

DRAFT ANNUAL GOVERNANCE STATEMENT – 2023/24

1. RECOMMENDATIONS

- 1.1 That the Audit Committee approves the draft Annual Governance Statement for the Financial Year ended 31st March 2024 as reported in Appendix 1.

2. INTRODUCTION

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

3. THE ANNUAL GOVERNANCE STATEMENT (AGS)

- 3.1 The Statement seeks to demonstrate that the Council's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. There is a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which the Council's functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 3.2 In compiling the Statement, the Council has regard to its Internal Control arrangements including the outcomes of the annual Good Governance Review, risk registers, any external auditor reports and other management arrangements. It further considers the process applied in maintaining and reviewing the governance framework including the authority itself, the executive, audit/scrutiny committees and other assurance mechanisms.
- 3.3 Whilst the Council maintains high standards of governance and internal control, some areas for improvement have been identified by the review process mentioned above. These have been reported in the AGS. An Action Plan has been developed accordingly and this will be monitored by the Council's Executive Management Team and Audit Committee.
- 3.4 Whilst the AGS covers the period 1st April 2023 to 31st March 2024, the document remains open for update until it is approved in line with the final sign off of the 2023/24 annual financial report and can make reference to any significant matters that arise.
- 3.5 The Statement has been reviewed by the Executive Management Team. The draft AGS for 2023/24 is attached in Appendix 1.
- 3.6 For members reference, and to support this covering report, an update as against the 2022/23 AGS action plan is provided at Appendix 2.

4. FINANCIAL IMPLICATIONS

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

5. EQUALITIES & DIVERSITY AND ENVIRONMENTAL MATTERS

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

6. CRIME & DISORDER IMPLICATIONS

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

7. CONCLUSIONS

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

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

For Further Information Contact

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Background Papers

Delivering Good Governance in Local
Government Framework 2016

**THE DRAFT ANNUAL GOVERNANCE STATEMENT
NEW FOREST DISTRICT COUNCIL
2023/24**

1. Scope of Responsibility

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

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

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, as well as the culture and values, by which the authority is directed and controlled and its activities, through which it accounts to, engages with, and leads the community. It enables the Authority to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure in delivery of policies, achieving aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks materialising and the impact should they be realised, and to manage them efficiently, effectively and economically.

3. The Governance Framework

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

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

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

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

Over the years, the Council has developed a number of successful joint or collaborative working arrangements with other public partners. This has continued into 2023/24 and includes arrangements with Hampshire County Council (in respect of Audit and Treasury functions) and a joint Information Office 'The Ringwood Gateway' between Ringwood Town Council, HCC and the District Council. During 2023/24, the Council continued to work closely with the New Forest National Park Authority in the provision of Service Level Agreements covering, Finance, HR, ICT and GIS.

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

The Constitution was reviewed during 2022/23 and the new version came into effect following the 4 May 2023 elections.

The Risk Management Framework is in place to ensure that risks to the Council in achieving its strategic objectives, both at a corporate and service level, are more consciously identified, assessed and managed.

In 2016 CIPFA/SOLACE carried out a review of their framework to ensure that it still reflects the environment in which Councils are operating and to also reflect the International framework which had been developed by CIPFA and the International Federation of Accountants (IFAC) in 2014.

As a result of their review in April 2016 CIPFA/SOLACE published a new framework document "Delivering Good Governance in Local Government Framework 2016 Edition" with the key focus of governance processes and structures centring on the attainment of sustainable economic, societal and environmental outcomes. Council approved the revised code in April 2017 which follows the recommended text in the CIPFA/SOLACE framework.

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

The Section 151 Officer, Monitoring Officer, Strategic Director Place, Operations and Sustainability and Chief Executive all remain involved in the Solent Freeport supporting the broad objective to deliver economic growth to the wider freeport area. The Council has representation on the Solent Freeport Consortium Ltd Board, on the Retained Rates Investment Committee (set up to evaluate projects for funding from the retained business rates pool) and on the Finance Resources and Audit Committee. The council has also utilised the services of a Strategic Regeneration Advisor throughout 2023/24, with a focus on Freeport activities.

4. Review of Effectiveness

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

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

A summary of the review activities undertaken during 2023/24 are included below:

1. A number of Council policies/strategies were reviewed or new plans/policies/strategies implemented including:
 - Corporate Plan
 - Transformation Strategy
 - Private Sector Housing Enforcement Policy
 - Waste and Recycling Collection Policy
 - Procurement Strategy
 - Tenant Engagement Strategy
 - Empty Homes Strategy
 - Risk Management Policy & Strategic Risk Register
 - Lone Working Policy
 - Bullying and Harassment Policy
 - ICT Security and Information Governance Policy
2. The Council's Executive Management Team (EMT) changed during 2023/24. The Council's previous Strategic Director Governance & Housing (and Monitoring Officer) retired in December 2023 which resulted in the creation of an amended Strategic Director Housing & Communities position and a new Assistant Director Governance and Monitoring Officer position. Both positions were filled in February 2024.
3. The Council's overview and scrutiny arrangements were updated in 2023/24, following the formation of the new Council in May 2023, and the new Cabinet shortly thereafter. The 3 new Overview and Scrutiny panels have clear alignment and terms of reference to 2 Portfolio Holders each.
4. The responsibility of Section 151 functions (a statutory role) sits with the Strategic Director for Corporate Resource & Transformation. The Assistant Director Governance is the Monitoring Officer, which is also a statutory role. All committee reports are reviewed by members of the Executive Management Team, as well as being provided to the Monitoring Officer (who is also the Council's Solicitor), prior to any decisions being made. This safeguards the Council to ensure that decisions are taken lawfully and that risks are properly considered.
5. One of the requirements of the GDPR is to appoint a Data Protection Officer (DPO). The role of the DPO is to oversee the Council's compliance with GDPR and provide advice in relation to the law. The DPO position is held by the Council's Information Governance and Complaints Manager, who is a Solicitor who holds the EU General Data Protection Regulation Practitioner qualification. The Information Governance and Complaints Manager has direct access to EMT.
6. A significant project updating the Council's Retention and Destruction schedules has been carried out and was completed during 2023/24.

7. The Council's arrangements for financial management and reporting are sound and are well documented. Financial monitoring is achieved by regular budgetary control reports to nominated budget holders, Executive Management Team, the relevant Portfolio Holder, and Cabinet. All elected Members have access to Cabinet Agendas and the financial reports; a process is in place to enable members to request additional, more detailed information and question any financial issues. Strong Overview and Scrutiny arrangements are in place with clear alignment to the Portfolio responsibilities.
8. Proposals for asset maintenance and replacement expenditure and capital projects are supported by a business case as are new requests for revenue resources. For the 2023/24 budget setting process, these were scrutinised initially by EMT and the relevant Service Portfolio Holder prior to inclusion within the budget setting process. The Council's officer led Capital and Change board meets monthly and provides oversight and scrutiny of Capital projects, as well as tracking their delivery to ensure necessary progress. This Board also considers transformational proposals and ensures their oversight. The financial planning process also includes a review of proposals by the relevant Overview and Scrutiny Panels, before final budgetary proposals and the council tax levels are considered and approved by Council each year.
9. In line with the continuous improvement culture of the Council, it is recognised that all Members and Officers of the Council must have the skills, knowledge and capacity that they need to discharge their responsibilities effectively and therefore significant emphasis is placed on continuous improvement and development. Following the May 2023 election, all elected members took part in a thorough training programme, and specific refresher training is regularly considered.
10. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). A light-touch review of the Council's Financial Regulations was completed during 2023/24 with the new regulations presented to and endorsed by the Audit Committee. The new regulations went live during April 2024, following approval by full Council.
11. Performance Management ensures strategic monitoring with a focus on organisational and service based indicators, reflecting the aims and objectives of the Corporate Plan. Portfolio Holder dashboards were made available to all members during 2023/24 and were re-included with Overview and Scrutiny Panel papers towards the end of the year, providing transparency of performance and risks to service delivery.
12. The Audit Committee meet regularly and training is available to all members to ensure they are clear in their responsibilities in providing an independent assurance to the Council in relation to the effectiveness of the Council's internal control environment, in accordance with Regulation 6 of the Accounts and Audit (England) Regulations 2015.
13. The Council's Strategic Risk Register was continually reviewed during 2023/24, and Cabinet received six-monthly updates. The document remains under regular review as a result of the constantly changing national and international situation.
14. Internal Audit forms part of the internal control framework. It is a mandatory function whose primary aim is to ensure that the Chief Financial Officer's responsibilities, to maintain proper control over the Council's financial affairs, as defined by Section 151 of the Local Government Act 1972, are fully met. The Audit Committee has reviewed and approved the risk based audit plan and progress reports against the audit plan throughout the year. This risk based audit plan was also approved by the Section 151 Officer and the Executive Management Team. The Committee has also received reports and updates from the External Auditor.
15. The Internal Audit function is provided by the Southern Internal Audit Partnership (operated by Hampshire County Council) and accords with the Public Sector Internal Audit Standards.

Internal Auditors are trained and have acted independently, objectively and ethically at all times. The Internal Audit Charter was approved during the year.

16. The Principal Auditor's annual opinion report, concluded that whilst Internal Audit are unable to give absolute assurance, the results of the reviews completed during the year have resulted in his overall opinion that:
 - sufficient assurance work has been carried out to allow a reasonable conclusion on the adequacy and effectiveness of New Forest District Council's internal control environment
 - New Forest District Council's framework of governance, risk management and control is 'Reasonable' and audit testing has demonstrated controls to be working in practice
 - where weaknesses have been identified through internal audit review, Internal Audit have worked with the Council's management to agree appropriate corrective actions and a timescale for improvement.
17. Ernst & Young acts as the Council's independent external auditor. The Section 151 Officer and Chair of Audit Committee have responded openly to the External Auditor under the requirements of the International Auditing Standards.
18. All organisations, worldwide face increasing cyber related threats. The Council maintains sound standards and continually reviews opportunities to further strengthen these. The Council is a member of the Cyber security Information Sharing Partnership (CISP) and has signed up the South East Government Warning, Advisory and Reposting Point (providing information, knowledge and alerts on threat and incidents).
19. Internal Audit has reported a 'Reasonable' opinion on the overall control environment. No limited assurance audit opinions were given. Monitoring of progress against the management actions associated with all audits will continue into 2024/25.
20. In February 2021, Council made a decision to award an operating contract to Wealdon Leisure Ltd, trading as Freedom Leisure, to commence on 1st July 2021 for an 11 year period, with the option to extend for a further 4 years. An operating agreement has been agreed by both parties and provides for the Council and the operator to have representation on a Contract Partnership Board which is responsible for ensuring the operator delivers on the Council's service specification and performance indicators. This board has met regularly since the commencement of the contract, and regular update reports have been made available to members during the financial year.
21. During 2022/23, the 3 statutory officers, supported by the Democratic Services Manager concluded on a review of the Council's constitution. The revised constitution delivers an updated format, based on the key components and all the necessary information required of a local authority constitution. The purpose of the Constitution is to ensure there is a clear governance framework and effective and accountable decision making; clarity as to the procedures to be followed in respect of meetings and decisions; provisions to enable Members and the public to engage and hold decision makers to account; and to contain rules and procedures relating to the financial management of the Council, and that standards are promoted and maintained. There are numerous legal requirements as to procedure rules and provisions, which must be included. The newly updated and adopted Constitution complies with these requirements.
22. During 2023/24, a fraud matter concluded, resulting in 2 prison sentences for 2 ex-employees of the Council. A full report was received and reviewed by the Audit Committee in March 2024, outlining the procedural and process changes implemented as a result of the matter arising.

5. Financial Management Code

In December 2019, CIPFA introduced a Financial Management Code. The driver for this was the exceptional financial circumstances faced by local authorities, having revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future. The Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time it sets out the standards of financial management for local authorities.

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

The Section 151 Officer reported on the Financial Management Code to the Audit Committee in March 2023.

6. Significant Governance Issues

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

1. To Implement the new corporate report template along with new officer decision record and portfolio holder decision record to support transparent and effective officer and member decision making.
2. Review the Officer Scheme of Delegation and thresholds within the Financial Regulations - to ensure that the controls and thresholds are appropriate for the Council's decision-making arrangements and ensure efficient running of the Council's services.
3. To Implement the new performance management framework, to include introduction of new service plan template to be in place with service plans updated prior to budget setting process commencing in Autumn 2024.
4. To review risk management processes to ensure links within performance management framework and link between service risk registers and corporate risk register. To include appropriate procedures and clarity of accountability regarding review of service risks at directorate level and escalation process to corporate risk register.
5. Ensure preparation of improved budget information that supports accountability across budget holders, and also supports Portfolio-holder oversight. To support accountability of individual budget holders, specific training and development modules to be made available for example in the operation of the Unit 4 financial system and the development of more accessible budget information.
6. To review the Council's Contract Standing Orders, in light of the Procurement Act 2023 (live as of October 2024)

7. Certification

To the best of our knowledge, governance arrangements, as defined above, have been in place at New Forest District Council for the year ended 31st March 2024 and up to the date of approval of the annual report and statement of accounts.

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

Signed:

Leader of the Council

Signed:

Chief Executive

Date:

Date:

Schedule 1

Annual Governance Statement Action Plan for 2024/25

Heading	Update / Action	Responsible	Target
Corporate Report Template	<p>Implementation of the new corporate report template along with new officer decision record and portfolio holder decision record to support transparent and effective officer and member decision making.</p> <p>Action: to implement the Corporate Report Template, Officer Decision record and Portfolio Holder Decision record.</p>	S151 Officer and Monitoring Officer	September 2024
Officer Scheme of Delegation and Financial Regulations	<p>The Officer Scheme of Delegation and Financial Regulations will be reviewed during 2024/25</p> <p>Action: to complete a review of the Council's Officer Scheme of Delegation and Financial Regulations</p>	S151 Officer and Monitoring Officer	December 2024
Performance Management Framework (PMF)	<p>To include introduction of new service plan template to be in place with service plans updated prior to budget setting process commencing in Autumn 2024</p> <p>Action: To implement a new PMF and Service Plans</p>	S151 Officer	Autumn 2024
Risk Management	<p>Review of risk management processes to ensure link within performance management framework and link between service risk registers and corporate risk register. To include appropriate /procedures and clarity of accountability regarding review of service risks at directorate level and escalation process to corporate risk register.</p> <p>Action: Review Risk Management Strategy and process to ensure links to PMF.</p>	Monitoring Officer and S151 Officer	December 2024
Improved Budget Information	<p>Ensure preparation of improved budget information that supports accountability across budget holders, and also supports Portfolio-holder oversight. To support accountability of individual budget holders, specific training and development modules to be made</p>	S151 Officer	December 2024

	<p>available for example in the operation of the Unit 4 financial system and the development of more accessible budget information.</p> <p>Action: Develop financial reporting and provide training for system users</p>		
Contract Standing Orders	<p>The Council's Contract Standing Orders will be reviewed during 2024/25</p> <p>Action: to complete a review of Contract Standing Orders, in light of the Procurement Act 2023 (live as of October 2024)</p>	S151 Officer, Monitoring Officer and Strategic Procurement Officer	October 2024

Annual Governance Statement update on 2023/24 action plan

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

Heading	Update / Action	Responsible
Procurement Strategy	<p>An updated Procurement Strategy will be prepared during 2023/24 to ensure it remains fit-for-purpose to take forward procurement activity, including suitable internal thresholds and compliance to legislative thresholds.</p> <p>Action: COMPLETE</p> <p>Strategic Procurement Manager reviewed and set out an updated strategy to EMT / Resources and Transformation Overview and Scrutiny / Cabinet and was approved by Council in December 2023</p>	S151 Officer and Monitoring Officer
Financial Regulations	<p>The Council's Financial Regulations will be reviewed during 2023/24</p> <p>Action: COMPLETE</p> <p>a light-touch review of the Council's Financial Regulations was completed during 2023/24, with updated regulations approved by Council in April 24</p>	S151 Officer and Monitoring Officer
Continuous Improvement – Members and Officers	<p>A review of the Council's approach to continuous improvement and the existence of a comprehensive development programme for Members and Officers to ensure that there are appropriate arrangements in place to demonstrate that Services are carrying out their continuous improvement functions and that corporately, there is in place an on-going comprehensive Development Programme for Members and Officers, will be carried out in 2023/24.</p> <p>Action: IN PROGRESS</p> <p>Leadership development programme implemented and underway.</p> <p>Member training and development programme implemented post-election through 2023/24.</p>	S151 Officer and Monitoring Officer

Corporate Report Template	<p>A review of the Councils Corporate Report Template will be completed to promote effective completion of Impact Assessments as part of formal decision making.</p> <p>Action: IN PROGRESS</p> <p>Corporate report template reviewed and new template to be introduced in summer 2024 following final consultation with leadership team and senior officers.</p>	S151 Officer and Monitoring Officer
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