



Chichester District
Council

Value for Money report

Year ended 31 March 2023

04 Month 2024

04 March 2024

Chichester District Council
East Pallant House
Chichester
West Sussex, PO19 1TY

Dear Corporate Governance and Audit Committee Members

2022/23 Value for Money Report

We are pleased to attach our interim Value for Money report for Chichester District Council. The report summarises the findings from our 2022/23 value for money work. The report sets out the risks identified and the findings from our detailed assessment including a commentary on the three reporting criteria and a summary of the arrangements.

This report is intended solely for the information and use of the Corporate Governance and Audit Committee and management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Corporate Governance and Audit Committee meeting on 25 March 2024.

Yours faithfully

Stephen Reid

Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psaa.co.uk/auditquality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to Corporate Governance and Audit Committee and management of Chichester District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Corporate Governance and Audit Committee and management of Chichester District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Corporate Governance and Audit Committee and management of Chichester District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



BOARDROOM



01 Executive Summary



Executive Summary

Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditor's provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this interim commentary is to explain the work we have undertaken during the period 2022/23 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit year 22/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report once the audit report has been issued for 2022/23.



Executive Summary (continued)

Risks of Significant Weakness

Our value for money procedures are based on the judgements reached from a combination of:

- our cumulative audit knowledge and experience;
- our review of Council committee reports;
- meetings with the Director of Corporate Services; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements. We have also not identified any significant risks during the course of our work. As a result, we have no matters to report by exception in this report.

Executive Summary (continued)

Reporting

Our commentary for 2022/23 is set out over pages 9 to 13. The commentary on these pages summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see table below) throughout 2022/23.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2021/22 Annual Auditors Report and have been updated for 2022/23.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements. :

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness identified
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified



Executive Summary (continued)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2023

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)



02 Value for Money Commentary

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

The Council has a statutory duty to prepare a balanced annual revenue budget. The Council's budget must be constructed to ensure that resource allocations properly reflect the Council's priorities.

The financial strategy based on the rolling five-year cycle is risk assessed by the Corporate Governance and Audit Committee. This sets out the likely envelope of resources available to the Council over the following five years for both revenue and capital spending. In 2022/23 the Council achieved a surplus of £0.641 million during the year, however this was offset by additional spend approved during the year of £0.805 million, resulting in £0.148 million being drawn down from the General Fund Reserve. The Council originally intended to use £0.808 million from their Revenue Budget Support Reserve to balance the budget during 2022/23 (in line with budget), however this was not necessary. The Revenue Budget Support Reserve was established in previous years to offset the impact of Covid-19 on the General Fund, however in both 2020/21 and 2021/22, as well as 2022/23, the Council has not needed to draw on this reserve.

In March 2023, a meeting of full Council approved the 2023/24 budget. The total Revenue Budget requirement was set at £15.8 million. This is only £0.8 million higher than the requirement for 2022/23. The increase to Council Tax (Band D) was £5.26 (2.99%).

More recently, in February 2024, the Council has produced its 2024/25 budget. The draft budget assumes a 2.99% (£5.41) council tax rise and adheres to the Council's key financial principles. In line with the Financial Strategy forecast officers prepared a balanced budget for 2024/25 without the use of reserves. However, it is noted that the Financial Strategy anticipates a deficit budget from 2026/27 and beyond.

Throughout 2022/23, the medium-term financial strategy was the "Financial Strategy and Plan 2023-24 to 2027-28". This was presented at the Cabinet meeting in November 2022. This highlighted the following projections:

- 2024/25 = Surplus £656,000
- 2025/26 = Deficit £565,000
- 2026/27 = Deficit £524,000
- 2027/28 = Deficit £467,000

A new medium-term financial strategy was produced by the Council in November 2023 and presented to full Council. This showed an update to the aforementioned projections:

- 2024/25 = Surplus £484,000

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

- 2025/26 = Surplus £1,599,000
- 2026/27 = Deficit £1,626,000
- 2027/28 = Deficit £2,895,000
- 2028/29 = Deficit £3,137,000

The largest uncertainty in the medium term relates to Business Rates. The localisation of Business Rates reset is still delayed, but it is anticipated when this new funding regime is implemented the Council will retain approximately £1.5 million less per annum. The new model is currently assuming the change will be implemented in 2026/27, contributing to the change in position in 2025/26 from a deficit to a surplus in the table above.

Chichester District Council implement a Corporate Plan which sets out the Council's future priorities and objectives. This helps to ensure that:

- The Council manages its resources effectively
- That projects can be delivered by the Council's services and that enough capacity is available to deliver them
- The Council's Cabinet can plan its work
- A framework is provided for evaluating the Council's performance

The plan works alongside the financial strategy to ensure that staffing and financial resources are allocated appropriately. The plan took effect from 1 April 2022 and will run until 31 March 2025. We note through our discussions with management that the May 2023 election resulted in a change of political leadership. The new Leader has been working with the Strategic Leadership Team to develop a new corporate plan, with the intention to have this in place from April 2024. The refreshed plan was taken to Cabinet in January 2024.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

No significant weakness identified

The Council has appropriate arrangements to make informed decisions and manage its risks. There were no recommendations in the prior year in relation to their arrangements.

The Council has an effective strategic risk management framework and register to identify, mitigate and monitor the risks to the entity in delivering strategic objectives. This includes both financial and non-financial risks. The register details any risks along with the internal controls, plus any associated action plans to manage those risks. The most recent risk register was produced in March 2023. Risk registers are updated quarterly and considered by the Strategic Leadership Team.

The Council has an internal audit function. The internal audit service provides a continuous and independent review of all internal control systems. It objectively examines, evaluates and reports upon the adequacy of internal controls. The findings and recommendations from each audit review are reported to Corporate Governance and Audit Committee. The draft internal audit report for 2022/23 states that “[...] the overall opinion is that ‘satisfactory’ assurance can be given, and generally that there is a sound system of internal control”.

The Council has a number of arrangements to ensure that appropriate decisions are made. The decision-making process is detailed within the Council’s Constitution and sets out how different decisions are made. The Cabinet is the part of the Council which is responsible for operational decisions. When major decisions (‘key decisions’) are to be discussed or made, these are published in the Forward Plan, in so far as they can be anticipated. If these major decisions are to be discussed at a meeting of the Cabinet, this will be open to the public to attend except where personal or confidential matters are being discussed. The Cabinet must make decisions which are in line with the Council’s overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to full Council to decide.

We note that no instances of non-compliance have been identified throughout out work, including through internal audit reviews.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to make informed decisions and properly manage its risks.

Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

The Council has appropriate arrangements in place.

Chichester District Council implement a Corporate Plan which sets out the Council's future priorities and objectives. The Plan works alongside the Financial Strategy to ensure that staffing and financial resources are allocated appropriately. The Plan took effect from 1 April 2022 was due to run until 31 March 2025. However, the May 2023 election resulted in a change of political leadership. The new Leader has been working with the Strategic Leadership Team to develop a new corporate plan, with the intention to have this in place from April 2024. The refreshed Plan was taken to Cabinet in January 2024.

The Council's SLT (supported by divisional managers) and the Overview and Scrutiny Committee monitor progress against the key projects, budgets and performance measures on a regular basis and take action where any activities are behind schedule. A report is also produced annually to highlight the key achievements.

In order to track performance and judge how well the Council are delivering their services to customers, they measure their key activities and set performance targets using performance indicators. These performance measures are split by service area and show indicators such as target, status and comparisons to other periods. In addition to the Performance Indicator Updates, an Annual Report is presented to the Council. The most recent report was presented to the 18 July 2023 Council meeting. The report highlights Key Achievements in 2022/23 and Key Areas of Work for 2024 for each of the Cabinet portfolio headings, as well as an annual review of the Performance Indicators.

Achievements by the Council during the year included:

- Launch of the Supporting You Team pilot to deliver support for homelessness
- Delivery of the Council Tax Energy Rebate scheme across the district
- Refurbishment and reopening of the St James Industrial Estate
- Completion of decarbonisation projects at Westgate Leisure Centre
- Recovery of culture services in the district following Covid-19

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



10 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

Reporting Sub-Criteria

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

Findings

Financial Strategy and Medium-Term Financial Strategy (MTFS)

The Council produces an annual MTFS covering the current and next 5 years on a rolling basis. The MTFS should have regard to the following criteria:

- Be constructed to resource the forthcoming Corporate Plan (see section 3 below for more information on the Corporate Plan);
- Identify and quantify all known factors likely to impact on the Council's budget in the medium term (the financial risk matrix);
- Use the service review process to identify efficiencies in order to maintain a balanced budget over the medium term;
- Have regard to the current and potential legislative and national financial issues;
- Community needs and taxation implications.

This strategy sets out the key financial principles to be utilised and key actions that need to be undertaken to ensure the Council is able to continue to balance its finances over the medium term. The purpose of the report is to update the Council's financial strategy and action plan to help guide the management of the Council's finances during a period of diminishing resources.

Throughout 2022/23, the MTFS in place was the "Financial Strategy and Plan 2023-24 to 2027-28". This was presented at the Cabinet meeting in November 2022. The five year financial model forecast was updated to reflect current assumptions, including government funding, council tax projections, projected costs and planned efficiencies. This update also contains the final year of the three year programme of efficiency savings to be adopted to address the budget deficit as a result of Covid-19 impact.

The report notes that it will be necessary to use reserves to help balance the budget in the medium term (from 2025/26 onwards), whilst further efficiencies and income generation options are developed in the medium term. The report states that using reserves to balance the budget is not sustainable in the long term as any deficit will need to be addressed. Full Council approved this approach of balancing the budget over the medium term using reserves to assist in the intervening years so that vital front line services could be protected.

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

Reporting Sub-Criteria	Findings
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them (cont.)	<p>In July 2020, it was estimated that £8m of reserves would be utilised to cope with the financial impact of Covid-19 however this estimate was reduced to £3m, with £8m allocated in total to balance the budget as required over the medium term. When setting the budget for 2022/23, it was anticipated that £0.8m would be required to balance the budget during the year. As per the Draft Financial Statements, this balance was not required and the full £8m is still available for the Council to use in future years.</p> <p><i>Budget setting process</i></p> <p>The Council has a statutory duty to prepare a balanced annual revenue budget. The Council's budget must be constructed to ensure that resource allocations properly reflect the Council's priorities. The financial strategy based on the rolling five-year cycle is risk assessed by the Corporate Governance and Audit Committee. This sets out the likely envelope of resources available to the Council over the following five years for both revenue and capital spending (see section above on MTFs). This strategy is approved by Council, having first been considered by the Corporate Governance and Audit Committee.</p> <p>After considering the financial strategy and the Council's priorities, the draft budget is prepared and is approved by Council, having been recommended by Cabinet. The Council considers the proposals of the Cabinet and may adopt them, amend them, refer them back to the Cabinet for further consideration, or substitute its own proposals in their place.</p> <p>Each of the Council's budgets are delegated to a designated budget manager. Budget managers have the responsibility to:</p> <ul style="list-style-type: none">• Only incur expenditure or budget provision for which they have approved budgets or specific authority.• Monitor and control revenue and capital expenditure and income under their control.• Submit periodic capital and revenue monitoring reports to members.• On becoming aware of a potential overspend either take remedial action to prevent such an overspend or submit a virement proposal prior to the overspend occurring.• Should a need to incur unavoidable or non-controllable expenditure be identified, a proposal for a supplementary estimate shall be submitted to Cabinet. <p><i>Responsibility of CFO</i></p> <p>In relation to Financial Planning, the CFO has a responsibility to manage the annual budget preparation process in accordance with the Council's budget strategy and budget timetable.</p>

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

Reporting Sub-Criteria	Findings
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them (cont.)	<ul style="list-style-type: none">• Inform Senior Officers and budget managers about the budget strategy, the annual budget timetable and their involvement in the process;• Actively support Senior Officers and budget managers in meeting their budgetary control responsibilities; and• Provide appropriate and accurate financial advice.
How the body plans to bridge its funding gaps and identifies achievable savings	<p>In preparation for the annual budget process the Council's Financial Strategy and the 5 year financial model, including the key financial principles are reviewed. This is in order to take account of financial pressures, saving plans and the key assumptions being used for future years' forecasts. To address the impact on the financial position of the Council, the Future Services Framework (FSF) was approved to aid the decision making and action required to work towards a balanced budget over the medium term.</p> <p>The annual budget for revenue spending for 2022/23 was approved by full Council. The budget incorporated the second year of the efficiency savings identified in the Future Services Framework.</p> <p><i>Future Services Framework</i></p> <p>In July 2020, the "Future Services Framework" was presented to Cabinet. This was introduced following the Covid-19 pandemic and detailed how the Council will challenge how they provide their services in order to ensure the continued delivery of services in the most efficient and effective manner. This proposal was broken down into three sections; Efficiency savings, Policy Options and Service prioritisation.</p> <p>This framework was initiated to allow the Council to continue to provide key services to support its communities through a period of uncertainty and increased need due to the Covid-19 pandemic.</p> <p>An update to the FSF was taken to Cabinet in January 2023 and is based on the results of an exercise completed by all members in August 2022 to identify the Council's priority non-statutory services to ensure resources are targeted to the highest priority areas. This service prioritisation is embedded within the Council's annual planning cycle and requires members to consider services and prioritise the non-statutory services each year.</p>

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

Reporting Sub-Criteria

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

Findings

Chichester District Council implement a Corporate Plan which sets out the Council's future priorities and objective. This helps to ensure that:

- the Council manages its resources effectively;
- that projects can be delivered by the council's services and that enough capacity is available to deliver them;
- the Council's Cabinet can plan its work; and
- a framework is provided for evaluating the Council's performance.

The Council's Corporate Management Team and the Overview and Scrutiny Committee monitor progress against the key projects, budgets and performance measures on a regular basis and take action where any activities are behind schedule. A report is also produced annually to highlight the key achievements. Progress on the corporate priorities and the key projects are monitored and discussed on a monthly basis by the SLT and Cabinet. In addition to this, they are reviewed by the SLT and leaders of the opposition groups through informal meetings. A Corporate Plan was approved by Council on 25 January 2022. The Corporate Plan sets out the Council's priorities for the next three years. The Plan works alongside the Financial Strategy to ensure that staffing and financial resources are allocated appropriately.

The current plan shows the challenges and opportunities facing the Council over the plan period. The priorities are:

- Homes for All
- Thriving Economy
- Supported Communities
- Financial Prudence
- A Cared for Environment

As noted above, the Financial Strategy and Plan has regard to the corporate plan, therefore, ensuring the consistency of financial strategy with the corporate strategy. Ultimately the responsibility of ensuring the continued delivery of service lies with the Full Council. The Constitution sets out the role of Full Council and explains that the "Council is the policy making body from which the Policy Framework will be

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

Reporting Sub-Criteria	Findings
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	established and the budget set. Council has responsibility for ensuring that the correct structures are in place for the effective implementation and delivery of its services. This includes the exercise of overall responsibility for the proper administration of the Council's financial affairs under Section 151 of the Local Government Act 1972. This demonstrates that the full Council hold overall responsibility of ensuring that sustainable delivery of services is achieved.
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	<p>Under the umbrella of the Financial Strategy are other linked policies and strategies which assist with ensuring the robust financial management of the Council, including the Treasury Management and Investment Strategies and a Capital Strategy. We note that throughout the financial planning i.e. budget and MTFs, consideration of other plans such as capital and treasury management also take place. The Financial Strategy and Plan incorporates the revenue effect of capital and other investment decisions, and those impacting the workforce as a whole.</p> <p>The Capital Programme is based upon the Corporate Plan and the Sustainable Community Strategy which identifies the need for investment.</p> <p>The capital strategy implemented by the Council provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local services and how associated risk is managed by the Council. The Council approves a capital programme on recommendation from the Council's Cabinet. This programme consists of significant projects that qualify as capital expenditure and a planned programme of scheduled asset replacements.</p> <p>The Council uses the following key principles in determining its capital priorities:</p> <ul style="list-style-type: none">• All key decisions of the Council should relate back to the Corporate Plan.• The revenue budget and capital programme must remain balanced and sustainable over a rolling 5 year period.• The Council will not use its reserves to fund ongoing services, and maintains sufficient levels of reserves to allow flexibility to respond to change.• Savings in the revenue budget or external funding are identified before any new revenue expenditure, including capital expenditure that has revenue consequences, or any reduction in planned income is approved. <p>The Treasury Management strategy is concerned with keeping sufficient but not excessive cash available to meet the</p>

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

Reporting Sub-Criteria	Findings
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system (cont.)	<p>Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing (we note there is currently no external borrowing).</p> <p>Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Corporate Services and staff, who must act in line with the treasury management strategy approved by Council.</p>
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>The annual budget setting and MTFs process is set out above. Throughout the preparation of each of these, risks are taken into consideration in order to see how they impact certain areas and what the financial implications of these risks might be.</p> <p>The Council has an effective strategic risk management framework and register in place to identify, mitigate and monitor the risks to the organisation in delivering strategic objectives. This includes both financial and non-financial risks.</p> <p>The Council also operates a "Strategic Risk Group" made up of three members of the Cabinet and three members of the Corporate Governance and Audit Committee with responsibility for risk and governance.</p> <p>These arrangements come together, linking the Corporate Plan and its risk assessment, through to the financial plans and implications, as part of the ongoing monitoring of performance and then the annual refresh associated with developing the annual budget.</p>

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the year 2022/23

Reporting Sub-Criteria

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Findings

The Council has an effective strategic risk management framework and register to identify, mitigate and monitor the risks to the organisation in delivering strategic objectives. This includes both financial and non-financial risks.

The Council maintains a strategic risk register. The register details any risks along with the internal controls in place, plus any associated action plans to manage those risks. Updates to the risk register are discussed in the Corporate Governance and Audit Committee on a bi-annual basis. All risk registers are updated quarterly and considered by the SLT.

Fraud Prevention Report

A "Fraud Prevention Report" is presented to the Corporate Governance and Audit Committee annually which details the arrangements in relation to the prevention and detection of fraud within the Council and to confirm that there are adequate resources available to carry out all investigations and identify the risks of potential frauds across all Council services.

The report shows achievements to date and also looks forward to the year ahead to consider what the potential risks might be. The most recent report was presented to the Corporate Governance and Audit Committee in July 2023.

Internal Audit

The Council has an internal audit function. The internal audit service provides a continuous and independent review of all internal control systems. It objectively examines, evaluates and reports upon the adequacy of such internal controls. The findings and recommendations from each audit review are reported to Corporate Governance and Audit Committee.

Both the signed 2021/22 internal audit report and draft 2022/23 internal audit report state that 'satisfactory' assurance can be given, and generally that there is a sound system of internal control.

How the body approaches and carries out its annual budget setting process

Budget Setting Process

The Council has a statutory duty to prepare a balanced annual revenue budget. The Council's budget must be constructed to ensure that resource allocations properly reflect the Council's priorities, as set out above with reference to the corporate plan.

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body approaches and carries out its annual budget setting process (cont.)	<p>A financial strategy based on a rolling five-year cycle is risk assessed by the Corporate Governance and Audit Committee. This sets out the likely envelope of resources available to the Council over the following five years for both revenue and capital spending (see section above on MTFS). This strategy is then approved by Council.</p> <p>After considering the financial strategy and the Council's priorities, the draft budget is prepared and is approved by Council, having been recommended by Cabinet. The Council will consider the proposals of the Cabinet and may adopt them, amend them, refer them back to the Cabinet for further consideration, or substitute its own proposals in their place. Prior to this approval, a member of the Budget Review Task and Finish Group considers the draft annual spending plans and the outcome of this review is normally reports to the January meetings.</p> <p>Each of the Council's budgets will be delegated to a designated budget manager. Budget managers have the responsibility to:</p> <ul style="list-style-type: none">• Only incur expenditure or vire budget provision for which they have approved budgets or specific authority.• Monitor and control revenue and capital expenditure and income under their control.• Submit periodic capital and revenue monitoring reports to members.• On becoming aware of a potential overspend either take remedial action to prevent such an overspend or submit a virement proposal prior to the overspend occurring.• Should a need to incur unavoidable or non-controllable expenditure be identified, a proposal for a supplementary estimate is submitted to Cabinet.
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed	<p>See Section above.</p> <p>Both revenue and capital monitoring take place on a quarterly basis, with a summary report being produced for consideration by the SLT. All budget managers have access to the Council's GL system in order to review actual performance against budget. The queries outlined below can be produced as and when required to help with budget monitoring:</p> <ul style="list-style-type: none">• Compare the annual budget with all posted income and expenditure, including commitments. The query will show the total remaining uncommitted budget.

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed (cont.)	<ul style="list-style-type: none">• Compare the profiled budget to all income, expenditure, and commitments as at the end of the last completed month. This query will show the variance to date for budget monitoring purposes.• Compare the annual budget with the full year income and expenditure for the last complete financial year. <p>In addition to this budget managers receive a monthly budget monitoring report generated automatically by the GL system. This report also acts as a prompt to the budget manager to review their budgets using the live system in order to review anomalies and take appropriate action and/or seek assistance from the finance team when necessary. A member of the finance team will then meet with the budget manager on a quarterly basis to review the year to date position and produce an outturn forecast for the service area. The forecasts are then consolidated into a single summary for senior management to consider. Once the review has taken place, the monitoring report is published on the Council's website.</p>
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	<p>The Council has a number of arrangements to ensure that appropriate decisions are made. The decision-making process is detailed within the Council's Constitution and sets out how different decisions are made.</p> <p>The Constitution states that all decisions are made in accordance with the following principles:</p> <ul style="list-style-type: none">• within legal and financial parameters;• proportionality (i.e. the action must be proportionate to the desired outcome);• due consultation and the taking of professional advice from officers;• respect for human rights;• a presumption in favour of openness;• clarity of aims and desired outcomes;• promotion of equality;• reduction in crime and disorder;• sustainability; and• compliance with members' and officer codes of conduct.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23

Reporting Sub-Criteria

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee (cont.)

Findings

Full Council

The Constitution sets out the role of full Council and explains that the “Council is the policy making body from which the Policy Framework will be established”.

Cabinet

The Cabinet is the part of the Council which is responsible for operational decisions. When major decisions (‘key decisions’) are to be discussed or made, these are published in the Forward Plan in so far as they can be anticipated. If these major decisions are to be discussed at a meeting of the Cabinet, this will be open for the public to attend except where personal or confidential matters are being discussed. The Cabinet has to make decisions which are in line with the Council’s overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide.

Decisions are submitted to Cabinet using a standard report structure. All reports to Cabinet are reviewed by the responsible director who signs them off. These are then reviewed and signed off collectively by the Strategic Leadership Team (including S.151 Officer) and also by the Monitoring Officer. The reports are only finalised for inclusion in Cabinet agendas when “signed off” by all parties.

Overview & Scrutiny Committee

The roles and responsibilities of the Overview and Scrutiny Committee are set out within the Constitution and are summarised below:

- to review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council’s functions;
- to make reports and/or recommendations to the full Council and/or the Cabinet in connection with the discharge of its functions including performance monitoring, and the development and review of Council policies;
- to consider matters affecting the area or its inhabitants and to act as community champion in reflecting the views and interests of the community;
- to exercise the right to call-in, for reconsideration, decisions made but not yet implemented by the Cabinet;

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23

Reporting Sub-Criteria

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee (cont.)

Findings

- to consider reports and recommendations received from the West Sussex Joint Scrutiny Steering Group and/or any task and finish group set up to carry out a joint scrutiny review and ensure that the report and recommendations are dealt with in a suitable manner and referred on to the Cabinet and/or Council for a decision, as appropriate.

Corporate Governance and Audit Committee

The Corporate Governance and Audit Committee is independent of the executive and scrutiny functions and embedded as a key part of the Council's overall governance framework. Its terms of reference are aligned to CIPFA's best practice standards for audit committees. This committee ensures that the Council is managing risks properly and that proper audit arrangements are in place.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

We have inspected the website of the Council, and identified the various policies in place regarding the integrity, ethical values and behaviour of key executives.

The Council has adopted a number of codes and protocols that govern the standards of behaviour expected of members and officers, including a Code of Conduct for Councillors and a separate one for staff. The Code of Conduct has been created to support "all tiers of local government to continue to aspire to high standards of leadership and performance" and to assist individuals with the behaviour that is expected of them.

Included within this Code of Conduct there is a section of "guidance to members on the offer, acceptance and declaration of receipts of gifts and hospitality". This guidance sets out the members' obligations to declare gifts and hospitality received in their "official capacity as members of the Council". Officers also have to declare any gifts and hospitality offered and approval sought prior to acceptance, if deemed appropriate.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement	<p><i>Corporate Plan</i></p> <p>The Council implements a Corporate Plan which sets out the Council's future priorities and objectives. This helps to ensure that:</p> <ul style="list-style-type: none">• the Council manages its resources effectively;• that projects can be delivered by the Council's services and that enough capacity is available to deliver them;• the Council's Cabinet can plan its work; and• a framework is provided for evaluating the Council's performance.
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>The Council's SLT (supported by divisional managers) and the Overview and Scrutiny Committee monitor progress against the key projects, budgets and performance measures on a regular basis and take action where any activities are behind schedule. A report is also produced annually to highlight the key achievements. Both Cabinet and opposition leaders consider performance on a monthly basis through informal meetings with SLT.</p> <p>The Corporate Plan which sets out the Council's priorities for the next three years. The Plan works alongside the Financial Strategy to ensure that staffing and financial resources are allocated appropriately.</p> <p>The Corporate Plan is reviewed annually to ensure that the key projects and measures are still relevant, important and are continuing to achieve the outcomes that have been set.</p> <p><i>Performance Information</i></p> <p>In order to track performance and judge how well the Council is delivering their services to customers, they measure their key activities and set performance targets using performance indicators. These performance measures are split by service area and show indicators such as target, status and comparisons to other periods.</p>

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	<p>The Constitution states that the Council is able to:</p> <ul style="list-style-type: none">• enter into arrangements or agreements with any person or body;• co-operate with, or facilitate or co-ordinate the activities of, any person or body; and• exercise on behalf of that person or body any functions of that person or body. <p>In order to manage these arrangements, the Council may appoint joint committees with the other party to oversee and make decisions in relation to the arrangement. In the ordinary business of Council meetings, Council is to receive reports, and receive questions and answers, on the business of any joint arrangements. This enables the effective monitoring of these arrangements and ensures that Council is held accountable by any stakeholders.</p> <p>The Corporate Governance and Audit Committee also receive an “Annual Partnership Report”. This report acts as a mechanism to ensure that strategic partnerships have appropriate governance measures in place and ensure that all risks are monitored adequately. This report details the individual partnerships that the Council is involved with and provides a risk assessment matrix in relation to each partnership.</p>
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	<p>The Council has in place “Contract Standing Orders”. This information is laid out within the Constitution and sets out the procedures that that must be followed in relation to the procurement and award of a Contract. These are intended to promote good purchasing practice and public accountability and deter corruption.</p> <p>The Standing Orders go through each step of the Contract process detailing the minimum requirements for all Contracts taken out by the Council.</p> <p>Officers undertaking procurement exercises on behalf of the Council are supported by the Procurement Service (including external support from Hampshire County Council’s Procurement Service) to aid compliance. In addition to this any necessary training including updates or refresher training is given to these Officers to ensure that these individuals have up to date skills and knowledge to perform these procurement exercises.</p>

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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