 - Menopause Policy
 - Numerous Business Support Grant Policies
 - Constitution Refresh 2023
2. The Council's Executive Management Team (EMT) was changed during 2022, going from a 4 Executive Heads model to a 3 Strategic Director model. Further changes introduced 4 Assistant Director Positions, strengthening overall leadership across the Council.
3. The responsibility of Section 151 functions (a statutory role) sits with the Strategic Director for Corporate Resource & Transformation. The Strategic Director Housing, Communities & Governance 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 Monitoring Officer (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.
4. One of the requirements of the GDPR is to appoint a Data Protection Officer (DPO). The role of the DPO is to oversee the Council's compliance with GDPR and provide advice in relation to the law. The DPO position is held by the Council's Information Governance and Complaints Manager, who is a Solicitor who holds the EU General Data Protection Regulation Practitioner qualification. The Information Governance and Complaints Manager has direct access to EMT.
5. A significant project updating the Council's Retention and Destruction schedules has been carried out during 2022/23 and is nearing completion.

6. The Council's arrangements for financial management and reporting are sound and are well documented. 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 are in place with an annual report of work carried out presented to Council.
7. Proposals for asset maintenance and replacement expenditure and capital projects are supported by a business case as are new requests for revenue resources. For the 2022/23 budget process, these were scrutinised initially by EMT and the relevant Service Portfolio Holder prior to inclusion within the budget setting process. In April 2022, a new Capital and Change Board was established, with EMT and a number of Service Managers, placed on this board. This new Board, which meets monthly, provides oversight and scrutiny of Capital projects, as well as tracking their delivery to ensure necessary progress. This Board also considers transformational proposals and ensures their oversight. 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.
8. 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. A review of the Council's approach to continuous improvement and the existence of a comprehensive development programme for Members and Officers will be carried out during 2023/24.
9. 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 last completed during 2021/22 with the new regulations presented to and endorsed by the Audit Committee. The new regulations went live during April 2022, following approval by full Council.
10. Performance Management ensures strategic monitoring with a focus on organisational and service based indicators, reflecting the aims and objectives of the Corporate Plan. Portfolio Holder dashboards were presented to Overview and Scrutiny Panels during 2022/23 providing transparency of performance and risks to service delivery.
11. 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.
12. The Council's approach to risk management was reviewed during 2022/23 and an updated Risk Management Strategy was brought to the committee during 2022/23. The Council's Strategic Risk Register was continually reviewed during 2022/23, and Cabinet will be receiving six-monthly updates going forward. The document remains under regular review as a result of the constantly changing national and international situation.
13. 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.

14. 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.
15. 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 'Reasonable' 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.
16. 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.
17. 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).
18. Internal Audit has reported a 'Reasonable' opinion on the overall control environment. Four limited assurance audit opinions were given with subsequent management actions included to make improvements. Monitoring of progress against the management actions of these audits will continue into 2023/24.
19. In February 2021, Council made a decision to award an operating contract to Wealdon Leisure Ltd, trading as Freedom Leisure, to commence on 1st July 2021 for an 11 year period, with the option to extend for a further 4 years. An operating agreement has been agreed by both parties and provides for the Council and the operator to have representation on a new partnership board which is responsible for ensuring the operator delivers on the Council's service specification and performance indicators. This board has met monthly since the commencement of the contract, and regular update reports have been presented to the Community, Partnerships and Wellbeing Scrutiny Panel during the financial year.
20. During 2022/23, the 3 statutory officers, supported by the Democratic Services Manager concluded on a review of the Council's constitution. The revised constitution delivers an updated format, based on the key components and all the necessary information required of a local authority constitution. The purpose of the Constitution is to ensure there is a clear governance framework and effective and accountable decision making; clarity as to the procedures to be followed in respect of meetings and decisions; provisions to enable Members and the public to engage and hold decision makers to account; and to contain rules and procedures relating to the financial management of the Council, and that standards are promoted and maintained. There are numerous legal requirements as to procedure rules and provisions, which must be included. The proposed Constitution complies with these requirements.

5. Financial Management Code

In December 2019, CIPFA introduced a Financial Management Code. The driver for this was the exceptional financial circumstances faced by local authorities, having revealed concerns about

fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future. The Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time it sets out the standards of financial management for local authorities.

The underlying principles that inform the Code have been developed in consultation with senior practitioners from local authorities and associated stakeholders. Each local authority must demonstrate that the requirements of the Code are being satisfied. This is a collective responsibility of elected Members, the CFO and their professional colleagues in the Leadership Team.

The Section 151 Officer carried out a review and reported on the Financial Management Code to the Audit Committee during 2022/23.

6. Significant Governance Issues

Whilst there have been a number of improvements made throughout the year, the Council constantly strives for continuous improvement. The following areas will be included in the action plan for review in 23/24 (Schedule 1):

1. To review the Council's Procurement Strategy to ensure that value for money is being achieved and processes/ procedures are robust
2. To review the Council's Financial Regulations to ensure that controls remain appropriate for the Council's decision making arrangements and ensure efficient running of the business.
3. To review the Council's approach to continuous improvement and the existence of a comprehensive development programme for Members and Officers to ensure that there are appropriate arrangements in place to demonstrate that Services are carrying out their continuous improvement functions and that corporately, there is in place an on-going comprehensive Development Programme for Members and Officers.
4. To review the Council's Corporate Report Template, to promote the effective completion of Impact Assessments as part of formal decision making.

7. 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 31st March 2023 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:

DRAFT

Schedule 1

Annual Governance Statement Action Plan for 2023/24

Heading	Update / Action	Responsible	Target
Procurement Strategy	<p>An updated Procurement Strategy will be prepared during 2023/24 to ensure it remains fit-for-purpose to take forward procurement activity, including suitable internal thresholds and compliance to legislative thresholds.</p> <p>Action: Strategic Procurement Manager to carry out a review and bring an updated strategy to EMT / Resources and Transformation Overview and Scrutiny / Cabinet / Council</p>	S151 Officer and Monitoring Officer	April 2024
Financial Regulations	<p>The Council's Financial Regulations will be reviewed during 2023/24</p> <p>Action: to complete a review of the Council's Financial Regulations</p>	S151 Officer and Monitoring Officer	April 2024
Continuous Improvement – Members and Officers	<p>A review of the Council's approach to continuous improvement and the existence of a comprehensive development programme for Members and Officers to ensure that there are appropriate arrangements in place to demonstrate that Services are carrying out their continuous improvement functions and that corporately, there is in place an on-going comprehensive Development Programme for Members and Officers, will be carried out in 2023/24.</p> <p>Action: to complete a review of the Councils approach to continuous improvement and development.</p>	S151 Officer and Monitoring Officer	April 2024
Corporate Report Template	<p>A review of the Councils Corporate Report Template will be completed to promote effective completion of Impact Assessments as part of formal decision making.</p> <p>Action: to complete a review of the Corporate Report Template</p>	S151 Officer and Monitoring Officer	April 2024

Annual Governance Statement update on 2022/23 action plan

The following table is provided to confirm actions as against the 22/23 action plan. It is not a core part of the 22/23 Annual Governance Statement (appendix 1).

Heading	Update / Action	Responsible
Financial Management Code	<p>Following the introduction of the CIPFA Financial Management Code, the Council's CFO will undertake an assessment of it's compliance with the code.</p> <p>Action: COMPLETE Assessment completed and updates brought to the Audit Committee during 2022/23</p>	Chief Finance Officer
Risk Management Strategy	<p>The Council's Risk Management Strategy will be updated during 2022/23, and will result in a refreshed approach to risk management, including a fundamental review of the Risk Registers in place across the Council.</p> <p>Action: COMPLETE An updated Risk Management Policy was adopted during 2022/23, as was an updated Strategic Risk Register</p>	Chief Finance Officer

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AUDIT COMMITTEE WORK PLAN 2023 – 2024

DATE	WORK / REPORTS
28 July 2023	Internal Audit Progress Report 23/24 External Audit Final Report 2021/22 External Auditor's Annual Report 2021/22 Strategic Risk Register Update
27 October 2023	Internal Audit progress report 23/24 Treasury Management Mid-Year Monitoring Report 23/24 External Audit Outline Audit Plan for the year ended 31 March 2023 Insurance Renewal Update
26 January 2024	Internal Audit Progress Report 23/24 External Audit Results Report 22/23 Housing Benefit Audit Report 22/23 Final Annual Governance Statement 22/23 Final Annual Financial Report 22/23 RIPA Report Strategic Risk Register Update Treasury Management Strategy Investment Strategy
22 March 2024	Internal Audit Progress Report 23/24 Internal Audit Charter 24/25 Internal Audit Plan 24/25 Review of Financial regulations PCI DSS Update Treasury Management Monitoring Report Q3

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