

NOTICE OF MEETING

Meeting: AUDIT COMMITTEE

Date and Time: FRIDAY, 28 JULY 2023, AT 9.30 AM

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

Enquiries to: E-mail: andy.rogers@nfdc.gov.uk
Tel: 023 8028 5070

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) on items within the Audit Committee's terms of reference which are not on the public agenda, when the Chairman calls the public participation item; 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 Tuesday, 25 July 2023.

Kate Ryan
Chief Executive

Appletree Court, Lyndhurst, Hampshire. SO43 7PA
www.newforest.gov.uk

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 meetings held on 22 May 2023 and 31 May 2023 as correct records.

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 receive any public participation in accordance with the Council's public participation scheme.

4. INTERNAL AUDIT PROGRESS REPORT 2023/24 (Pages 3 - 16)

To receive the Internal Audit Progress Report 2023/24.

5. TREASURY MANAGEMENT UPDATE (Pages 17 - 28)

To receive the Treasury Management Update.

6. STRATEGIC RISK REGISTER (Pages 29 - 38)

To consider the Strategic Risk Register and pass any comments to Cabinet.

7. AUDIT COMMITTEE WORK PLAN (Pages 39 - 40)

To consider the Audit Committee's Work Plan.

8. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT

To:

Councillors

Alan Alvey (Chairman)
Matthew Hartmann (Vice-
Chairman)
Hilary Brand
Keith Craze
Jack Davies

Councillors

Jacqui England
Neil Millington
Alan O'Sullivan
Richard Young

AUDIT COMMITTEE – 28 JULY 2023

INTERNAL AUDIT PROGRESS REPORT 2023-24 (JUNE 2023)

1. RECOMMENDATIONS

- 1.1 That the Audit Committee note the content of the progress report, attached as Appendix A, summarising internal audit progress with delivering the 2023-24 audit plan to 30th June 2023.

2. INTRODUCTION

- 2.1 The purpose of this report is to provide the Audit Committee with an overview of internal audit activity completed in accordance with the approved audit plan and to provide an overview of the status of 'live' reports.

3. BACKGROUND

- 3.1 Under the Accounts and Audit (England) Regulations 2015, the Council is responsible for:

- ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
- undertaking an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

- 3.2 In accordance with the Public Sector Internal Audit Standards and the Council's Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to the Audit Committee, summarising:

'communications on the internal audit activity's performance relative to its' plan.'

- 3.3 The progress report, attached as Appendix A, summarises the performance of Internal Audit for 2023-24 to 30th June 2023.

4. FINANCIAL IMPLICATIONS

- 4.1 The audit plan consists 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 2023-24 reflects 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:

Antony Harvey
Deputy Head of Partnership (SIAP)
07784 265289
antony.harvey@hants.gov.uk

Background Papers:

Internal Audit Plan 2023-24

Internal Audit Progress Report 2023-24

June 2023

New Forest District Council



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**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

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1. Role of Internal Audit

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

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

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

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

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ 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’.

New Forest District 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 organisations’ objectives.

2. Purpose of report

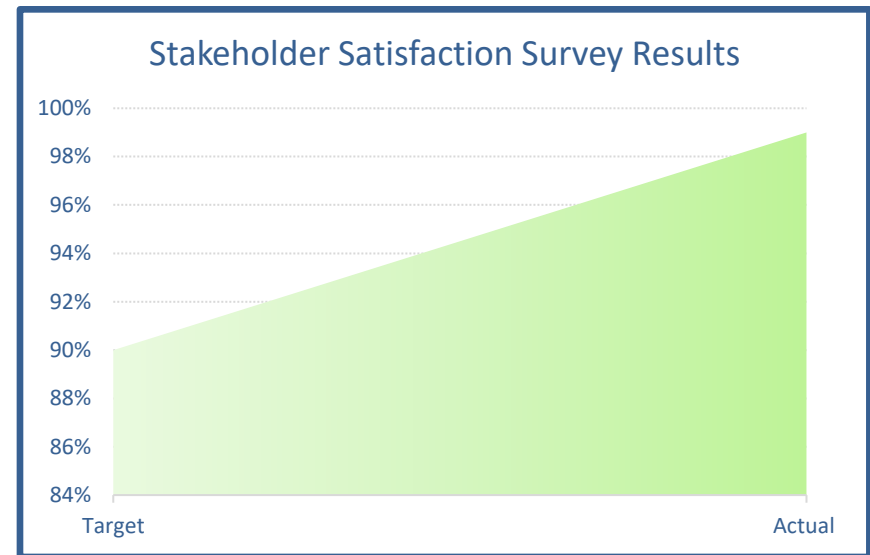
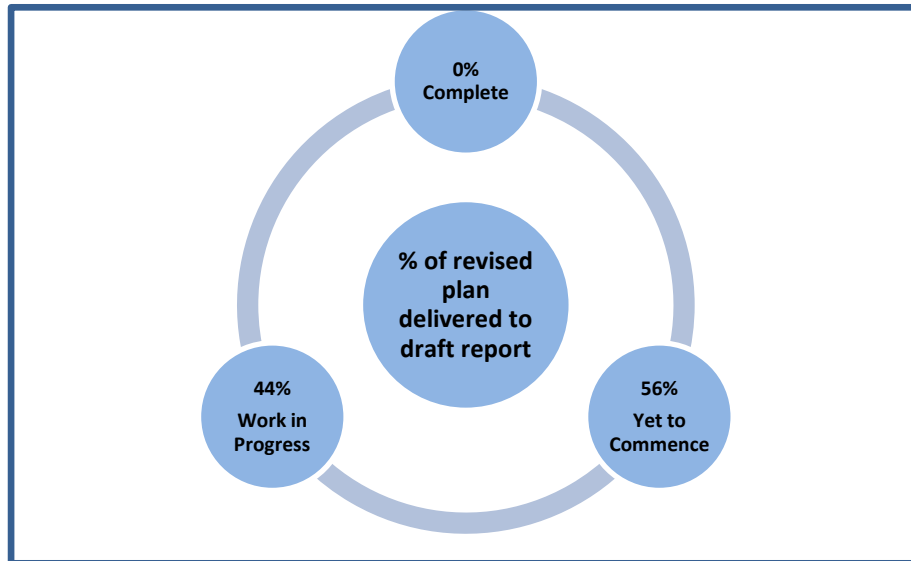
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

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:

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.
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.
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.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

3. Performance dashboard



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Compliance with Public Sector Internal Audit Standards

An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'The mandatory elements of the International Professional Practices Framework (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.'

4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)	Not Yet Due	Complete	Overdue		
							L	M	H
Income Collection and Banking	Jun 21	SM (R&CS)	Reasonable	4	2	2			
Cyber Security	Jul 21	ICTOM	Reasonable	8	0	6		2	
Tree management *	Apr 22	G&SM	Reasonable	19	0	19			
Building Control *	May 22	ADPD	Reasonable	9	0	9			
Use of Agency Staff *	Jun 22	SM (HR)	Limited	10	0	10			
Lease Income and Charges	Aug 22	SM (E&V)	Reasonable	2	0	1	1		
Statutory Safety Checks - Corporate Estate *	Aug 22	SM (E&V)	Reasonable	6	0	6			
Community Safety Partnership *	Sep 22	SM (EM&S)	Reasonable	2	0	2			
Accounts Receivable and Debt Management *	Oct 22	SM (FIN)	Reasonable	3	0	3			
Homelessness – Triage	Apr 23	SM (HO)	Reasonable	6	2	3	1		
Payroll Spine Review and Awards *	May 23	SM (HR)	Substantial	1	0	1			
Fleet Management (follow-up phase 2)	May 23	SM (W&T)	Reasonable	9	9	0			
Identity Management (ICT)	May 23	ICTOM	Reasonable	6	6	0			
IT Asset Management	May 23	ICTOM	Limited	11	5	6			
Housing Asset Management – Legionella Checks	Jun 23	SM (HM&C)	Reasonable	14	13	1			
Risk Management – Follow-up	Jun 23	SDCR&T	n/a	7	6	1			
Total							2	2	0

* Denotes audits where all actions have been completed since the last progress report

Audit Sponsor		Audit Sponsor	
Strategic Director Housing, Communities & Governance	SDHC&G	ICT Operations Manager	ICTOM
Assistant Director Housing	ADH	Transformation & Improvement Manager	T&IM
Service Manager (Housing Maintenance & Compliance)	SM (HM&C)	Performance & Insight Manager	P&IM
Service Manager (Housing Options, Rents, Support and Private Sector Housing)	SM (HO)	Strategic Director Place, Operations & Sustainability	SDPOS
Service Manager (Housing Strategy & Development)	SM (HS&D)	Assistant Director Place Operations	ADPO
Service Manager (Estate Management & Support)	SM (EM&S)	Service Manager (Coastal)	SM (C)
Service Manager (Democratic Services)	SM (DS)	Service Manager (Waste & Transport)	SM (W&T)
Service Manager (Legal Services)	SM (LS)	Environment Enforcement & Amenities Manager	EE&AM
Service Manager (Environmental & Regulation)	SM (E&R)	Grounds & Streetscene Manager	G&SM
Information Governance & Complaints Manager	IG&CM	Assistant Director Place Development	ADPD
Strategic Support Manager	SSM	Service Manager (Development Management)	SM (DM)
Strategic Director Corporate Resource & Transformation	SDCR&T	Service Manager (Planning Policy and Infrastructure)	SM (PP&I)
Assistant Director Transformation	ADT	Economic Development Manager	EDM
Service Manager (Revenues & Customer Services)	SM (R&CS)	Building Control Team Leader	BCTL
Service Manager (Human Resources)	SM (HR)		
Service Manager (Estates & Valuation)	SM (E&V)		
Service Manager (Finance)	SM (FIN)		
Service Manager (Elections & Business Improvement)	SM (E&BI)		
Data Development & Delivery Manager	DDDM		

5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

No audits have concluded with a ‘Limited’ or ‘No’ Assurance Opinion.

6. Planning & Resourcing

The Internal Audit Plan for 2023-24 was agreed by EMT and approved by the Audit Committee in March 2023. The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 7.

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Terms of reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
2022-23 Audits (included within the annual report and opinion)								
Open Spaces – Safety Checks	G&SM	✓	✓	✓	Dec 22		Limited	
Engineering Works	SM (C)	✓	✓	✓	Sep 22		Limited	
2023-24 Audits								
Corporate / Governance Framework								
Performance Management Framework	ADT	✓						
Transformation Programme – Governance Arrangements	ADT	✓						
Corporate Governance Framework – Fraud Framework	SM (R&CS)							Q3
Programme and Project Management	SDCR&T							Q4
Commercial Activities – Appletree Holdings	SM (E&V)	✓						
Business Continuity	SM (E&R)	✓	✓	✓				

Audit Review	Sponsor	Scoping	Terms of reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Information Governance – Data Retention/Records Management	IG&CM							Q4
Procurement	SDCR&T	✓						
Contract Management – Leisure Contract	SDCR&T							Q4
Health and Safety	SM (E&R)							Q3
Emergency Planning	SM (E&R)	✓						
Risk Management	SM (FIN)							Q4
Human Resources								
Employee Benefits/Salary Sacrifice Scheme	SM (HR)	✓	✓	✓				
Performance Management Reviews	SM (HR)	✓						
Core Financial Systems								
Council Tax	SM (R&CS)	✓						
NNDR	SM (R&CS)	✓	✓	✓				
Accounts Payable	SM (FIN)							Q3
Income Collection and Banking	SM (FIN)	✓	✓	✓				
Information Technology								
IT – Contract Management	ICTOM							Q3-4
IT – Follow-up	ICTOM							Q3-4
Portfolio Themes								
Homelessness – Prevention and Relief	SM (HO)	✓						
Housing Allocations	SM (HO)							Q3
Housing Management System	SM (HO)							Q3
Housing Asset Management - Voids	SM (HM&C)							Q3

Audit Review	Sponsor	Scoping	Terms of reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Housing Asset Management – Electrical Safety Checks	SM (HM&C)	✓	✓	✓				
Disabled Facilities Grants	ADH							Q4
Planning / Development Management – End to end process	SM (DM)							Q4
CIL/S106/Developer Obligations	SM (DM)							Q4
Environmental Services – Garden Waste Collection	ADPO	✓	✓					
Licensing	SM (E&R)							Q4
Parking and Enforcement	EE&AM							Q3
Clean Streets – Enforcement	EE&AM	✓						
Keyhaven – Inspection/Enforcement	SM (C)							Q4
Telecare	SM (EM&S)							Q4

Annex 1 - Adjustments to the plan

Audit reviews added to the plan (included in rolling work programme above)	Comment
Business Continuity *	Carried forward from 2022-23 plan as work in progress at the time of the Annual Internal Audit Report and Opinion.
Housing Asset Management – Electrical Safety Checks *	Carried forward from 2022-23 plan as work in progress at the time of the Annual Internal Audit Report and Opinion.

Audit reviews removed from the plan (excluded from rolling work programme)	Comment
None	n/a

* Proposed July 2023

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AUDIT COMMITTEE 28 JULY 2023

TREASURY MANAGEMENT REPORT Q1 2023/24

1. PURPOSE

- 1.1. New Forest District Council has adopted the key recommendations of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code), last updated in 2021 which requires the Council to approve, as a minimum, treasury management semi-annual and annual outturn reports.

2. SUMMARY

- 2.1. This quarterly report provides an additional update and includes the new requirement in the 2021 Code, mandatory from 1st April 2023, of quarterly reporting of the treasury management prudential indicators. The non-treasury prudential indicators are incorporated in the Council's normal Financial Monitoring report.
- 2.2. 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 remains central to the Council's treasury management strategy.
- 2.3. Treasury management in the context of this report is defined as:

“The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 2.4. 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. EXTERNAL CONTEXT

- 3.1. The following sections outline the key economic themes in the UK against which investment and borrowing decisions have been made so far in 2023/24.

Economic commentary

- 3.2. From the start of the quarter until May it looked like peak global monetary policy rates were in sight as inflation continued to ease and central banks turned more dovish in tone. Only a few weeks later, stronger and more persistent inflation data, particularly in the UK, changed the picture.

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.

- 3.3. Inflation fell from its peak of 11.1% reached in October 2022, but annual headline CPI in May 2023 was higher than the consensus forecast at 8.7% (8.4% expected), largely driven by services inflation, while the annual measure of underlying core inflation rose to 7.1% from 6.8%.
- 3.4. After a sharp rise in interest rate expectations, with clearly serious implications for mortgage markets due to higher inflation and wage data, the Bank of England's Monetary Policy Committee reaccelerated monetary policy tightening over the period with a 0.25% rise in May to a 0.5% rise in June, taking the Bank Rate to 5.0%. At both meetings the vote was 7-2 in favour of increasing rates, with the two dissenters preferring to keep rates on hold.
- 3.5. Interest rate expectations priced in further hikes in policy rates. Arlingclose, the authority's treasury adviser, revised its forecast to forecast a further 0.5% of monetary tightening to take Bank Rate to 5.5%. The risks, however, are that rates could be higher; financial markets are forecasting policy interest rates above 6%.
- 3.6. With many mortgages at low fixed rates now systematically being re-set over the next 12-24 months at higher rates at the end of their fixed rate period, there has been a lagged effect of the feed through of monetary policy on households' disposable income. The economic slowdown is expected to develop over time and therefore, despite the GfK measure of consumer confidence rising to -24 in June, it is likely confidence will be negatively affected at some point. The manufacturing sector contracted during the quarter according to survey data, which will eventually feed into services, whose expansion is slowing.

Financial markets

- 3.7. Financial market sentiment and bond yields remained volatile, the latter continuing their general upward trend as uncertainty and concern over higher inflation and higher interest rates continued to dominate.
- 3.8. Gilt yields rose over the period. The 5-year UK benchmark gilt yield rose from 3.30% to 4.67%, the 10-year gilt yield from 3.43% to 4.39%, and the 20-year yield from 3.75% to 4.51%.

Credit review

- 3.9. Having completed a review of its credit advice on unsecured deposits at UK and non-UK banks following concerns of a wider financial crisis after the collapse of Silicon Valley Bank purchase of Credit Suisse by UBS, as well as other well-publicised banking sector issues, in March 2023 Arlingclose reduced the advised maximum duration limit for all banks on its recommended counterparty list to 35 days. 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.

- 3.10. Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress but made no changes to the counterparty list or recommended durations over the quarter. Nevertheless, heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Council's counterparty list recommended by Arlingclose remains under constant review.

4. LOCAL CONTEXT

- 4.1. On 31st March 2023, the Authority had net borrowing of £86.8m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31/03/23 Balance £m	31/03/24 Forecast £m
General Fund CFR	27.5	29.0
Housing Revenue Account CFR	10.8	21.1
HRA Settlement	118.1	114.0
Total CFR	156.4	164.1
Financed By:		
External Borrowing	118.3	114.0
Internal Borrowing	38.1	50.1
Total Borrowing	156.4	164.1

- 4.2. The treasury management position at 30th June 2023 and the change over the quarter is shown in Table 2 below.

Table 2: Treasury Management Summary

	31/03/23 Balance £m	Movement £m	30/06/23 Balance £m	31/06/23 Rate %
Long-term borrowing	(114)	0	(114)	3.37
Short-term borrowing	(4.3)	0.0	(4.3)	2.69
Total borrowing	(118.3)	0.0	(118.3)	3.34
Long-term investments	13.6	0.0	13.6	4.13
Short-term investments	3.0	2.8	5.8	5.38
Cash and cash equivalents	14.9	10.0	24.9	4.67
Total investments	31.5	12.7	44.2	4.60
Net borrowing	(86.8)	12.7	(74.1)	

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.

4.3. The decrease in net borrowing of £12.7m shown in Table 2 reflects the normal pattern of the Council's cash balances, with higher balances at the start of the financial year due to the uneven pattern of grant receipts. Further details are provided in the Borrowing Strategy and Treasury Investments Activity sections of this report.

5. BORROWING UPDATE

5.1. The Council has no plans to borrow to invest primarily for commercial return and so is unaffected by the changes to the Prudential Code.

5.2. The Council is not planning to purchase any investment assets primarily for yield, so is able to retain full access to the PWLB.

5.3. 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.

5.4. 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.

5.5. The Section 151 Officer will review the current pooled fund investment prior to making any external borrowing decisions.

6. BORROWING ACTIVITY

6.1. At 30th June 2023 the Council held £118.3m of loans. The vast majority of the outstanding loans are in relation to the resettlement of the HRA in 2012/13. Outstanding loans on 30th June are summarised in Table 3.

Table 3: Borrowing Position

	31/03/23 Balance £m	Movement £m	30/06/23 Balance £m	30/06/23 Rate %	30/06/23 WAM* years
Public Works Loan Board	(118.3)	0.0	(118.3)	3.34	14.6
Total borrowing	(118.3)	0.0	(118.3)	3.34	14.6

* 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.

- 6.2. The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

7. TREASURY INVESTMENT ACTIVITY

- 7.1. 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.
- 7.2. The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year to date the Council's investment balances have ranged between £35.3m and £60.6m due to timing differences between income and expenditure. The investment position is shown in Table 4 below.

Table 4: Treasury investment position

Investments	31/03/2023 Balance £m	Movement £m	30/06/2023 Balance £m	30/06/23 Rate %	30/06/23 WAM* years
Short term Investments					
Banks and Building Societies:					
- Unsecured	5.0	(0.2)	4.8	4.22	0.00
- Secured	1.0	1.8	2.8	5.13	0.54
Money Market Funds	6.9	13.2	20.1	4.78	0.00
Government:					
- UK Treasury Bills	3.0	(2.0)	1.0	5.01	0.43
Cash Plus Funds	2.0	0.0	2.0	5.95	0.02
	17.9	12.8	30.7	4.81	0.99
High yield investments					
Pooled Property Funds**	7.6	0.0	7.6	3.50	N/A
Pooled Equity Funds**	3.0	0.0	3.0	5.68	N/A
Pooled Multi-Asset Funds**	3.0	0.0	3.0	4.17	N/A
	13.6	0.0	13.6	4.13	N/A
TOTAL INVESTMENTS	31.5	12.8	44.2	4.60	0.05

* 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 accounts but adjusted to exclude operational cash, market value adjustments and accrued interest.

- 7.3. 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.

- 7.4. 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.
- 7.5. As demonstrated by the liability benchmark shown later in this report, the Council expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.
- 7.6. Bank Rate increased by 0.75%, from 4.25% at the beginning of April to 5% by the end of June 2023, with the prospect of further increases to come. Short-dated cash rates rose commensurately, with 3-month rates rising to around 5.25% and 12-month rates to nearly 6%. The rates on DMADF deposits also rose, ranging between 4.8% and 5.4% by the end of June and Money Market Rates between 4.7% and 4.9%
- 7.7. The progression of risk and return metrics are shown in the extracts from Arlingclose’s quarterly investment benchmarking in Table 5 below .

Table 5: Investment benchmarking (excluding pooled funds)

	Credit rating	Bail-in exposure	Weighted average maturity (days)	Rate of return
31.03.2023	AA-	75%	2	3.86%
30.06.2023	AA-	87%	26	4.73%
Similar LAs	A+	65%	45	4.50%
All LAs	A+	63%	11	4.44%

Externally managed pooled funds

- 7.8. £13.6m of the Council’s investments are invested in externally managed strategic pooled funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability.
- 7.9. Financial market conditions were volatile during the quarter, but favourable in some areas. Resilient economic data, which led to diminishing talk of recessions at a time when interest rate peaks are thought to be near initially helped UK, euro-area and US equity markets. However, UK equities fell in May (sterling’s strength weighed on some sectors) and ended the quarter marginally lower. Eurozone equities were slightly higher but did not match the larger global rally in US equities

(helped by a soft-landing scenario for the economy and enthusiasm over AI) and Japanese equities.

- 7.10. UK property markets continued to struggle as higher interest rates and bond yields and higher funding costs weighed on the sector. There was some improvement in May, building on signs of returning investor interest and transactional activity in calendar Q1 and a perception that the downturn in commercial real estate may be bottoming out. This has helped support capital values and rental income. The additional move upwards in yields in late May/June and the prospect of sluggish economic growth however constrain the outlook.
- 7.11. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's medium- to long-term investment objectives are regularly reviewed. Following the latest review the Council will sell a combination of some of its pooled equity funds and pooled multi-assets funds where the prospects for income returns are no better than more secure cash investments. The combination of these redemptions should yield a small surplus on the original investments which can be held against future losses on the remaining pooled funds.
- 7.12. In April 2023 the Department for Levelling Up, Housing and Communities published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended for 2 years until 31st March 2025 but no other changes have been made; whether the override will be extended beyond the new date is unknown but commentary to the consultation outcome suggests not. The Authority will discuss with Arlingclose the implications for the investment strategy and what action may need to be taken.

8. NON-TREASURY INVESTMENTS

- 8.1. 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).
- 8.2. 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.
- 8.3. 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.
- 8.4. The Council's existing non-treasury investments are listed in Table 6.

Table 6: Non-treasury investments

	31/03/23 Asset value £m
Hythe Marina	2.553
Saxon Inn, Calmore	0.179
Meeting House Lane	0.177
New Milton Health Centre	2.629
Ampress Car Park	2.030
The Parade Salisbury Road, Totton	1.599
1-3 Queensway, New Milton	1.013
Unit 1 Nova Business Park	0.559
Drive -Thru Salisbury Road, Totton	1.382
Units 1-3 27 Salisbury Road, Totton	1.901
85 Station Road, New Milton	5.000
1b Junction Road, Totton	0.208
Unit 800 Ampress Park, Lymington	1.904
Total investment properties	21.134
Lymington Town Hall	3.645
Hardley Industrial Estate	5.088
Total income earning properties	8.733
Grand total	29.867
<u>Property Under Construction</u>	
Employment Land at Crow Lane	9.552

9. COMPLIANCE REPORT

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

9.2. Compliance with specific investment limits is demonstrated in table 7 below

Table 7: Investment limits

	2023/24 Maximum £m	30/06/23 Actual £m	2023/24 Authorised Limit	Complied
The UK Government	0.0	1.0	n/a	✓
Local authorities & other government entities	0.0	0.0	Unlimited	✓
Secured investments	2.8	2.8	Unlimited	✓
Banks (unsecured)	4.98	4.8	Unlimited	✓
Building societies (unsecured)	0.0	0.0	£10m	✓
Registered providers	0.0	0.0	£10m	✓
Money market funds	37.8	20.1	Unlimited	✓
Strategic pooled funds	13.6	13.6	£50m	✓
Real estate investment trusts	0.0	0.0	£10m	✓
Other investments	0.0	0.0	£10m	✓

9.3. Compliance with the authorised limit and operational boundary for external debt, is demonstrated in Table 8.

Table 8: Debt limits

	Q1 2023/24 Maximum £m	30/06/23 Actual £m	2023/24 Operational Boundary £m	2023/24 Authorised Limit £m	Complied
Total debt	118.3	118.3	207.2	225.5	✓

9.4. 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.

10. TREASURY MANAGEMENT INDICATORS

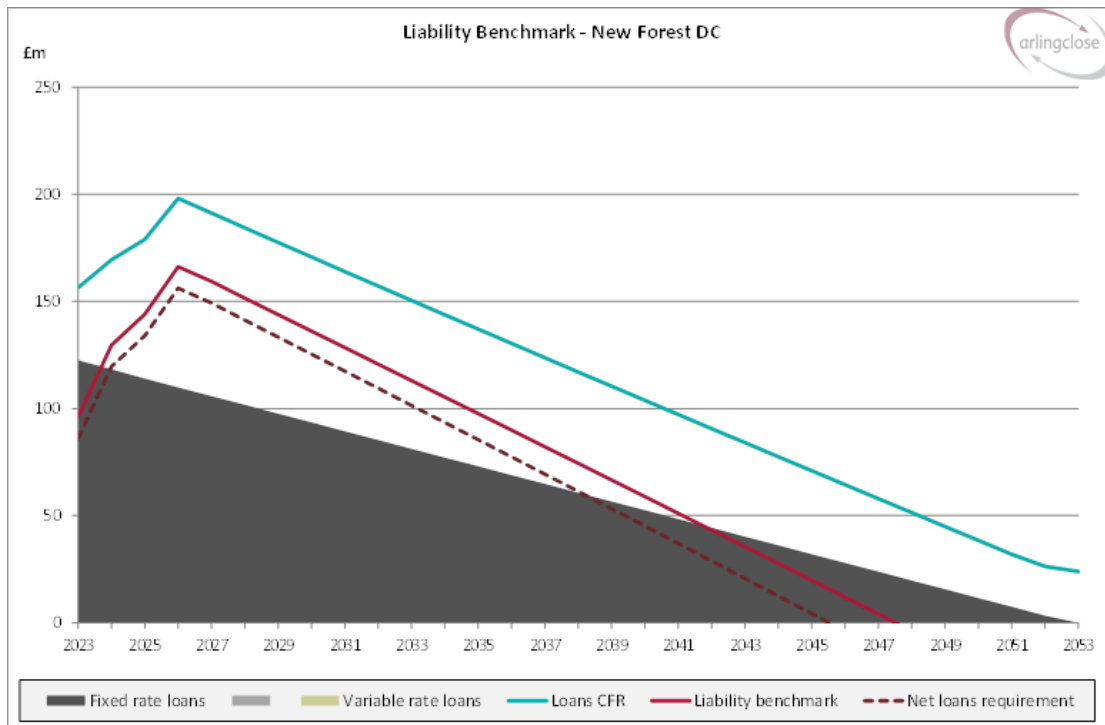
10.1. The Council measures and manages its exposures to treasury management risks using the following indicators.

Liability benchmark

10.2. This new indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 8: Liability benchmark

	31/03/23 Actual £m	31/03/24 Forecast £m	31/03/25 Forecast £m	31/03/26 Forecast £m
Loans CFR	156.4	169.4	179.0	198.1
Less: Balance sheet resources	(70.5)	(49.8)	(44.9)	(41.9)
Net loans requirement	85.8	119.6	134.1	156.2
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
Liability benchmark	95.8	129.6	144.1	166.2
Existing borrowing	118.3	114.0	109.9	109.9



10.3. Table 8 and the graph shown above illustrates that by the end of 2023/24, the Council's existing borrowing will no longer be sufficient to meet the liability benchmark and the Council will need to source external borrowing if it is to meet the full delivery of its capital programme. The Council will keep this position under review and continue to take advice from Arlingclose on the most appropriate time to borrow when it is required.

Maturity structure of borrowing

10.4. 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 9: Refinancing rate risk indicator

	30/06/23 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

10.5. 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 10: Price risk indicator

	2023/24	2024/25	2025/26
Actual principal invested beyond a year	£13.6m	£13.6m	£13.6m
Limit on principal invested beyond a year	£35m	£35m	£35m
Complied	✓	✓	✓

10.6. 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.

11. CRIME AND DISORDER AND ENVIRONMENTAL IMPLICATIONS

11.1. None arising directly from this report.

12. RECOMMENDATIONS

Members are recommended to:

12.1. Consider the performance of the treasury function detailed in 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 of Corporate Resource, and Transformation Section 151 Officer New Forest District Council 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 2023/24 Audit Committee – 27 January 2023 Council – 27 February 2023</p> <p>Treasury Management Outturn Report 2022/23 Audit Committee – 31 May 2023</p>

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AUDIT COMMITTEE – 28 JULY 2023

STRATEGIC RISK REGISTER

1. RECOMMENDATIONS

- 1.1 That Audit Committee are asked to review the Strategic Risk Register as part of the 6 monthly review process (before onward review by Cabinet in September).

2. INTRODUCTION AND PURPOSE

- 2.1 The Strategic Risk Register (Appendix 1), now included within this report contains the significant risks, as identified by senior and executive council officers in consultation with the Portfolio Holders, in the Council achieving the priorities set out in the 'Community Matters Corporate Plan 2020-24'.

3. BACKGROUND

- 3.1 Risk management aims to identify the risks that may impact on the Council achieving its objectives. Its purpose is to evaluate, design and implement effective measures to reduce both the likelihood and potential impact of these risks occurring.
- 3.2 The Council has a statutory responsibility to have in place arrangements for managing risks under the Accounts and Audit Regulations; which require a sound system of internal control, facilitates the effective exercise of the Council's functions and includes arrangements for the management of risk. As such it features strongly in the Council's Local Code of Practice for Corporate Governance and is one of the primary assurance strands in the Annual Governance Statement, which places significant reliance on a robust risk management framework.

4. STRATEGIC RISK REGISTER

- 4.1 The Strategic Risk Register (Appendix 1) captures the most significant cross cutting risks to the delivery of the current Corporate Plan and the proposed actions to mitigate these risks.
- 4.2 These risks have been identified with senior and executive council officers working alongside the Portfolio Holders to ensure a joined-up approach in capturing and documenting these risks.
- 4.3 The strategic risk register encompasses a total of eight risks of significance, including one further addition incorporated since the last update. The revised register, which can be found in the appendix 1, outlines a detailed narrative of the actions necessary to manage residual risk adequately. Importantly, while some actions are ongoing, others have specific endpoints.

5. FINANCIAL IMPLICATIONS

- 5.1 There are none arising directly from this report, although strong risk management and a solid understanding of risk helps to support robust financial management.

6. ENVIRONMENTAL MATTERS AND EQUALITY & DIVERSITY IMPLICATIONS

- 6.1 There are no direct environmental or equality and diversity implications arising from this report.

7. DATA PROTECTION IMPLICATIONS

7.1 There are no data protection implications arising from this report.

For further information

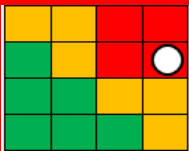
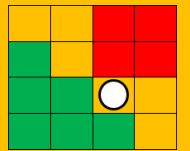
James Clarke

Insurance and Risk Officer

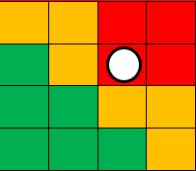
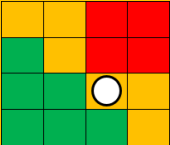
Tel: 023 8028 5002

Email: James.Clarke@nfdc.gov.uk

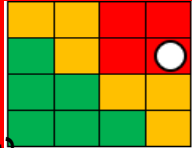
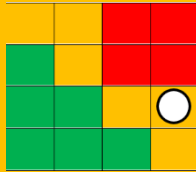
1. Supporting Communities

Inherent Risk Score	Current circumstance	Risk Control	Residual Risk Score	Action Required
<p>Likelihood 3 x Impact 4 = High 12</p> 	<p>Communities are likely to be negatively impacted due to the current rate of inflation driven (in part) by a high utility price, and the knock-on implication this is having to the cost of food, whilst in the context of a sustained inflated fuel price. This will create additional pressures on local businesses and job security.</p> <p>Communities are impacted through a shortage of housing including affordable housing Supply being delivered within the District.</p> <p>The Council needs to do more to support communities with enhanced digital channels for transacting and communicating with the Council.</p> <p>There will also be some challenges around the delivery of the Freeport.</p>	<ul style="list-style-type: none"> A. Targeted funding streams and support for voluntary and community sectors B. Engagement in discussions of fundamental activities such as Solent Freeport and County Deals C. Close working partnerships with key stakeholders such as the Community Safety Partnership and the Skills Advisory Group D. Effectively review and apply the Council's Local Plan, including active monitoring of the implementation, while proactively working with developers to provide enabling infrastructure and continuously reviewing the Local Plan. E. Roll-out Digital Strategy prioritising customer needs. F. Corporate Plan 2020-2024 and the development of the next Corporate Plan in 2023 G. Collaborative working with key partners through the Cost of Living Steering Group to implement a Poverty Action Plan H. Establishment of a referral system to aid vulnerable residents I. Regular engagement with the voluntary sector J. Participation on the board and its sub-committees of Solent Freeport Consortium Limited, ensuring collaborative working and shared goal achievement to advance the economic, social and environmental well-being of the District K. The Council's Housing Revenue Account is actively seeking opportunities to bring forward additional affordable homes within the District, under Council ownership. 	<p>Likelihood 2 x Impact 3 = Medium 6</p> 	<ul style="list-style-type: none"> A. Allocate resource to support Corporate Plan priorities B. Continue to work in partnership for example with the Solent Freeport and with other public sector partners to explore new and existing opportunities to deliver to residents and businesses C. Understanding the results from the resident survey and taking stock of these learning points to ensure they feed into the Corporate Plan 2025-2028 D. Continued support to the Cost of Living Steering Group is provided, bringing a multi-agency approach to tackling issues affecting the most vulnerable in the community, working alongside the Local Partnership Campaign Manager to explore and promote further support to household. E. Continuing to explore all housing enabling avenues across planning and housing.

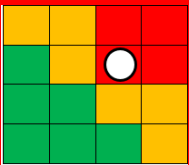
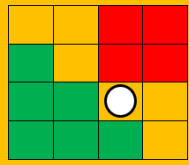
2. Achieving future financial resilience

Inherent Risk Score	Current circumstance	Risk Control	Residual Risk Score	Action Required
<p>Likelihood 3 x Impact 3 = High 9</p> 	<p>The Council's Medium Term Financial Plan is affected by numerous external economic factors, such as the high bank base rate and the current rate of inflation (cost of living). These factors place significant pressure on expenditure and impact the ability to generate income, noting the longer-term implications of recovering from economic challenges.</p> <p>Other factors, more specific to the Council include pay award, levelling up, the fair funding review, the impact of a business rate reset and increased salary costs resulting from a need to align pay with the wider market.</p> <p>The Council may also need to do more to support communities due to the potential for closure of local businesses and job losses as a result of the cost of living crisis.</p> <p>Given financial constrains affecting the Local Government sector as a whole, Local Authority Partners, may look to the District Council to support their own respective financial sustainability over the Medium term.</p>	<ul style="list-style-type: none"> A. Regular review of the Council's MTFP including reserve levels and future changes to funding B. Annual budget setting for revenue and capital including funding C. Utilisation of external financial support that provides support for funding modelling D. Regular budget monitoring reports and updates to senior officers and Members E. Currently in the process of creating a Transformation Strategy that contains ample measures to support the successful implementation of the plan. This strategy encompasses numerous actions that will aid effective delivery of the transformation plan F. Development of savings plans and invest to save initiatives G. Treasury Management Strategy to ensure the Council is acting within the prudential indicators H. Maintain appropriate level of financial reserves as contingency arrangements to provide resilience over the medium term I. Development of capital plans in accordance with Capital Strategy with full financial appraisal and revenue implications J. Working with County Council, Towns and Parishes to maximise opportunities for joint working 	<p>Likelihood 2 x Impact 3 = Medium 6</p> 	<ul style="list-style-type: none"> A. Continue to keep abreast of developments in: <ul style="list-style-type: none"> - pay award - Fair Funding - National Business Rate Policy - Levelling Up - County Deals B. Maintain momentum and presence within the delivery of the Solent Freeport C. Development of the Transformation Programme to deliver enhanced services and financial efficiencies to support the delivery of the Medium Term Financial Plan D. Keep up discussions with upper and lower tier authority partners to ensure effective and efficient service delivery to residents

3. Ensuring efficient and effective internal control, governance and compliance

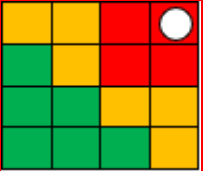
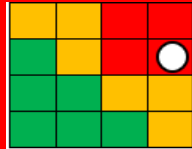
Inherent Risk Score	Current circumstance	Risk Control	Residual Risk Score	Action Required
<p>Likelihood 3 x Impact 4 = High 12</p> 	<p>As a local authority we need to show appropriate compliance and controls:</p> <ul style="list-style-type: none"> - Financial Regulations - Financial Management Code - Payment Card Industry Data Security Standard Accreditation - Production and publication of various statutory documents - Effectiveness of the Capital Change and Delivery Board - Effectiveness of the new Project Management Framework - Timeliness of External Audit completion <p>We continue to follow best practise in terms of documenting our Annual Code of Corporate Governance review, and preparation of an Annual Governance Statement, both with actions plans.</p>	<ul style="list-style-type: none"> A. Annual internal audit plan developed by senior officers and members is targeted at key risks areas and responsive to new areas of risk B. External/internal audit regime C. Annual Assurance Statements compiled testing compliance with key business activities, supporting Annual Governance Statement compilation D. Range of performance indicators that monitor internal controls E. Maintenance of a range of policies that underpin the control framework – Financial Regulations, Counter Fraud Strategy, Risk Management Framework, Contract Procedure Rules coupled with staff training F. Regular reporting at Audit Committee G. Compliance with Transparency Code H. Compliance with Local Code of Corporate Governance I. Key compliance roles identified and assigned i.e., Section 151 Officer, Monitoring Officer, Data Protection Officer, H&S, Facilities Lead etc J. Compliance with information governance including the UK General Data Protection Regulation and Data Protection Act 2018 K. Review and update of Business Continuity Plans L. Housing and Facilities Compliance reported regularly through EMT M. Information Governance Team in place with regular reporting through EMT. N. Financial Regulations and workflows built into core financial system 	<p>Likelihood 2 x Impact 4 = Medium 8</p> 	<ul style="list-style-type: none"> A. Continue through information governance work programme, including updated document retention and destruction schedules for all services. B. Management to undertake actions from the internal audit reports C. Ongoing engagement with external audit. D. Continue to assess the effectiveness of the new Project Management framework for projects to ensure appropriate Governance arrangements are in place for all projects. E. Financial Management Code – complete outstanding actions identified through the initial assessment. F. Enhance member and officer development by offering continuous training, development and engagement opportunities. G. Continue to ensure high levels of statutory compliance standards across services.

4. Creating the right culture, capacity and capability

Inherent Risk Score	Current circumstance	Risk Control	Residual Risk Score	Action Required
<p>Likelihood 3 x Impact 3 = High 9</p> 	<p>The Council needs to attract, recruit and retain the high calibre of employee that it requires to fulfil its expectations in Service delivery.</p> <p>The Leadership review has concluded and the Council now has a settled top tier leadership structure. There is however a risk around the time required to achieve organisational/cultural change.</p> <p>The pandemic demonstrated the Council's ability to adapt to changing circumstances swiftly and ensure prioritised operations continued. Accordingly, it is crucial that we continue this momentum and uphold the positive experiences and benefits that have emerged from recent changes. Moreover, steps must be taken to address and improve upon any negative experiences and challenges encountered in service delivery, thereby ensuring a more efficient and satisfactory experience for all involved.</p> <p>There are still some actions to complete as a result of the staff survey completed during 2022.</p>	<ul style="list-style-type: none"> A. Employee Forum to encourage collaboration and engender a culture that enables change and innovation B. Learning and development programme to be developed and rolled out to provide training, tools and techniques to develop the necessary skills C. Regular 1-1's and annual PDI process D. Investigation and identification of further collaborations that will support building capacity and capability (and resilience) including both public and corporate business E. Staff Suggestion scheme F. Transformation framework in progress G. Communications plan (internal) allowing for regular staff engagement/progress updates H. Staff/union engagement I. Project management/capability J. Performance management and key performance indicators in place K. Staff/officer wellbeing and support L. Development of Workforce Strategy and enabling an agile workforce M. Corporate plan 2020-2024 N. Hybrid working increasing potential pool of staff O. More support and training on virtual working/managing staff P. Further ICT training to ensure maximum return on investment 	<p>Likelihood 2 x Impact 3 = Medium 6</p> 	<ul style="list-style-type: none"> A. Embedding of new Council Leadership structure (including necessary backfill) B. Progress learnings from employee survey C. HR developing plans to work with third parties to deliver a consistent and structured approach to training and development D. Keep abreast of developments in pay award negotiations and be ready to respond accordingly. E. Transformation plan being formulated to include design principles for a new operating model, approach, implementation, and necessary resources. A key aspect of the design principles will be our people strategy and organisational development opportunities. A Transformation Strategy will be presented to the new administration in 2023. F. Continue to identify further opportunities that should be progressed in connection with improving service delivery G. Allocate resource to support Corporate Plan ambitions H. Continue to work in partnership with other public sector partners to explore new and existing opportunities to deliver to residents and businesses


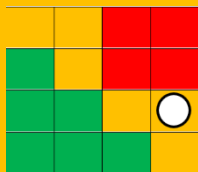
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5. Ensuring robust security measures to protect the Council's digital data and ICT assets from external threats

Inherent Risk Score	Current circumstance	Risk Control	Residual Risk Score	Action Required
<p>Likelihood 4 x Impact 4 = High 16</p> 	<p>This risk relates to the Council's ability to defend itself against the constantly evolving threat from cyber based attack. The Council, in common with other public bodies, should be regarded as a high-profile target given the impact and publicity a successful attack can have.</p> <p>The current insurance market for public sector cyber risks is volatile.</p>	<ul style="list-style-type: none"> A. Up to date Disaster Recovery plan is in place B. Awareness training of officers and staff on the threats of cyber attacks C. Continued reviewing and tightening of existing IT Security Policy to ensure measures adapt to the changing threat, including awareness, familiarisation and training. D. Acceptable use of IT policy to ensure staff are using equipment safely and appropriately. E. Relationships with other agencies to ensure best practice is established 	<p>Likelihood 3 x Impact 4 = High 12</p> 	<ul style="list-style-type: none"> A. Continued development of O365 services to improve email and anti-virus protections B. Carry out annual penetration test C. Ongoing refresher training on cyber risks for all staff D. To look at service provisions externally that can assist with cyber risks.

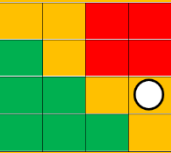
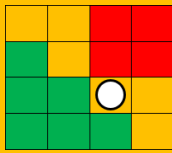
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6. Ability to be agile and shift focus in response to policy and national political change

Inherent Risk Score	Current circumstance	Risk Control	Residual Risk Score	Action Required
<p>Likelihood 3 x Impact 4 = High 12</p> 	<p>The significance of the current cost of living crisis and inflation, coupled with the need to repay the COVID bill may impact on government priorities and planning.</p> <p>Changes in national politics and the required general election (by Jan 2025), as well as a new NFDC administration with an altered political balance all have the potential to have an impact.</p> <p>Other legislation that will affect the council include:</p> <ul style="list-style-type: none"> - Levelling up white paper - The environment bill - Future planning reform - Changes the regulatory landscape to housing <p>There is a possibility of experiencing a shift in the political landscape leading up to the general election.</p>	<p>A. Continuous monitoring of political landscape to allow for early indicators of policy change</p> <p>B. Prudent financial and strategy assumptions to allow for agile responses</p> <p>C. Corporate Plan 2020-2023 reviewed and updated where appropriate as changes identified that could impact on the Council and its plans i.e., Covid-19</p> <p>D. Section 151 Officer role providing advice to the Council on current/ future financial challenges</p> <p>E. Reports to committee include explicit assessment of implications and therefore should identify/reflect current and future challenges</p> <p>F. The Executive should conduct horizon scanning to proactively anticipate and identify potential challenges and opportunities in order to influence outcomes through consultation.</p> <p>G. Membership of Local Government Association etc providing information/insights to the Council</p> <p>H. Members' roles and responsibilities including involvement in local networks, County Council, other agencies and national forums, enabling insight to be gained and shared with the Council</p> <p>I. Staff membership of professional bodies enabling own development and also providing for insights through membership of challenges that may present themselves to the Council</p> <p>J. Officer/member forums and networks</p> <p>K. Review of Coastal Strategy and Actions. Climate Change Action Plan</p>	<p>Likelihood 2 x Impact 4 = Medium 8</p> 	<p>A. Making sure the workforce is aware that training is available.</p> <p>B. Ensuring professional training availability as this impacts departments e.g., Planning and Legal</p> <p>C. Encouraging staff to undertake professional development and service-related training.</p> <p>D. Prepare and implement the national changes arising out of the new Social Housing Charter, which represents the biggest change in social housing for 40 years. Work has been ongoing for the last 2 years to prepare and implement the necessary changes including reporting to EMT, Housing & Homelessness Overview & Scrutiny Panel and Cabinet.</p>

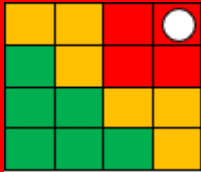
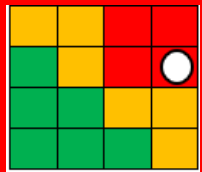
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7. Delivering Council Services through adverse environmental conditions

Inherent Risk Score	Current circumstance	Risk Control	Residual Risk Score	Action Required
<p>Likelihood 2 x Impact 4 = Medium 8</p> 	<p>The following may affect the delivery of Council Services from a national and local perspective:</p> <ul style="list-style-type: none"> - Natural disasters / local power outages - Workforce Strike Action - Global Pandemic - Terrorism - Riot/Rebellion - Flooding - Major pollutions of surface waters and groundwaters - Adverse Weather - Fire - Nuclear Powered Vessels related to pollution - Coastal Erosion - Industrial Strikes <p>The Council has appointed a dedicated resource to lead on Emergency Planning and Business Continuity.</p>	<ul style="list-style-type: none"> A. Business Continuity framework and individual service continuity plans B. Threat response plans which will include ICT Infrastructure response, alternative accommodation provisions and reallocation of staff. C. Emergency Planning Strategy and defined roles assigned D. Communication with NFDC residents on all platforms e.g., social media 	<p>Likelihood 2 x Impact 3 = Medium 6</p> 	<ul style="list-style-type: none"> A. Annual programme of Emergency Planning training to be established. Robust training continues to be arranged and carried out for officers involved in emergency planning. Work continues in ensuring business continuity plans are in place, including for interruptions due to energy outages. B. Review and challenge of functional Service Continuity Plan and conclude Business Continuity Planning. C. Regular reporting to EMT on progress against Emergency Planning and Business Continuity action plan. D. continuity to increase capacity for service to manage this risk. E. Set up links to Town and Parish councils as they would be involved in implementing actions through adverse conditions.

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8. Responding to the Climate and Nature Emergency

Inherent Risk Score	Current circumstance	Risk Control	Residual Risk Score	Action Required
<p>Likelihood 4 x Impact 4 = High 16</p> 	<p>NFDC declared a Climate Change and Nature Emergency in 2021 in response to global temperature rise and the associated impacts on natural and built environments. Declaring an emergency demonstrates NFDC’s commitment to the legally binding target set by Central Government for the UK to reach net zero carbon by 2050, however progress in achieving the agreed targets is significantly off track at national and global levels.</p> <p>As a result of climate change, the New Forest area is expected to experience:</p> <ul style="list-style-type: none"> Hot drier summers and warmer winters More frequent and extreme heatwaves, droughts flooding and coastal erosion <p>Failing to reduce emissions, improve environmental quality and adequately adapt to climate change will have impacts for NFDC residents, tenants, businesses, visitors, and the economy.</p> <p>Responding at a pace and scale comparable to the declared emergency will ensure that the environmental, social, financial and reputational risks to NFDC are minimised, and any opportunities arising from the changing climate are maximised.</p> <p>National and local actions are key to achieving environmental goals, which include grid decarbonisation, policy planning, and enabling a green economy. However, funding these initiatives is challenging and could affect residents' costs of living.</p>	<p>A. Deliver organisational and area-wide actions to reduce emissions, adapt to climate change and safeguard the natural environment, as outlined in the Climate Change and Nature Emergency Action Plan</p> <p>B. Deliver, monitor and report on four key programmes of work: carbon reduction, climate adaptation, nature recovery and programme management</p> <p>C. Governance and oversight from Climate and Nature Steering Group and Environment Overview and Scrutiny Panel</p> <p>D. Climate Change and Nature Emergency Annual Report to inspire behaviour change, demonstrate corporate leadership and ensure transparency, accountability, and governance - detailing action to date, progress against targets and future actions</p> <p>E. Service risk assessments and business continuity plans to be developed</p> <p>F. Consideration of climate change and sustainability issues in the early stages of all activities, including projects, plans, strategies, and procurements</p> <p>G. Prioritisation of climate change and sustainability in the Corporate Plan, Local Plan and other key strategies</p> <p>H. Ensuring adequate resources for climate and sustainability efforts including third party financial support</p>	<p>Likelihood 3 x Impact 4 = High 12</p> 	<p>A. Successful delivery of projects within the organisational and area-wide Climate Change and Nature Emergency Action Plan</p> <p>B. Climate and Sustainability to be identified as key priorities in the new Corporate Plan, Local Plan and other key strategies e.g., Greener Housing Strategy</p> <p>C. Development of policy framework to ensure business as usual activities of NFDC services contribute positively to climate and sustainability objectives</p> <p>D. Creation of a 5-year strategy and action plan with aligned resources and targets</p> <p>E. Inclusion of climate change risks in service level risk assessments and business continuity plans</p> <p>F. Training for officers and members, particularly O&S panel members, on climate change, nature and sustainability issues</p> <p>G. Aligning level of resourcing to meet emerging corporate priorities</p>

AUDIT COMMITTEE WORK PLAN 2023 – 2024

DATE	WORK / REPORTS
27 October 2023	Final External Audit Report for 2021/22 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 Final External Audit Report for 2022/23 External Auditor's Annual Report for 2022/23
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
July 2024	Annual Internal Audit Report and Opinion 2023-24 Treasury Management Update
October 2024	Internal Audit Progress Report 2024-25 Treasury Management Update
January 2025	Internal Audit Progress Report 2024-25 Treasury Management Update
March 2025	Internal Audit Progress Report 2024-25 Internal Audit Charter 2025-26 Internal Audit Plan 2025-26 Treasury Management Update

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