

# NOTICE OF MEETING

**Meeting:** AUDIT COMMITTEE

**Date and Time:** FRIDAY, 26 JULY 2024, AT 9.30 AM

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

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Tel: 023 8028 5070

## PUBLIC INFORMATION:

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.

Members of the public are welcome to attend this meeting. The seating capacity of our Council Chamber public gallery is limited under fire regulations to 22.

Members of the public can watch this meeting live, or the subsequent recording, on the [Council's website](#). Live-streaming and recording of meetings is not a statutory requirement and whilst every endeavour will be made to broadcast our meetings, this cannot be guaranteed. Recordings remain available to view for a minimum of 12 months.

## PUBLIC PARTICIPATION:

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; 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 attend the meeting, or speak in accordance with the Council's public participation scheme, should contact the name and number shown above no later than **12.00 noon on Tuesday, 23 July 2024.**

**Kate Ryan**  
Chief Executive

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

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# AGENDA

## Apologies

### 1. MINUTES

To confirm the minutes of the meeting held on 31 May 2024 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 receive any public participation in accordance with the Council's public participation scheme.

### 4. FINAL ANNUAL FINANCIAL REPORT 2022/23 BACKSTOP UPDATE

To receive a verbal update on the Final Annual Financial report for 2022/23.

### 5. INTERNAL AUDIT PROGRESS REPORT 2024/25 (Pages 3 - 16)

To receive the Internal Audit Progress Report for 2024/25.

### 6. TREASURY MANAGEMENT REPORT Q1 2024/25 (Pages 17 - 28)

To receive a Treasury Management Update.

### 7. STRATEGIC RISK REGISTER UPDATE (Pages 29 - 44)

To review the Strategic Risk Register, which has been updated in accordance with the launch of the new Corporate Plan 2024-28, before consideration by the Cabinet.

### 8. AUDIT COMMITTEE WORK PLAN (Pages 45 - 46)

To consider the Audit Committee's Work Plan.

### 9. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT

To:

#### Councillors

Alan Alvey (Chairman)  
Keith Craze (Vice-Chairman)  
Kate Crisell  
Jack Davies  
Jacqui England

#### Councillors

Alan O'Sullivan  
Caroline Rackham  
Janet Richards  
Richard Young

## AUDIT COMMITTEE – 26 JULY 2024

### INTERNAL AUDIT PROGRESS REPORT 2024-25 (JULY 2024)

#### 1. RECOMMENDATION

- 1.1 That the Audit Committee note the content of the progress report, attached as Appendix A, summarising internal audit progress with delivering the 2024-25 audit plan to 9<sup>th</sup> July 2024.

#### 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 2024-25 to 9<sup>th</sup> July 2024.

#### 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 2024-25 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:**

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antony.harvey@hants.gov.uk

**Background Papers:**

Internal Audit Plan 2024-25

## APPENDIX A

### Internal Audit Progress Report 2024-25

July 2024

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:

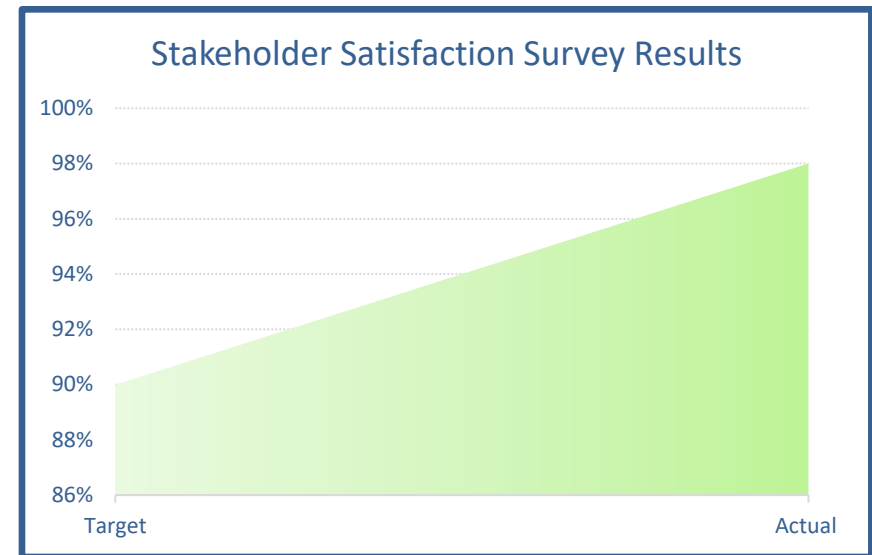
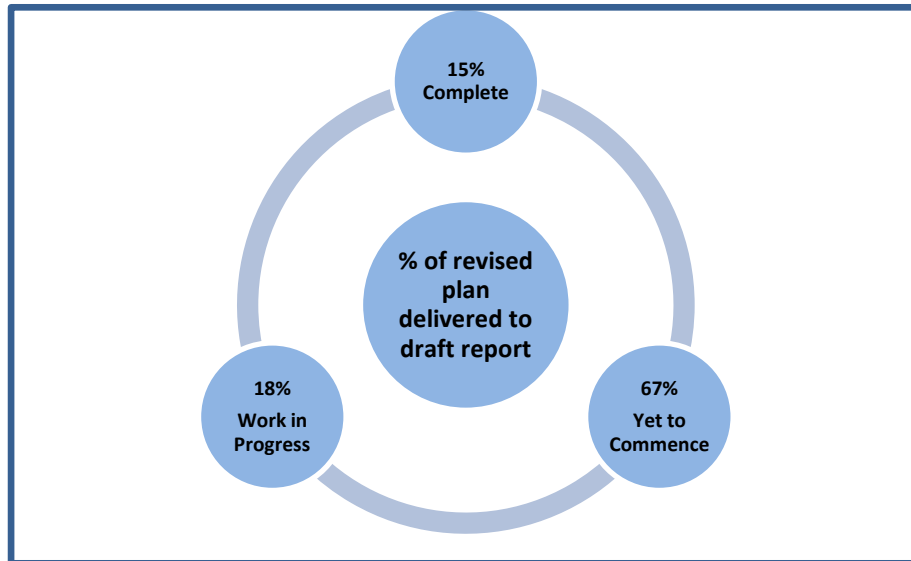
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

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:

<b>Substantial</b>	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.
<b>Reasonable</b>	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.
<b>Limited</b>	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.
<b>No</b>	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
<b>Income Collection and Banking *</b>	<b>Jun 21</b>	<b>SM (CSR&amp;B)</b>	<b>Reasonable</b>	<b>4</b>	<b>0</b>	<b>4</b>			
<b>Cyber Security *</b>	<b>Jul 21</b>	<b>ICTOM</b>	<b>Reasonable</b>	<b>8</b>	<b>0</b>	<b>8</b>			
<b>Lease Income and Charges *</b>	<b>Aug 22</b>	<b>SM (E&amp;V)</b>	<b>Reasonable</b>	<b>2</b>	<b>0</b>	<b>2</b>			
<b>Homelessness – Triage *</b>	<b>Apr 23</b>	<b>SM (HO)</b>	<b>Reasonable</b>	<b>6</b>	<b>0</b>	<b>6</b>			
Fleet Management (follow-up phase 2)	May 23	SM (W&T)	Reasonable	9	0	7		2	
<b>Identity Management (ICT) *</b>	<b>May 23</b>	<b>ICTOM</b>	<b>Reasonable</b>	<b>6</b>	<b>0</b>	<b>6</b>			
Engineering Works	Aug 23	SM (C)	Limited	10	0	4	1	4	1
Commercial Activities – Appletree Holdings	Oct 23	SM (E&V)	Substantial	1	1	0			
NNDR	Nov 23	SM (CSR&B)	Reasonable	4	2	2			
Open Spaces and Playground Safety Checks	Dec 23	G&SM	Limited	12	0	5		5	2
Housing Asset Management – Electrical Safety Checks	Feb 24	SM (HM)	Reasonable	8	0	6	2		
Business Continuity	Mar 24	SM (E&R)	Reasonable	2	2	0			
Transformation Programme – Governance Arrangements	May 24	ADT	Reasonable	3	3	0			
Homelessness – Prevention and Relief	May 24	SM (HO)	Reasonable	6	3	3			
Corporate Governance Framework – Fraud Framework	May 24	SM (CSR&B)	Reasonable	5	5	0			
Accounts Payable	Jun 24	FIN	Reasonable	5	5	0			
Animal Welfare Licencing	Jun 24	SM (E&R)	Reasonable	6	6	0			
Procurement	Jun 24	SPM	Reasonable	4	4	0			
Community Infrastructure Levy- Expenditure Framework	Jun 24	SM (DM)	Substantial	1	1	0			
Housing Rent Reconciliations	Jul 24	SM (HO)	Reasonable	5	5	0			
Housing Allocations	Jul 24	SM (HO)	Reasonable	1	1	0			
<b>IT – Contract Management *</b>	<b>Jul 24</b>	<b>ICTOM</b>	<b>Substantial</b>	<b>2</b>	<b>0</b>	<b>2</b>			
<b>Total</b>							<b>3</b>	<b>11</b>	<b>3</b>

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

Audit Sponsor		Audit Sponsor	
Chief Executive	CX	Assistant Director Place Development	ADPD
Communications Manager	CM	Service Manager (Development Management)	SM (DM)
Strategic Director Housing & Communities	SDH&C	Service Manager (Policy & Strategy)	SM (P&S)
Assistant Director Housing	ADH	Building Control Manager	BCM
Service Manager (Housing Maintenance)	SM (HM)	Climate Change Manager	CCM
Service Manager (Housing Options, Rents Support and Private Sector Housing)	SM (HO)	Strategic Director Corporate Resources & Transformation	SDCR&T
Service Manager (Strategy & Development)	SM (S&D)	Service Manager (Estates & Valuation)	SM (E&V)
Greener Housing Development Manager	GHDM	Service Manager (Customer Services, Revenues & Benefits)	SM (CSR&B)
Anti-Social Behaviour Manager	ASBM	Finance Manager	FIN
Tenant Engagement Manager	TEM	Strategic Procurement Manager	SPM
Rent, Accounting & Home Ownership Manager	RA&HOM	Assistant Director Transformation	ADT
Service Manager (Estate Management & Support)	SM (EM&S)	Service Manager (Human Resources)	SM (HR)
Service Manager (Environmental & Regulation)	SM (E&R)	ICT Operations Manager	ICTOM
Strategic Director Place, Operations & Sustainability	SDPOS	Data Development & Delivery Manager	DDDM
Assistant Director Place Operations	ADPO	Transformation & Improvement Manager	T&IM
Service Manager (Waste & Transport)	SM (W&T)	Assistant Director Governance & Monitoring Officer	ADG&MO
Service Manager (Coastal)	SM (C)	Service Manager (Democratic & Support Services)	SM (D&SS)
Environment Enforcement & Amenities Manager	EE&AM	Information Governance & Complaints Manager	IG&CM
Grounds & Streetscene Manager	G&SM		

## 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 2024-25 was agreed by EMT and approved by the Audit Committee in March 2024. 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
<b>2023-24 Audits (included within the annual report and opinion)</b>								
Procurement	SPM	✓	✓	✓	May 24	Jun 24	Reasonable	
Accounts Payable	FIN	✓	✓	✓	May 24	Jun 24	Reasonable	
Homelessness – Prevention and Relief	SM (HO)	✓	✓	✓	Mar 24	May 24	Reasonable	
Animal Welfare Licencing	SM (E&R)	✓	✓	✓	May 24	Jun 24	Reasonable	
<b>2024-25 Audits</b>								
<b>Corporate / Governance Framework</b>								
Corporate Plan / Performance Management	ADT							Q3
Transformation Programme	ADT							Q2-4
Corporate Governance Framework – Fraud Framework	SM (CSR&B)	✓	✓	✓	May 24	May 24	Reasonable	
Corporate Governance Framework	ADG&MO							Q2
Programme & Project Management	SDCR&T							Q3
Budget Planning/Setting	FIN	✓	✓	✓				

Audit Review	Sponsor	Scoping	Terms of reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Partnership Working – Town and Parish Councils	ADPO							Q2
Asset Management (Corporate Estate)	SM (E&V)							Q3
Information Governance – Data Retention/Records Management	IG&CM	✓	✓	✓				
Information Governance	IG&CM							Q4
Emergency Planning	SM (E&R)							Q4
Contract Management – Leisure Contract	SDCR&T	✓	✓	✓				
Health and Safety	SM (HR)	✓	✓	✓				
Risk Management	FIN	✓	✓	✓	Jun 24			
<b>Human Resources</b>								
HR – Statutory Responsibilities	SM (HR)							Q2-3
<b>Core Financial Systems</b>								
Housing Benefits	SM (CSR&B)							Q2
Payroll and Expenses	SM (HR)							Q3
Treasury Management	FIN							Q3
<b>Information Technology</b>								
IT – Contract Management	ICTOM	✓	✓	✓	Jul 24	Jul 24	Substantial	
IT – Application Lifecycle Management	ICTOM							Q2-3
IT – Project Delivery	ICTOM							Q3-4
IT – Firewall Management and Monitoring	ICTOM							Q4
<b>Portfolio Themes</b>								
Housing Management – Right to Buy	SM (HO)							Q2
Housing Allocations	SM (HO)	✓	✓	✓	Jun 24	Jul 24	Reasonable	
Housing Rent Reconciliations	SM (HO)	✓	✓	✓	Jun 24	Jul 24	Reasonable	

Audit Review	Sponsor	Scoping	Terms of reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Housing Asset Management – Voids	SM (HM)							Q3
Housing Asset Management – Lift Inspections	SM (HM)	✓						Q2
Housing Asset Management – Gas Safety	SM (HM)							Q4
Housing Asset Management – Asbestos	SM (HM)							Q4
Housing Enforcement	SM (HO)							Q2
Community Infrastructure Levy Expenditure Framework	SM (DM)	✓	✓	✓	May 24	Jun 24	Substantial	
Planning/Development Management	SM (DM)							Q4
Building Control	BCM							Q3
Environmental Services – New Waste Strategy	ADPO							Q2
Environmental Health	SM (E&R)							Q2
Licencing	SM (E&R)							Q4
Parking and Enforcement	EE&AM	✓	✓	✓				
Clean Streets – Enforcement	EE&AM	✓	✓	✓				
Cemeteries	G&SM							Q3

**Annex 1 - Adjustments to the plan**

Audit reviews added to the plan (included in rolling work programme above)	Comment
Corporate Governance Framework – Fraud Framework *	Brought forward from 2023/24 as work in progress
Information Governance – Data Retention/Records Management *	Brought forward from 2023/24 as work in progress
Contract Management – Leisure Contract *	Brought forward from 2023/24 as work in progress
Health and Safety *	Brought forward from 2023/24 as work in progress
Risk Management *	Brought forward from 2023/24 as work in progress
IT – Contract Management *	Brought forward from 2023/24 as work in progress
Housing Allocations *	Brought forward from 2023/24 as work in progress
Housing Rent Reconciliations *	Brought forward from 2023/24 as work in progress
Community Infrastructure Levy Expenditure Framework *	Brought forward from 2023/24 as work in progress
Parking and Enforcement *	Brought forward from 2023/24 as work in progress
Clean Streets – Enforcement *	Brought forward from 2023/24 as work in progress

Audit reviews removed from the plan (excluded from rolling work programme)	Comment
N/A	

\* Proposed July 2024

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## AUDIT COMMITTEE - 26 JULY 2024

### TREASURY MANAGEMENT REPORT Q1 2024/25

#### 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 update on treasury management activity including the requirement in the 2021 Code of quarterly reporting of the treasury management prudential indicators. The non-treasury prudential indicators are incorporated in the Council's normal quarterly Financial Monitoring report.
- 2.2. The Council's treasury management strategy was approved at a meeting of Full Council in February 2024. 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 2024/25.

##### **Economic background**

- 3.2. UK headline consumer price inflation (CPI) continued to decline over the quarter, falling from an annual rate of 3.2% in March to 2.0% in May, in line with the Bank of England's (BoE) target. The core measure of inflation, however, only declined from 4.2% to 3.5% over the same period,

which, together with stubbornly services price inflation at 5.7% in May, helped contribute to the BoE maintaining Bank Rate at 5.25% during the period, a level unchanged since August 2023.

- 3.3. Data released during the period showed that the UK economy had emerged from the technical recession at the end of 2023 to expand by 0.7% (upwardly revised from the initial estimate of 0.6%) in the first quarter of the calendar year. Monthly GDP data showed zero growth in April 2024 following an expansion of 0.4% in the previous month.
- 3.4. Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% is the peak in Bank Rate and that interest rates will most likely be cut later in in second half of 2024. The risks over the medium term are deemed to be to the upside as while inflation has fallen to target, it is expected to pick up again later in the year and as services price inflation and wage growth are still on the firmer side, the MPC could well delay before delivering the first rate cut.

### **Financial markets**

- 3.5. Sentiment in financial markets showed signs of improvement over the quarter, but bond yields remained volatile. Early in the period bond yields climbed steadily, but mixed signals from economic data and investors' constant reassessment of when rate cuts might come caused a couple of fairly pronounced but short lived dips in yield. Towards the end of the quarter yields rose once again and were generally higher than at the start of the period.

### **Credit review**

- 3.6. Arlingclose maintained its advised recommended maximum unsecured duration limit on all banks on its counterparty list at 100 days.
- 3.7. Credit default swap (CDS) prices are used as an indicator of credit risk, where higher premiums indicate higher perceived risks. CDS prices started and ended the quarter at broadly similar levels in the UK as they did for the European, Singaporean and Australian lenders on Arlingclose's counterparty list, while Canadian banks generally trended modestly downwards.
- 3.8. Financial market volatility is expected to remain a feature, at least in the near term and, CDS levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Council's counterparty list recommended by Arlingclose remain under constant review.

## **4. LOCAL CONTEXT**

- 4.1. On 31 March 2024, the Council had net borrowing of £92.7m 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. Table 1 lays out the various CFR elements and how they are financed, comparing the position at 31 March 2024 to the forecast position expected at 31 March 2025.

Table 1: Balance Sheet Summary

	31/03/24 Balance £m	31/03/25 Forecast £m
General Fund CFR	26.4	28.8
Housing Revenue Account (HRA) CFR	19.8	29.6
HRA Settlement	114.0	109.9
<b>Total CFR</b>	<b>160.2</b>	<b>168.3</b>
Financed By:		
External Borrowing	124.0	132.9
Internal Borrowing	36.2	35.4
<b>Total Borrowing</b>	<b>160.2</b>	<b>168.3</b>

- 4.2. The treasury management position at 30 June 2024 and the change over the quarter is shown in Table 2.

Table 2: Treasury Management Summary

	31/03/24 Balance £m	Movement £m	30/06/24 Balance £m	30/06/24 Rate %
Long-term borrowing	(119.9)	0.0	(119.9)	3.50
Short-term borrowing	(4.1)	0.0	(4.1)	2.82
<b>Total borrowing</b>	<b>(124.0)</b>	<b>0.0</b>	<b>(124.0)</b>	<b>3.48</b>
Long-term investments	9.1	0.0	9.1	5.44
Short-term investments	10.0	(0.5)	9.5	5.17
Cash and cash equivalents	12.2	9.1	21.3	5.15
<b>Total investments</b>	<b>31.3</b>	<b>8.6</b>	<b>39.9</b>	<b>5.22</b>
<b>Net borrowing</b>	<b>(92.7)</b>	<b>8.6</b>	<b>(84.1)</b>	

Note: the figures in Table 2 at 31/03/24 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 £8.6m 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 Activity and Treasury Investments Activity sections of this report.

## 5. BORROWING STRATEGY AND ACTIVITY

- 5.1. As outlined in the Treasury Management Strategy, the Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower 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. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. At the present time short term interest rates are higher than long term interest rates.

- 5.2. Policy interest rates have risen substantially since 2021 although they have largely plateaued over the last year. Over the last quarter gilt yields have risen slightly overall, having had a number of peaks and troughs. There has been downward pressure from lower inflation figures, but also upward pressure from unexpectedly positive economic data.
- 5.3. The Public Works Loan Board (PWLB) certainty rate for 10-year maturity loans was 4.80% at the beginning of the quarter and 4.96% percent at the end. The lowest available 10-year maturity rate during the quarter was 4.80% and the highest was 5.18%. Rates for 20-year maturity loans ranged from 5.24% to 5.57% during the quarter, and 50-year maturity loans from 5.06% to 5.40%.
- 5.4. Whilst the cost of short-term borrowing from other local authorities (LA) spiked to around 7% in late March 2024, shorter-term rates reverted to a more normal range and were generally around 5.25% through the quarter.
- 5.5. CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes. The Council has no plans to borrow to invest primarily for financial return, so is able to retain full access to the PWLB.
- 5.6. The PWLB HRA rate which is 0.4% below the certainty rate is available up to June 2025. This discounted rate is to support local authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans. The Council borrowed at the HRA rate in March 2024 as reported in the Treasury Management Outturn report. Borrowing is potentially required in relation to the HRA during 2024/25 and if the PWLB is identified as the most cost effective solution for the Council, the intention is to use the PWLB HRA rate.
- 5.7. The Council is a net borrower and as stated in the Treasury Management Strategy 2024/25, 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 2024 and 2034 and therefore, as a result, further borrowing will be considered by the Section 151 Officer over the coming months and years, if required.
- 5.8. At 30 June 2024 the Council held £124.0m of loans. The vast majority of the outstanding loans are in relation to the resettlement of the HRA in 2012/13. Outstanding loans on 30 June 2024 are summarised in Table 3.

Table 3: Borrowing Position

	31/03/24 Balance £m	Movement £m	30/06/24 Balance £m	30/06/24 Rate %	30/06/24 WAM* years
Public Works Loan Board	(124.0)	0.0	(124.0)	3.48	17.0
<b>Total borrowing</b>	<b>(124.0)</b>	<b>0.0</b>	<b>(124.0)</b>	<b>3.48</b>	<b>17.0</b>

\* Weighted average maturity

Note: the figures in Table 3 at 31/03/24 are from the balance sheet in the Council's statement of accounts adjusted to exclude accrued interest.

## 6. TREASURY INVESTMENT ACTIVITY

6.1. The CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (revised in 2021) defines 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.

6.2. 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 £29.7m and £54.7m due to timing differences between income and expenditure. The investment position is shown in Table 4.

Table 4: Treasury investment position

	31/03/2024 Balance £m	Movement £m	30/06/2024 Balance £m	30/06/24 Rate %	30/06/24 WAM* years
<b>Investments</b>					
<b>Short term investments</b>					
Banks and Building Societies:					
- Unsecured	2.0	1.6	3.6	4.85	0.00
- Secured	0.0	0.0	0.0	0.00	0.00
Money Market Funds	8.2	9.5	17.7	5.21	0.00
Government:					
- Local Authorities	6.0	(2.0)	4.0	5.61	0.12
- Supranational banks	2.0	(0.5)	1.5	5.06	0.47
- High quality	0.0	2.0	2.0	5.03	0.45
- UK Treasury Bills	2.0	(2.0)	0.0	0.00	0.00
Cash Plus Funds	2.0	0.0	2.0	4.54	0.01
	<b>22.2</b>	<b>8.6</b>	<b>30.8</b>	<b>5.16</b>	<b>0.07</b>
<b>Long term investments</b>					
Pooled Property Funds**	7.6	0.0	7.6	4.94	N/A
Pooled Equity Funds**	1.5	0.0	1.5	7.97	N/A
	<b>9.1</b>	<b>0.0</b>	<b>9.1</b>	<b>5.44</b>	<b>N/A</b>
<b>TOTAL INVESTMENTS</b>	<b>31.3</b>	<b>8.6</b>	<b>39.9</b>	<b>5.22</b>	<b>0.05</b>

\* Weighted average maturity, excluding pooled funds

\*\* The rates provided for pooled fund investments are reflective of annualised income returns over the year to 30 June 2024 based on the market value of investments at the start of the year.

Note: the figures in Table 4 at 31/03/24 are from the balance sheet in the Council's accounts but adjusted to exclude operational cash, market value adjustments and accrued interest.

- 6.3. Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is 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.
- 6.4. 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.
- 6.5. 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 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. The Section 151 Officer will review the current pooled fund investment prior to making any external borrowing decisions.
- 6.6. Bank Rate remained at 5.25% through the quarter with short term interest rates largely around this level. Money market rates ranged between 5.19% and 5.23% at the end of June 2024.
- 6.7. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5. These metrics monitor the internal investments of the portfolio, which is the total portfolio less both the pooled funds and the cash plus fund.

Table 5: Investment benchmarking (excluding pooled funds)

	Credit rating	Bail-in exposure	Weighted average maturity (days)	Rate of return
31.03.2024	AA-	51%	55	5.26%
30.06.2024	AA-	74%	27	5.19%
Similar LAs	A+	62%	52	5.06%
All LAs	A+	62%	10	5.07%

- 6.8. Table 5 shows that the Council's investments benchmarking metrics have remained favourable over Quarter 1 of 2024/25. The average credit rating has remained stable at AA- which is above the average of Arlingclose's other local authority clients. Since 31 March 2024 investment balances have increased by 27%, all of which has been invested in money market funds. These are liquid investments and so this action has resulted in the weighted average maturity metric reducing from 55 to 27 days. Money market funds are AAA-rated investments and deemed by Arlingclose to be 'bail-in light' being that they are exposed to bank bail-in. This has resulted in the Council's bail-in exposure increasing however money market funds are highly diversified therefore effectively reducing the Council's exposure to that particular risk.
- 6.9. The average rate of return on the internal investments portfolio was 5.19% at 30 June 2024; this has reduced slightly in comparison to 31 March 2024 which reflects the market expectation that the Bank Base Rate will be cut during the second half of 2024. However, 5.19% represents a good return on investment and by comparison, the Council's average rate of return is comfortably above the averages experienced by Arlingclose's other local authority clients.

#### **Externally managed pooled funds**

- 6.10. £9.1m of the Council's investments are invested in externally managed strategic pooled property and equity funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability.
- 6.11. UK equities enjoyed a positive quarter; the FTSE All Share index was buoyed in April 2024 by data showing the economy had emerged from the short, shallow recession in 2023. Sterling's weakness against the dollar in April 2024 also provided a boost to UK stocks with overseas earnings. The energy, materials and mining sectors gained as the outlook for global manufacturing improved. Healthcare and financial stocks were also supported by good earnings data. The rally faded somewhat with the unexpected announcement in May 2024 of a general election in early July 2024.
- 6.12. Dwindling prospects of policy rate cuts weighed on consumer discretionary stocks as well as on the UK real estate sector. Improvement in commercial property capital values was dampened by property's sensitivity to higher interest rates.
- 6.13. 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 Council's medium- to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns should exceed cash interest rates.
- 6.14. 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 31

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 Council will discuss with Arlingclose the implications for the investment strategy and what action may need to be taken.

## 7. NON-TREASURY INVESTMENTS

- 7.1. 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).
- 7.2. Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) also broadens the definition of investments to include all such assets held partially or wholly for financial return.
- 7.3. 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.
- 7.4. The Council's existing non-treasury investments are listed in Table 6.

Table 6: Non-treasury investments

	31/03/24 Asset value £m	31/03/2024 Annual rate of return
Hythe Marina	2.798	5.90
Saxon Inn Calmore	0.179	7.04
Meeting House Lane	0.188	-
New Milton Health Centre	2.489	5.51
Ampress Car Park	2.141	4.52
The Parade Salisbury Road Totton	1.511	6.34
1-3 Queensway New Milton	1.62	-
Unit 1 Nova Business Park	0.548	6.38
Drive -Thru Salisbury Road, Totton	1.372	4.83
Units 1-3 27 Salisbury Road, Totton	1.90	8.02
85 Station Road, New Milton	5.00	5.00
1b Junction Road, Totton,	0.128	-
Unit 800 Ampress Park, Lymington	1.903	4.97
Platinum Jubilee Business Park	8.55	1.48
<b>Total investment properties</b>	<b>30.325</b>	<b>4.34</b>
Lymington Town Hall	3.321	2.91
Hardley Industrial Estate	5.088	4.42
<b>Total income earning properties</b>	<b>8.409</b>	<b>3.83</b>
<b>Grand total</b>	<b>38.734</b>	<b>4.01</b>



## 8. COMPLIANCE REPORT

- 8.1. The Section 151 Officer reports that all treasury management activities undertaken during the quarter complied fully with the principles in the Treasury Management Code and the Council's approved Treasury Management Strategy.
- 8.2. Compliance with the authorised limit and operational boundary for external debt, is demonstrated in Table 7.

Table 7: Debt limits

	Q1 2024/25 Maximum £m	30/06/24 Actual £m	2024/25 Operational Boundary £m	2024/25 Authorised Limit £m	Complied
Total debt	(124.0)	(124.0)	(211.5)	(230.5)	✓

- 8.3. 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.

## 9. TREASURY MANAGEMENT INDICATORS

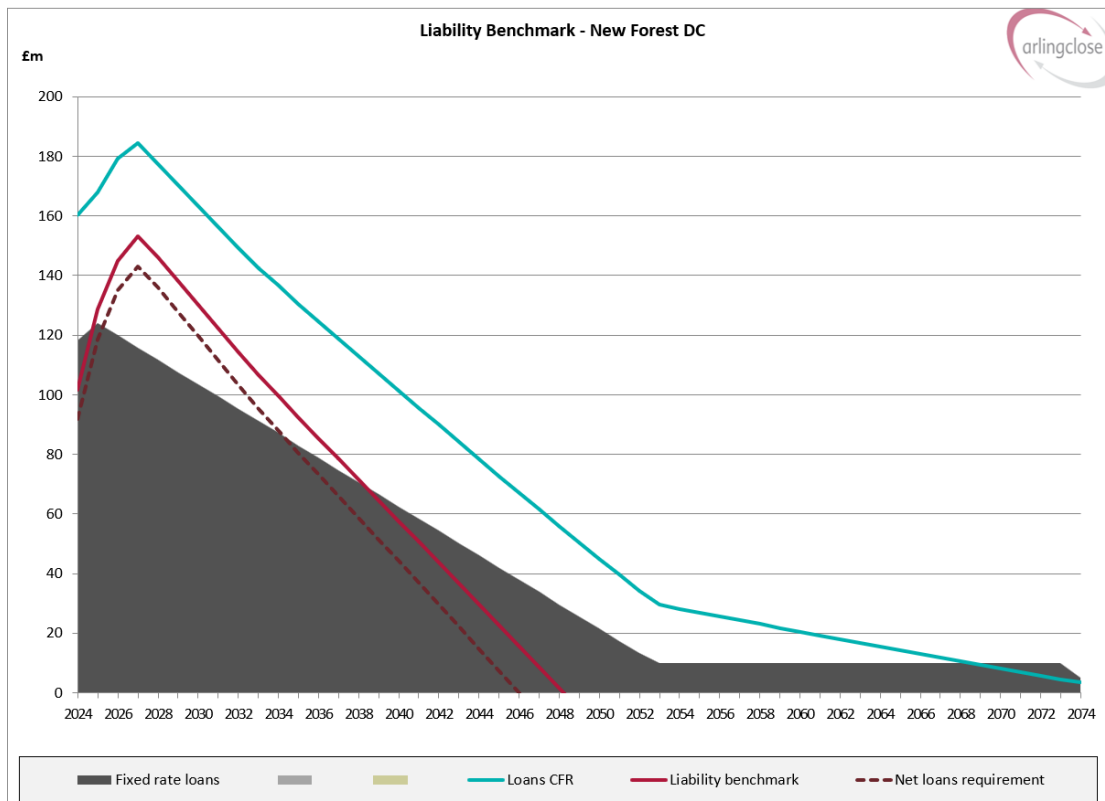
- 9.1. As required by the 2021 CIPFA Treasury Management Code, the Council monitors and measures the following treasury management prudential indicators.

### Liability benchmark

- 9.2. This indicator compares the Council'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

	31/03/24 Actual £m	31/03/25 Forecast £m	31/03/26 Forecast £m	31/03/27 Forecast £m
Loans CFR	160.2	168.3	178.5	182.5
Less: Balance sheet resources	(62.1)	(45.4)	(43.2)	(40.7)
<b>Net loans requirement</b>	<b>98.1</b>	<b>122.9</b>	<b>135.3</b>	<b>141.8</b>
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
<b>Liability benchmark</b>	<b>108.1</b>	<b>132.9</b>	<b>145.3</b>	<b>151.8</b>
<b>Existing borrowing</b>	<b>124.0</b>	<b>119.9</b>	<b>115.8</b>	<b>111.7</b>



9.3. Table 8 and the graph shown above illustrates that by the end of 2025/26, 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.

### Interest rate exposures

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

Table 9 – Interest Rate Risk Indicator

	30/06/24 Actual	Impact of +/- 1% interest rate change
Sums subject to variable interest rates		
Investment	£32.4m	+/- £0.3m
Borrowing	(£4.1m)	+/- £0.0m

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

## Maturity structure of borrowing

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

Table 10: Maturity structure of borrowing

	30/06/24 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	3%	25%	0%	✓
12 months and within 24 months	3%	25%	0%	✓
24 months and within 5 years	10%	25%	0%	✓
5 years and within 10 years	17%	25%	0%	✓
10 years and above	67%	100%	0%	✓

## Long-term Treasury Management Investments

9.7. 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 11: Long-term Treasury Management Investments

	2024/25	2025/26	2026/27	No fixed date
Actual principal invested beyond a year	£0m	£0m	£0m	£9.1m
Limit on principal invested beyond a year	£20m	£15m	£15m	£10m
Complied	✓	✓	✓	✓

9.8. Long-term investments with no fixed maturity date include strategic pooled funds but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

## 10. CRIME AND DISORDER AND ENVIRONMENTAL IMPLICATIONS

10.1. None arising directly from this report.

## 11. RECOMMENDATIONS

11.1. Members are recommended to:

11.2. Consider the performance of the treasury function detailed in this report.

Further information	Background papers
<p>Please contact:</p> <p>Gemma Farley Principal Accountant Investments &amp; Borrowing Hampshire County Council Gemma.Farley@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 2024/25 Audit Committee – 26 January 2024 Council – 26 February 2024</p> <p>Treasury Management Outturn Report 2023/24 Audit Committee – 31 May 2024</p>

## AUDIT COMMITTEE – 26 JULY 2024

### STRATEGIC RISK REGISTER

#### 1. RECOMMENDATIONS

- 1.1 That the Audit Committee review the Strategic Risk Register, updated in accordance with the launch of the new Corporate Plan 2024-28, before onward review by the 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 'For people, place, prosperity Corporate Plan 2024-28'.

#### 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 body'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) outlines the most significant overarching risks to achieving the current Corporate Plan and details the proposed measures to address these risks effectively. 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 through collaboration between senior and executive council officers and Portfolio Holders to ensure a unified approach in identifying and recording these risks.
- 4.3 The strategic risk register covers a total of eight significant risks. The updated register in Appendix 1 provides a comprehensive description of the actions needed to adequately control residual risks. Some actions are ongoing, while others have specific completion points.
- 4.4 In the narrative detailing the current circumstances and risk controls, each paragraph is labelled with a corresponding letter that matches the narrative in the Risk Control section. For instance, a paragraph labelled 'A' aligns with a reference 'A1' in the Risk Control column, maintaining this lettering system followed by sequential numbers.

- 4.5 The column titled 'Further control to mitigate risk' suggests additional measures to enhance the existing risk controls.
- 4.6 The term 'Action Owner,' indicates the responsible job title for taking on each action.
- 4.7 The below table provides an explanation to the coding used for the Corporate Plan Priority Theme Code column. This ensures each action is geared towards the relevant themes within the Corporate Plan.

<b>People Priorities</b>	<b>Code</b>
Priority 1: Helping those in our community with the greatest need	PE1
Priority 2: Empowering our residents to live healthy, connected and fulfilling lives	PE2
Priority 3: Meeting housing needs	PE3
<b>Place Priorities</b>	
Priority 1: Shaping our place now and for future generation	PL1
Priority 2: Protecting our climate, coast, and natural world	PL2
Priority 3: Caring for our facilities, neighbourhoods, and open spaces in a modern & responsive way	PL3
<b>Prosperity Priorities Code</b>	
Priority 1: Maximising the benefits of inclusive economic growth and investment	PR1
Priority 2: Supporting our high-quality business base and economic centres to thrive and grow	PR2
Priority 3: Championing skills and access to job opportunities	PR3

## **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**

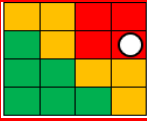
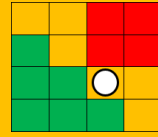
- 6.1 There are no direct environmental or equality and diversity implications arising from this report.

### **For further information**

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Insurance and Risk Officer  
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# Strategic Risk Register 2024 - 2028 • June 2024

## 1. Empower our communities to enhance quality of life

Inherent Risk Score	Current circumstance	Risk Control	Residual Risk Score	Further control to mitigate risk	Action Owner	CPTC
<p>Likelihood 3 x Impact 4 = High 12</p> 	A. Communities continue to experience lingering impacts of elevated inflation rates, despite a recent decrease. The slow adjustment of pricing is expected to prolong the pressure on the cost of living, further straining local businesses.	A1.Targeted funding streams and support for voluntary and community sectors.	<p>Likelihood 2 x Impact 3 = Medium 6</p> 	1. Allocate resource to support Corporate Plan priorities.	Strategic Director Corporate Resources S151 and Transformation	PR1
	B. Communities are impacted through a shortage of housing including affordable housing Supply being delivered within the District.	A2. Engagement in discussions of fundamental activities such as Solent Freeport and County Deals.		2. 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.	Chief Executive	PL1
	C. Communities can also require support during significant adverse environmental events.	A3. Close working partnerships with key stakeholders such as the Community Safety Partnership and the Skills Advisory Group.		3. 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.	Strategic Director Corporate Resources S151 and Transformation	PL1
	D. The Council needs to do more to support communities with enhanced digital channels for transacting and communicating with the Council.	A4.Collaborative working with key partners through the Cost of Living Steering Group to implement a Poverty Action Plan.		4. Continuing to explore all housing enabling avenues across planning and housing.	Assistant Director Housing and Assistant Director Place Development	PE3
	E. There will also be some challenges around the delivery of the and Freeport and in the Analogue to digital switchover by 2025.	A5. Regular engagement with the voluntary sector		5. Roll-out Digital Strategy prioritising customer needs	Assistant Director Transformation	PE1
		A6. 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.				

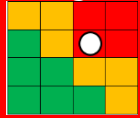
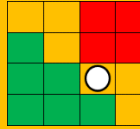
# Strategic Risk Register 2024 - 2028 • June 2024

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		<p>B1. 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.</p> <p>B2. The Council's Housing Revenue Account is actively seeking opportunities to bring forward additional affordable homes within the District, under Council ownership.</p> <p>C1. The ability for the Council to operate in adverse environmental conditions is set out in its own right under Strategic Risk no.7. This includes the requirement for the Council to step up processes to support impacted communities in emergency situations.</p>		<p>6. Establishment of a referral system to aid vulnerable residents.</p>		<p>PE1</p>
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## 2. Achieving future financial resilience

Inherent Risk Score	Current circumstance	Risk Control	Residual Risk Score	Further control to mitigate risk	Action Owner	CPTC	
<p><b>Likelihood 3 x Impact 3 = High 9</b></p> 	<p>A. 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>	<p>A1. Regular review of the Council's MTFP including reserve levels and future changes to funding.</p> <p>A2. Annual budget setting for revenue and capital including funding.</p> <p>A3. Utilisation of external financial support that provides support for funding modelling.</p> <p>A4. Regular budget monitoring reports and updates to senior officers and Members.</p> <p>A5. Treasury Management Strategy to ensure the Council is acting within the prudential indicators.</p> <p>A6. Maintain appropriate level of financial reserves as contingency arrangements to provide resilience over the medium term.</p> <p>A7. Working with County Council, Towns and Parishes to maximise opportunities for joint working.</p>	<p><b>Likelihood 2 x Impact 3 = Medium 6</b></p> 	<p>1. Continue to keep abreast of developments in:</p> <ul style="list-style-type: none"> <li>• pay award</li> <li>• Fair Funding</li> <li>• National Business Rate Policy</li> <li>• Levelling Up</li> <li>• County Deals</li> </ul>	Strategic Director Corporate Resources S151 and Transformation	PR1	
				<p>2. Maintain momentum and presence within the delivery of the Solent Freeport.</p>	Strategic Director Corporate Resources S151 and Transformation	PR2	
				<p>3. Development of the Transformation Programme to deliver enhanced services and financial efficiencies to support the delivery of the Medium Term Financial Plan.</p>	Assistant Director Transformation	PR3	
				<p>4. Keep up discussions with upper and lower tier authority partners to ensure effective and efficient service delivery to residents.</p>	Chief Executive	PE1	

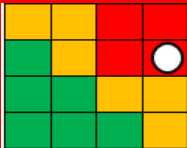
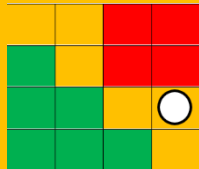
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				<p>5. Implementing and embedding the Transformation Strategy that contains ample measures to support the successful implementation of the plan. This strategy encompasses numerous actions that will aid effective delivery of the transformation plan.</p>	<p>Strategic Director Corporate Resources S151 and Transformation</p>	<p>PR1</p>
				<p>6. Development of savings plans and invest to save initiatives.</p>	<p>Strategic Director Corporate Resources S151 and Transformation</p>	<p>PR1</p>
				<p>7. Development of capital plans in accordance with Capital Strategy with full financial appraisal and revenue implications</p>	<p>Strategic Director Corporate Resources S151 and Transformation</p>	<p>PR1</p>

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

Inherent Risk Score	Current circumstance	Risk Control	Residual Risk Score	Further control to mitigate risk	Action Owner	CPTC
<p>Likelihood 3 x Impact 4 = High 12</p> 	<p>A. As a local authority we need to show appropriate compliance and controls:</p> <ul style="list-style-type: none"> <li>- Financial Regulations</li> <li>- Financial Management Code</li> <li>- Payment Card Industry Data Security Standard Accreditation</li> <li>- Production and publication of various statutory documents</li> <li>- Effectiveness of the Capital Change and Delivery Board</li> <li>- Effectiveness of the new Project Management Framework</li> <li>- Timeliness of External Audit completion</li> </ul> <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>	<p>A1. Annual internal audit plan developed by senior officers and members is targeted at key risks areas and responsive to new areas of risk.</p> <p>A2. External/internal audit regime.</p> <p>A3. Annual Assurance Statements compiled testing compliance with key business activities, supporting Annual Governance Statement compilation.</p> <p>A4. Range of performance indicators that monitor internal controls.</p> <p>A5. 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.</p> <p>A6. Regular reporting at Audit Committee.</p>	<p>Likelihood 2 x Impact 4 = Medium 8</p> 	<p>1. Continue through information governance work programme, including updated document retention and destruction schedules for all services.</p>	Assistant Director Governance	PL1
				<p>2. Management to undertake actions from the internal audit reports.</p>	Strategic Director Corporate Resources S151 and Transformation	PL1
				<p>3. Ongoing engagement with external audit.</p>	Strategic Director Corporate Resources S151 and Transformation	PL1
				<p>4. Continue to assess the effectiveness of the new Project Management framework for projects to ensure appropriate Governance arrangements are in place for all projects.</p>	Assistant Director Transformation and Assistant Director – Governance	PL1
				<p>5. Financial Management Code –complete outstanding actions identified through the initial assessment.</p>	Strategic Director Corporate Resources S151 and Transformation	PL1
				<p>6. Enhance member and officer development by offering continuous training, development and engagement opportunities.</p>	Assistant Director Governance	PL1

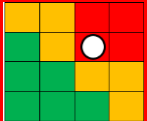
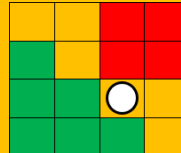
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	A7. Compliance with Transparency Code.		7. Continue to ensure high levels of statutory compliance standards across services.	Assistant Director Assistant Director Governance	PL1
	A8. Compliance with Local Code of Corporate Governance.		8. Review and update of Business Continuity Plans	Strategic Director Housing & Communities	PE1
	A9. Key compliance roles identified and assigned i.e., Section 151 Officer, Monitoring Officer, Data Protection Officer, H&S, Facilities Lead etc.				
	A10. Compliance with information governance including the UK General Data Protection Regulation and Data Protection Act 2018.				
	A11. Housing and Facilities Compliance reported regularly through EMT.				
	A12. Information Governance Team in place with regular reporting through EMT.				
	A13. Financial Regulations and workflows built into core financial system.				

## 4. Creating the right culture, capacity and capability

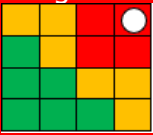
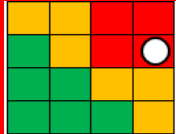
Inherent Risk Score	Current circumstance	Risk Control	Residual Risk Score	Further control to mitigate risk	Action Owner	CPTC
<b>Likelihood 3 x Impact 3 = High 9</b>  	A. The Council needs to attract, recruit and retain the high calibre of employee that it requires to fulfil its expectations in Service delivery.	A1. Employee Forum to encourage collaboration and engender a culture that enables change and innovation.	<b>Likelihood 2 x Impact 3 = Medium 6</b>  	1. Embedding of new Council Leadership structure (including necessary backfill).	Chief Executive	PL1
	B. 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.	A2. Learning and development programme to be developed and rolled out to provide training, tools and techniques to develop the necessary skills.		2. Progress learnings from employee survey.	Assistant Director Transformation	PL1
		A3. Regular 1-1's and annual PDI process.		3. HR developing plans to work with third parties to deliver a consistent and structured approach to training and development.	Assistant Director Transformation	PR3
		A4. Staff Suggestion scheme.		4. Keep abreast of developments in pay award negotiations and be ready to respond accordingly.	Assistant Director Transformation	PL1
		A6. Staff/union engagement. Project management/capability.		5. Transformation plan is live and includes 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.	Assistant Director Transformation	PL1
		A7. Staff/officer wellbeing and support.				
		A8. Corporate plan 2020-2024.				
		A9. Hybrid working increasing potential pool of staff.		6. Continue to identify opportunities that should be progressed in connection with improving service delivery.	Assistant Director Transformation	PL1

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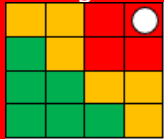
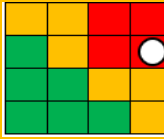
		<p>A10. More support and training on virtual working/managing staff.</p> <p>A11. Further ICT training to ensure maximum return on investment.</p> <p>B1. Communications plan (internal) allowing for regular staff engagement/progress updates.</p> <p>B2. Performance management and key performance indicators in place.</p>		<p>7. Allocate resource to support Corporate Plan ambitions.</p> <p>8. Investigation and identification of further collaborations that will support building capacity and capability (and resilience) including both public and corporate business.</p> <p>9. Transformation framework in progress</p> <p>10. Development of Workforce Strategy and enabling an agile workforce.</p>	<p>Strategic Director Corporate Resources S151 and Transformation</p> <p>Strategic Director Corporate Resources S151 and Transformation</p>	<p>PR1</p> <p>PR1</p> <p>PR1</p> <p>PL1</p>
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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	Further control to mitigate risk	Action Owner	CPTC
<p>Likelihood 4 x Impact 4 = High 16</p> 	<p>A. 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>	<p>A1. Up to date Disaster Recovery plan is in place.</p> <p>A2. Awareness training of officers and staff on the threats of cyber attacks.</p> <p>A3. Continued reviewing and tightening of existing IT Security Policy to ensure measures adapt to the changing threat, including awareness, familiarisation and training.</p> <p>A4. Acceptable use of IT policy to ensure staff are using equipment safely and appropriately.</p> <p>A5. Relationships with other agencies to ensure best practice is established.</p>	<p>Likelihood 3 x Impact 4 = High 12</p> 	<ol style="list-style-type: none"> <li>Continued development of O365 services to improve email and anti-virus protections.</li> <li>Carry out annual penetration test.</li> <li>Ongoing refresher training on cyber risks for all staff.</li> <li>To look at service provisions externally that can assist with cyber risks.</li> </ol>	<p>Assistant Director Transformation</p> <p>Assistant Director Transformation</p> <p>Assistant Director Transformation</p> <p>Assistant Director Transformation</p>	<p>PL1</p> <p>PL1</p> <p>PL1</p> <p>PL1</p>

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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	Further control to mitigate risk	Action Owner	CPTC
<p>Likelihood 3 x Impact 4 = High 12</p> 	<p>A. Changes in national politics and the general election (July 2024).</p> <p>Other legislation that will affect the council include:</p> <ul style="list-style-type: none"> <li>The environment bill</li> <li>Future planning reform</li> <li>Changes the regulatory landscape to housing</li> <li>Housing delivery</li> </ul> <p>There is a possibility of experiencing a shift in the political landscape post the general election.</p>	<p>A1. Continuous monitoring of political landscape to allow for early indicators of policy change.</p> <p>A2. Prudent financial and strategy assumptions to allow for agile responses.</p> <p>A3. Corporate Plan 2024-2028 adopted recently and work is proceeding accordingly.</p> <p>A4. Section 151 Officer role providing advice to the Council on current/ future financial challenges.</p> <p>A5. Reports to committee include explicit assessment of implications and therefore should identify/reflect current and future challenges.</p> <p>A6. The Executive should conduct horizon scanning to proactively anticipate and identify potential challenges and opportunities in order to influence outcomes through consultation.</p>	<p>Likelihood 2 x Impact 4 = Medium 8</p> 	<p>1. Making sure the workforce is aware that training is available.</p>	Assistant Director Transformation	PR3
				<p>2. Ensuring professional training availability as this impacts departments e.g., Planning and Legal</p>	Assistant Director Transformation	PR3
				<p>3. Encouraging staff to undertake professional development and service-related training.</p>	Assistant Director Transformation	PR3
				<p>4. 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 &amp; Homelessness Overview &amp; Scrutiny Panel and Cabinet.</p>	Strategic Director Housing and Communities	PE3

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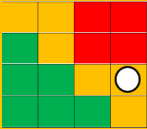
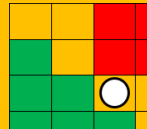


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		<p>A7. Membership of Local Government Association etc providing information/insights to the Council.</p> <p>A8. Members' roles and responsibilities including involvement in local networks, County Council, other agencies and national forums, enabling insight to be gained and shared with the Council.</p> <p>A9. 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>A10. Officer/member forums and networks.</p>				
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## 7. Delivering Council Services through adverse environmental conditions

Inherent Risk Score	Current circumstance	Risk Control	Residual Risk Score	Further control to mitigate risk	Action Owner	CPTC
<p>Likelihood 2 x Impact 4 = Medium 8</p> 	<p>A. The following may affect the delivery of Council Services from a national and local perspective:</p> <ul style="list-style-type: none"> <li>- Natural disasters / local power outages</li> <li>- Workforce Strike Action</li> <li>- Global Pandemic</li> <li>- Terrorism</li> <li>- Riot/Rebellion</li> <li>- Flooding</li> <li>- Major pollutions of surface waters and groundwaters</li> <li>- Adverse Weather</li> <li>- Fire</li> <li>- Nuclear Powered Vessels related to pollution</li> <li>- Coastal Erosion</li> <li>- Industrial Strikes</li> </ul> <p>The Council has appointed a dedicated resource to lead on Emergency Planning and Business Continuity.</p>	<p>A1. Business Continuity framework and individual service continuity plans.</p> <p>A2. Threat response plans which will include ICT Infrastructure response, alternative accommodation provisions and reallocation of staff.</p> <p>A3. Emergency Planning Strategy and defined roles assigned.</p> <p>A4. Communication with NFDC residents on all platforms e.g., social media.</p>	<p>Likelihood 2 x Impact 3 = Medium 6</p> 	<ol style="list-style-type: none"> <li>1. 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.</li> <li>2. Review and challenge of functional Service Continuity Plan and conclude Business Continuity Planning.</li> <li>3. Regular reporting to EMT on progress against Emergency Planning and Business Continuity action plan</li> <li>4. Continuity to increase capacity for service to manage this risk.</li> <li>5. Set up links to Town and Parish councils as they would be involved in implementing actions through adverse conditions.</li> </ol>	<p>Strategic Director Housing &amp; Communities</p> <p>Strategic Director Housing &amp; Communities</p> <p>Strategic Director Housing &amp; Communities</p> <p>Strategic Director Housing &amp; Communities</p> <p>Strategic Director Housing &amp; Communities</p>	<p>PR1</p> <p>PL3</p> <p>PL3</p> <p>PL3</p> <p>PL3</p>

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## 8. Responding to the Climate and Nature Emergency

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Inherent Risk Score	Current circumstance	Risk Control	Residual Risk Score	Further control to mitigate risk	Action Owner	CPTC
<p>Likelihood 4 x Impact 4 = High 16</p> 	<p>A. 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: Hot drier summers and warmer winters More frequent and extreme heatwaves, droughts flooding and coastal erosion</p> <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>A1 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>A2. Deliver, monitor and report on four key programmes of work: carbon reduction, climate adaptation, nature recovery and programme management.</p> <p>A3. Governance and oversight from Climate and Nature Steering Group and Environment Overview and Scrutiny Panel.</p> <p>A4. 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>Likelihood 3 x Impact 4 = High 12</p> 	<ol style="list-style-type: none"> <li>Successful delivery of projects within the organisational and area-wide Climate Change and Nature Emergency Action Plan.</li> <li>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</li> <li>Development of policy framework to ensure business as usual activities of NFDC services contribute positively to climate and sustainability objectives.</li> <li>Creation of a 5-year strategy and action plan with aligned resources and targets.</li> <li>Inclusion of climate change risks in service level risk assessments and business continuity plans.</li> <li>Training for officers and members, particularly O&amp;S panel members, on climate change, nature and sustainability issues.</li> </ol>	<p>Strategic Director Place Operations &amp; Sustainability</p> <p>Strategic Director Place Operations &amp; Sustainability</p> <p>Strategic Director Place Operations &amp; Sustainability</p> <p>Strategic Director Place Operations &amp; Sustainability</p> <p>Strategic Director Place Operations &amp; Sustainability</p> <p>Strategic Director Place Operations &amp; Sustainability</p>	<p>PL2</p> <p>PL2</p> <p>PL2</p> <p>PL3</p> <p>PL2</p> <p>PL2</p>

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	<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>A5. Consideration of climate change and sustainability issues in the early stages of all activities, including projects, plans, strategies, and procurements.</p> <p>A6. Prioritisation of climate change and sustainability in the Corporate Plan, Local Plan and other key strategies.</p> <p>A7. Ensuring adequate resources for climate and sustainability efforts including third party financial support.</p>		7. Aligning level of resourcing to meet emerging corporate priorities.	Strategic Director Corporate Resources S151 and Transformation	PL2
				8. Review of Coastal Strategy and Actions. Climate Change Action Plan with Ongoing partnership working.	Strategic Director Place Operations & Sustainability	PL2
				9. Service risk assessments and business continuity plans to be developed.	Strategic Director Corporate Resources S151 and Transformation and Strategic Director Housing	PR1

## AUDIT COMMITTEE WORK PROGRAMME 2024/2025

ITEM	METHOD	LEAD OFFICER
<b>27 SEPTEMBER 2024</b>		
Internal Audit Progress Report 24/25	Written Report	Antony Harvey (Internal Audit)
Final Annual Governance Statement 2022/23	Written Report	Alan Bethune / Tanya Coulter
Final Annual Financial Report 2022/23	Written Report	Alan Bethune
Financial Regulations Review (TBC)	Written Report	Alan Bethune
Treasury Management Update	Written Report	Daniel O'Rourke (HCC)
External Audit Results Report 2023/24	Written Report	Simon Mathers / Katie Lean (External Audit)
Fraud, Anti Bribery, Corruption and Whistleblowing policies review documents.	Written Report	Ryan Stevens
Risk Management Policy Update	Written Report	James Clarke
<b>24 JANUARY 2025</b>		
Internal Audit Progress Report 24/25	Written Report	Antony Harvey (Internal Audit)
Treasury Management Strategy 25/26 (Including Prudential Indicators)	Written Report	Daniel O'Rourke (HCC)
Investment Strategy 2025/26	Written Report	Alan Bethune

ITEM	METHOD	LEAD OFFICER
Strategic Risk Register Update	Written Report	James Clarke
External Audit Update	Verbal Update	Simon Mathers / Katie Lean (External Audit)
<b>21 MARCH 2025</b>		
Annual Governance Statement 2023/24	Written Report	Alan Bethune / Tanya Coulter
Annual Financial Report 2023/24	Written Report	Alan Bethune
Internal Audit Progress Report 2024/25	Written Report	Antony Harvey (Internal Audit)
External Audit Plan 24/25	Written Report	Simon Mathers / Katie Lean (External Audit)
Internal Audit Charter 2025-26	Written Report	Antony Harvey (Internal Audit)
Internal Audit Plan 2025-26	Written Report	Antony Harvey (Internal Audit)
Payment Card Industry Data Security Standard (PCI DSS) Update	Written Report	Alan Bethune / Naomi Baxter