



# Hart District Council

## Value for Money Interim Report

Year ended 31 March 2023

11 March 2024



Hart District Council  
Civic Offices  
Harlington Way  
Fleet GU51 4AE

11 March 2024

Dear Audit Committee Members

Value for Money Report

We are pleased to attach our interim commentary on the Value for Money (VFM) arrangements for Hart District Council. This commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit year 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. The National Audit Office (NAO) issued a consultation on 8 February 2024 seeking views on changes to the Code of Audit Practice (the Code) to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements. The consultation proposes to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. At this stage, we are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code.

This report is intended solely for the information and use of the 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 Audit Committee meeting on 26th March 2024.

Yours faithfully

Kevin Suter

Partner

For and on behalf of Ernst & Young LLP

Encl

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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.psa.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 Audit Committee and management of Hart District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Hart 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 Audit Committee and management of Hart 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.



# 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 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit year 2022/23.

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

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with the Executive Director of Corporate Services and S151 Officer;
- information from external sources; 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.

As a result, we have no matters to report by exception at this stage of the audit and we will update our interim reporting as part of issuing the final commentary in the Auditor's Annual Report later in the year.

# Executive Summary (continued)

## Reporting

Our interim commentary for 2022/23 is set out over pages 10 to 12. The interim commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2022/23. We include within the VFM commentary below the associated recommendation we have agreed with the Council.

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

In accordance with the NAO's 2020 Code, we are required to report a commentary against the 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?
<b>Financial sustainability:</b> 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
<b>Governance:</b> How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness identified
<b>Improving economy, efficiency and effectiveness:</b> 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 01/04/2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

During the year to 31 March 2023 we have undertaken the following non-audit service, against which we have identified the potential threats to our independence and adopted the safeguards as shown below.

Description of service	Related independence threat	Safeguards adopted
Housing Benefit subsidy claim	Self interest	The NAO's AGN01 excludes HBAP from the PSAA and ethical standards fee caps because this service is required by the awarding central government department. In addition, the fees for this work are relatively limited.
	Self review	No advice will be given in relation to accounting treatment. The report we provide will be given solely for the purposes of the agreed upon procedures engagement and will not be used or relied upon for any other purposes.

## 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](#)





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## 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 Medium-Term Finance Strategy (MTFS) is reviewed annually and involves discussions with the Chief Executive (CE), Executive Director of Corporate Services and Finance Manager and presented in committee meetings to make those charged with governance aware of most significant pressures arising. The Finance Manager is in regular discussion with the Business Partners (BPs) in the monthly catch ups. All services are assigned a BP and their role is to be in regular discussion within their services to identify financial pressures arising.

Pressures are reported to the committee meetings and taken into account in the MTFS. The MTFS contains a 3-year projection of net expenditure and funding sources and highlights any funding gaps arising. As a result of the gaps identified the Council carried out an exercise to identify opportunities to save money or generate income and benefit the local community. The ideas arising were moderated by the Chief Executive, Executive Director of Corporate Services and relevant committees to set a 5-year Corporate Plan/Commercial Strategy of projects to be delivered. This plan is updated and extended as further funding gaps are identified. This focuses on generating income through acquiring investment properties, efficiently using the existing properties (renting out civic offices), car park income, developer contributions.

The MTFP is regenerated every year with the MTFP updated and reported to Cabinet in February 2023, and this set out the medium term prospects for the Council's finances to 2026/27. The Council produced a balanced budget for 2022/23 as well as 2023/24.

The Council's Medium Term Financial Strategy is set within the context of the national economy, the public expenditure plans detailed in the government's Spending Review and national legislation.

The main assumptions used in for each of the significant areas in MTFP are summarised below, which we assessed to be reasonable assumptions:

- Pay increase allowance of 10% per annum, along with an allowance for incremental increases.
- Pension cost increases in line with notified changes as guided by the outcome of the next triennial valuation of the pension fund.
- A general annual inflation allowance of 10% in 2023/24 budget but with significant uncertainty going forward
- Contracted services' inflation allowances reflect the inflation clauses of their contracts.
- Base interest rate assumption of 2% on Treasury management investments in the 23/24 Budget.
- Use of all New Homes Bonus receivable to support the revenue budget
- Zero Revenue Support Grant, noting that negative grant has been deferred, not cancelled, and could cost the Council's budget £560k pa.
- Business rate income forecast to be at the baseline level over the forecast period due to low growth forecast and declining rateable value.
- Continuation of the current council tax support scheme.

Progress on delivery of the plan is reported to the Cabinet through the MTFS. The Revenue and Outturn presented to Cabinet on 3rd August 2023 for the year ended 31 March 2023 showed:

- The projected outturn from Q3 had been a £17k underspend, had subsequently turned into a £1.3M underspend at the end of the financial year
- This increase was due to additional income from recycling, car parking and interest as well as some accountancy savings and investments
- Contractual inflation and potential cuts in government funding were likely to have a more negative impact on the outturn for 2023/24

**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 published their draft 2022/23 financial statements for audit on the 31 May 2023, in line with the Audit and Accounts regulations, and advertised and held an inspection period for members of the public in line with these regulations. We confirm that the 2022/23 draft financial statements were arithmetically correct, agreed to the data in the general ledger, and prepared in line with the content required by the CIPFA Code. The Council has carried out bank reconciliations during the year. Therefore, appropriate arrangements for financial reporting were in place during 2022/23.

The Council has an effective corporate risk management framework embedded. The elements of the Council's risk management framework are to:

- ▶ Ensure that responsibilities for managing individual risks are clearly allocated;
- ▶ Align the risk management strategy and policies on internal control with achieving objectives; and
- ▶ Ensure an Audit Committee which is independent of the executive and accountable to the Council:
  - provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment
  - makes recommendations that are listened to and acted upon

The Council has a risk management policy based on which it should provide regular updates to the Overview and Scrutiny Committee through a Corporate Risk Register. The Council's policy is based on the principles of Identifying, Evaluating, Mitigating and Review & Reporting. This stresses that risk management is an integral part of everyday management through Heads of Service and is appropriately considered as part of decision making. The risk register is reviewed throughout the year by the Cabinet, Executive Directors and the Audit Committee.

The Council maintains an Internal Audit (IA) service which undertakes the IA plan for the financial year. The internal audit service provides independent assurance on the effective operation of controls in accordance with the internal audit strategy and charter.

Within the Constitution of the Council there are processes and procedures in place to ensure the Council has effective processes and systems in place to ensure budgetary control, to communicate relevant, accurate and timely management information; to support its statutory financial reporting requirements and to ensure the body is taking corrective action where needed.

To ensure effective leadership throughout the Council, members and officers work together to deliver agreed plans with defined functions and roles. The Council has adopted a number of codes and protocols that govern the standards of behaviour expected of members and officers. These codes of conduct are communicated as part of the induction process.

**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 uses a range of mechanisms, both formal and informal, to evaluate its performance in delivering services, and for identifying and delivering service improvement opportunities. It starts from the top, with a clear expectation that the services provided should be delivered in a way that puts the customer at the heart of the process. This is further evaluated through feedback options on various services that Hart DC provide through an online customer form. This can be done through several ways including by phone, email, going to the Council offices, via the website or social media.

The Council also assesses its performance through various sources discussed above including the review of the Corporate Risk Register, Budget monitoring reports etc.

The quarterly performance report assesses the Council's performance against KPIs identified in each service area. This is taken to the Overview and Scrutiny Committee as well as Cabinet.

Looking forward, the Council has some significant contract re-procurements that it is starting to make plans for. The Council needs to ensure that it carefully monitors the progress of these, and ensures they are adequately resourced to ensure the procurements do achieve the best value for money.

**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.**



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## 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 criteria considerations

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

### Arrangements in place

The Council has a robust process that continually reviews local and national financial pressures and responds to these accordingly. Regular meetings are held with heads of services, the Senior Leadership Team and with Cabinet members. Any significant financial pressures to deliver the Council Plan are raised and mitigated with identified savings, or, if an earmarked or risk reserve exists, then a draw from reserves may be considered in accordance with financial regulations, which is then reported in the quarterly monitoring reports to Cabinet. Future year pressures are considered as part of the Medium Term Financial Strategy ('MTFS') and reported to Cabinet and Council meetings as part of the budget setting process. Regarding financial planning, the Council works to refine budgets and the MTFP to respond to cost pressures as they emerge, and recognises that effective financial planning remains difficult due to continuing uncertainties in the funding that will be made available to councils. The Council reviews its budgetary position annually and produces a rolling three-year plan, known as the Medium-Term Financial Strategy (MTFP). This plan considers the financial climate at both the local and national level together with available resources and budgetary pressures in arriving at a financial strategy. The MTFP is also regularly refreshed to ensure that the forecast position of the Council's is accurately reflected in forward projection.

The budget for 2022/23 was approved by the Council in February 2022 and the council tax requirement (which is the net budget met by council tax) for 2022/23 was set at £7.8m.

#### Medium Term Financial Plan (MTFP):

The Council produces an MTFP every year for the following three years on a rolling basis. The strategy that the Council follows involves planning ahead of time, releasing resources in advance of need and using those resources to help fund transformational change. The MTFP produced supports the wider objectives of the Council both in the short and longer term. These include:

- ▶ Provides a framework for managing resources in the medium term to deliver the corporate plan.
- ▶ Demonstrates that sufficient resources will be available to meet The Council's objectives and priorities, particularly in the delivery of value for money.
- ▶ Looks ahead to the longer term to protect and help plan sustainable services within an extremely challenging external economic and funding environment.
- ▶ Strengthens The Council's financial resilience and manage volatility and risk, including maintaining an adequate level of reserves.
- ▶ Anticipates financial pressures and identify potential ways to balance The Council's budget including through efficiency measures.

# 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 criteria considerations

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 (continued)

### Arrangements in place

The MTFP is regenerated every year with the MTFP updated and reported to Cabinet in February 2023, and this set out the medium term prospects for the Council's finances to 2026/27. The Council produced a balanced budget for 2022/23 as well as 2023/24.

The Council's Medium Term Financial Strategy is set within the context of the national economy, the public expenditure plans detailed in the government's Spending Review and national legislation.

The key impacts of the national context on the Council's Medium Term Financial Strategy are

- The Council should be prepared for an extended period of government funding reductions throughout the medium-term period and beyond and therefore should continue to seek to reduce costs and generate additional revenues wherever possible in order that core services can be delivered on a sustainable basis.
- The Council may face increased demand on its services and budgets as a result of partner organisations' responses to reductions in government funding so it must maintain good communication and engagement with partners.
- There has been a significant risk transfer from central government to local government as a result of the legislative changes so the Council should anticipate, prepare and resource effectively.
- The longer-term uncertainty and increased risk and volatility associated with the new Business Rate Retention Scheme and the fair funding review.
- The impact on business rates of the current economic volatility and slow recovery of income to pre-Covid levels including customer activity shifting affecting car parks and leisure centres.

The main assumptions used in for each of the significant areas in MTFP are summarised below:

- Pay increase allowance of 10% per annum, along with an allowance for incremental increases.
- Pension cost increases in line with notified changes as guided by the outcome of the next triennial valuation of the pension fund.
- A general annual inflation allowance of 10% in 2023/24 budget but with significant uncertainty going forward
- Contracted services' inflation allowances reflect the inflation clauses of their contracts.
- Base interest rate assumption of 2% on Treasury management investments in the 23/24 Budget.

# 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 criteria considerations

### Arrangements in place

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 (continued)

- Use of all New Homes Bonus receivable to support the revenue budget
- Zero Revenue Support Grant, noting that negative grant has been deferred, not cancelled, and could cost the Council's budget £560k pa.
- Business rate income forecast to be at the baseline level over the forecast period due to low growth forecast and declining rateable value.
- Continuation of the current council tax support scheme.

#### Annual Budget Setting Process:

A budget is prepared and approved annually, ahead of the financial year. The draft budget should include allocation to different services and projects, proposed taxation levels and contingency funds. The budget will be approved by the Council and proposed by the Cabinet on the advice of the Executive Director of Corporate Services (S151 Officer).

The Cabinet is responsible for issuing annual guidelines on the revenue budget and capital programme, in consultation with the Executive Director of Corporate Services, ahead of the preparation of the revenue budget and capital programme.

The Executive Director of Corporate Services is responsible for ensuring that a revenue budget and capital programme is prepared on an annual basis. The Council may amend the budget and capital programme or ask the Cabinet to reconsider it before approving it.

We note that the Council has a good record of delivering against its financial strategies and budgets by containing expenditure within budgets and achieving early savings. The success of these strategies indicates that the Council are focused on identifying any potential risks and implementing mitigations to address these risks in order for them not to be a financial burden in the future.

We consider that the Council is having adequate General Fund and Earmarked Reserves to support fluctuations in normal business if required.



# 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 criteria considerations

### Arrangements in place

How the body plans to bridge its funding gaps and identifies achievable savings

The saving targets and other headline issues are agreed as part of the MTFP. The Council will also budget for contingencies to mitigate non-delivery of savings. This is completed using a risk-based approach. Savings targets for the Council are then allocated to individual Directorates and are monitored and reported regularly as part of ongoing internal reporting. A key component of the Council's forward planning as part of the annual refresh of the MTFP is the forward projection of Usable Reserves. As at 31 March 2023 the Council held the following Usable Reserves: General Fund Balances of £8.3m and Earmarked Reserves of £23.4 m.

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

The Council's saving plans and initiatives focus around the four strategic aims, which bring together a number of their priorities forming an overarching framework for their services. The Council recognises that its ability to continue to deliver front line services will depend on its capacity to generate new funding streams, streamline the way that residents access services and support and encourage self-sufficiency, whilst protecting the most vulnerable. Their focus is on targeting resources at the most vulnerable people while becoming more efficient in the delivery of its services.

Formal budget setting is carried out in advance of the relevant financial year with updates during the year as appropriate. This involves discussions between service managers and their BPs to ensure that funding is built in to deliver the statutory priorities on a monthly basis.

The Council maintains a Corporate Plan and Local Strategy which sets out its strategic priorities. Service managers and BPs are made aware of the content of the document and take this into account when setting the budgets each year.

The Corporate Plan is the medium-term strategic policy document which sets out the general direction, key priorities and activities for the Council and informs the use of its resources. The four priorities set out in the Corporate Plan are:

- Planet - Sustainability and Climate Emergency: A carbon neutral and climate resilient council by 2035
- People - fair treatment for all, help for those in need, and a sustainable economy that makes Hart a great place to live and work
- Place - delivering warmer, better homes in sustainable locations that people can afford to live in
- Building a Resilient Council - Your services: getting it right first time and delivering what matters to you

The delivery of the plan is monitored through the budgetary control process on a monthly basis as usual and quarterly performance was reported for challenge at Overview and Scrutiny and noting at Cabinet.

# 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 criteria considerations

### Arrangements in place

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

Throughout the financial planning i.e. annual budget and MTFP processes, consideration of other plans such as capital and treasury management also take place. The Capital and Treasury Management strategy also forms part of the annual budget setting process with the strategy being taken to Cabinet for approval at the same time as the revenue budget. The Capital and Treasury Management gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. All of the Council's financial strategies and planning interlink and are presented in a way that informs clear and effective decision making.

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The monthly budget monitoring process examines all income and expenditure against budgets. It highlights at an early stage where expenditure is being incurred but where insufficient or no budgetary provision exists. Regular meetings are held with Executive Director of Corporate Services to review the current financial position as reported by business partners. This is backed up by the budget monitoring updates to the Cabinet on a quarterly basis, where any unplanned changes in demand from their budget meetings with service managers are picked up and any appropriate revision to the budget is added in. Where there are significant changes occurring in the year which affect the MTFS assumptions, these will be built into the MTFS workings to see the effect.

The Council recognises pressure on its funding and the requirement of generating income from commercial sources. We note that that the Council produced a balanced budget in February 2022 for the 2022/23 financial year, updating the members on the savings programme with Level Two savings of £202k identified and included across 7 areas.

A Corporate risk register is in place and are reviewed on a regular basis by management - The risk register is reported to Overview and Scrutiny every 6 months. The Corporate Risk Register has identified risks around financial resilience and cyber security.

Service risk registers are in place. The risks identified in the service risk registers feed through from the service plans. Risks are reported via the service panels. Service panels are reported to Overview and Scrutiny.

# Appendix A - Summary of arrangements

## Governance

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

### Reporting criteria considerations

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

### Arrangements in place

The Council has an effective corporate risk management framework embedded. The elements of the Council's risk management framework are to:

- ▶ Ensure that responsibilities for managing individual risks are clearly allocated;
- ▶ Align the risk management strategy and policies on internal control with achieving objectives; and
- ▶ Ensure an Audit Committee which is independent of the executive and accountable to the Council:
  - provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and
  - makes recommendations that are listened to and acted upon

The risk register is reviewed throughout the year by the Cabinet, Executive Directors and the Audit Committee.

The Council maintains an internal audit service which undertakes the IA plan for the financial year. The internal audit service provides independent assurance on the effective operation of controls in accordance with the internal audit strategy and charter. A plan of work is set for the team each year, see Internal audit plan at <https://hart.moderngov.co.uk/ieListDocuments.aspx?CId=137&MId=334&Ver=4> which was presented in March 2022. Progress on delivering the plan and the latest findings arising are reported to each meeting of the Audit Committee, see latest progress report for 22/23 <https://hart.moderngov.co.uk/ieListDocuments.aspx?CId=137&MId=615&Ver=4>.

The results of this work is used in the Annual Head of Audits Opinion report along with other sources of assurances on internal control available that year, to provide the Audit Committee an annual assurance opinion. As well as the Internal Audit service, the Councils also has an anti-fraud and corruption policy that makes it the responsibility of each employee to be aware of the possibility that fraud, corruption and theft may exist in the workplace and be able to share their concerns with management, including how to report potential fraud or corruption.

The scope of the work carried out by internal audit includes testing the adequacy of controls to prevent or detect fraud or error. The reports include overall assurance opinions for each audit and highlight any weaknesses in controls designed to prevent and detect fraud and error (amongst other things). The Annual Head of Audit's report also highlights any income or expenditure errors (including the value) which have been identified from audit testing. The review concluded in reasonable assurance. This demonstrates that the Council responds to the risks identified.

# Appendix A - Summary of arrangements

## Governance (continued)

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

### Reporting criteria considerations

### Arrangements in place

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 (continued)

The Section 151 Officer is also kept aware of any significant fraud investigations, particularly where internal fraud is suspected and is often the steering officer for these cases so is aware of what is being found in these cases. We also noted this through our regular meetings with the S151 officer.  
Southern Internal Audit Partnership (SIAP) provides Internal audit service to the Council since 1 April 2023.

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

This is a continuous process normally commencing in June before Full Council approval in the following February. Forms are distributed around August each year to individual Budget Holders, which contains

- ▶Revenue
- ▶Capital
- ▶Fees and Charges

Budget holders are requested to make their Budget requests for the forthcoming year. Each form that is distributed specifically contains their respective Cost Centres and associated Account Codes. Forms are distributed via email to respective stakeholders, along with associated instructions for completion including a deadline for return. Within the forms there are headings with regards for "Growth" and "Savings" along with an explanation requirement as to why this is necessary compared to the current year's budget

All revenue budgets are consolidated within their services and will then be part of a provisional Net Cost of Service, which will be subject to scrutiny and amendment. The Executive Director of Corporate Service is responsible for overseeing the whole process and will regularly monitor the budget position from an overall perspective including the financing of the budget from central government grants, retained business rates and council tax funding. Budget monitoring is completed monthly on Integra. The details of budget monitoring are documented and circulated to relevant business partners and leadership team.

The Finance Manager is responsible for coordinating the process and formulating the latest revenue and capital projected outturn.

Once all the information has been collated the business partner with delegated responsibility from the Executive Director of Corporate Services pulls together the overall budget proposed and updates the 4-year projections. The budget set and the council tax implications are presented to the Cabinet and then for final approval by Full Council for the annual council tax setting decision.

# Appendix A - Summary of arrangements

## Governance (continued)

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

### Reporting criteria considerations

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

### Arrangements in place

Within the Constitution of the Council there are processes and procedures in place to ensure the Council has effective processes and systems in place to ensure budgetary control, to communicate relevant, accurate and timely management information; to support its statutory financial reporting requirements and to ensure the body is taking corrective action where needed.

Initially an overspend is identified between the Budget Holder and their Business Partner. Where an overspend occurs it may be possible to manage this by use of a Budget Virement following appropriate approvals. Scheme of Delegation mitigates against overspending to date, in such that increasing levels of expenditure (Purchase Orders and Contracts) require approval from officers with higher levels of seniority. PO's or Contracts over £100k requires approval from Executive Director of Corporate Service (S151 Officer) and the Chief Executive Officer.

Overspends are also highlighted to members in reports that go to Overview and Scrutiny and Cabinet during the year. Where Budgets are expected to vary and Forecast adjustments are subsequently made these are detailed in appendices for members to review. We looked at the Report that went to Cabinet in August 2023 detailing the Revenue performance for 22/23.

- ▶The projected outturn from Q3 had been a £17k underspend, had subsequently turned into a £1.3M underspend at the end of the financial year
- ▶This increase was due to additional income from recycling, car parking and interest as well as some accountancy savings and investments
- ▶Contractual inflation and potential cuts in government funding were likely to have a more negative impact on the outturn for 2023/24

We also looked at the Treasury Management report and noted-

- ▶Due to Investment concerns, both counterparty risk and comparatively low investment returns, no borrowings was undertaken during the year.
- ▶The Council has not borrowed more than, or in advance of its needs.

We note that from the review of the minutes the following arrangements are in place. The Executive Director of Corporate Services reports to the Cabinet and Council on regular basis as part of an overall performance management reporting process and this is included within the quarterly budget monitoring of the Council. The monitoring report includes the actual expenditure against the budget and monitors the expenditure. This furthermore includes financial and performance reporting with areas identified that needs corrective action based on the overspending incurred during the year and how the Council can implement corrective action/savings to reduce the overspending.

# Appendix A - Summary of arrangements

## Governance (continued)

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

### Reporting criteria considerations

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 (continued)

### Arrangements in place

Finally, we noted that budget holders are provided with on-going training to provide them with the necessary knowledge and skills to undertake this role. During 22/23, Budget holders were provided with bespoke Budget Monitoring Training. The training was specifically written for Hart DC, using Hart's Chart of Accounts and processes. The materials are available to all users and act as reference guides.

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

The Council has a number of arrangements in place to ensure that appropriate decisions are made. Council decisions may be made either at Full Council meetings, at committees of Council, at a meeting of all executive members i.e. 'Cabinet' or by individual executive members at 'decision days'.

The Constitution, including the Scheme of Delegation to Officers, sets out how different types of decisions are made, including who has the responsibility for making them and what procedures should be followed. Procedures include publishing committee report on the Council's website in advance of meetings.

The Cabinet is the part of the Council that is responsible for most day-to-day decisions. As per the Constitution, the Cabinet (including the Leader) comprises the Leader and between two and nine other councillors who are appointed by the Leader. In the current year, there were 8 members including the leader. When major decisions are to be discussed or made, these are published in the Cabinet's forward plan in so far as they can be anticipated. If these major decisions are to be discussed with council officers at a meeting of the Cabinet, this will generally be open for the public to attend except when personal or confidential matters are being discussed. The Cabinet has to make decisions that are in line with the Council's overall policies and budget. If it wishes to make a decision that is outside the budget or policy framework, this must be referred to the Council as a whole to decide.

The Constitution contains a detailed explanation of roles and responsibilities of each committee which in turn lead to effective working of the Council.

# Appendix A - Summary of arrangements

## Governance (continued)

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

### Reporting criteria considerations

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 (continued)

### Arrangements in place

The Monitoring Officer and Executive Director of Corporate Services (s151 Officer) maintain their legal responsibilities to ensure that the Council acts legally and within its financial means and are present at all the executive Committee meetings.

Any key decisions due to be made should be published 28 days prior, to enable wider transparency and opportunities for representation to the decision makers.

The Audit Committee's role is not to challenge the decisions of the Council/Cabinet, that is the role of the Overview and Scrutiny Committee. Their role is to review and receive relevant reports related to risk management, fraud, internal and external audit. This includes consideration of all matters relating to the Council's audit function, including receiving the annual audit letter, auditor's reports, and settling the internal audit work programme. The committee meets a minimum of three times a year. We note that the frequency also depends on requirements and importance of discussing areas under the Audit Committee's remit. In 22/23, the Audit committee met 4 times.

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)

In accordance with the Localism Act 2011 Hart DC has a Code of Conduct which sets out the behaviours expected from members, and arrangements in place to deal with any matters identifies of ethics, honesty and member conduct. This includes a formal member complaint procedure which is overseen by the Monitoring Officer. New members receive an induction session on the Code including how to declare interests in advance of committee meetings.

A standards sub-committee is set up when a significant breach by a member requires investigation and the conclusion is reported at the next meeting of the Audit Committee and Full Council.

Information Governance:

The Council has a Personal Data Breach Response Plan. This guide is for staff to refer to in the event of a Personal Data Breach. It is referenced in staff training. Personal Data Breaches are assessed against risk, using Data Breach and Risk Assessment Checklist. Whenever a Personal Data Breach occurs, the Incident Register is completed. Staff are reminded about the Personal Data Breach reporting steps in the staff bulletin.

# Appendix A - Summary of arrangements

## Governance (continued)

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

### Reporting criteria considerations

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)  
(continued)

### Arrangements in place

To ensure effective leadership throughout the Council, members and officers work together to deliver agreed plans with defined functions and roles. These roles and responsibilities are set out in the Constitution and in particular looks at how decisions are made and how procedures are to be followed to ensure that actions are efficient, legal, transparent and accountable to the community. Many of these processes are required by statute and regulations by Governmental and other bodies (e.g. CIPFA) while the Council has determined others locally.

The Council has adopted a number of codes and protocols that govern the standards of behaviour expected of members and officers. These include codes of conduct for both officers and members and cover conflicts of interest and gifts and hospitality and appropriate policies for partnership working.

These codes of conduct are communicated as part of the induction process. All staff and members are provided with a copy of the respective codes of conduct when joining the Council and are required to read and comply with them. Ongoing awareness training is made available via the Council's intranet. There are appropriate policies and procedures for ethical and behavioural standards, declaration of and protocol for conflicts of interest, and security practices that are adequately communicated throughout the organisation.



# 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 criteria considerations

How financial and performance information has been used to assess performance to identify areas for improvement

### Arrangements in place

The monthly budget monitoring process examines all income and expenditure against budgets. It highlights at an early stage where expenditure is being incurred but where insufficient or no budgetary provision exists. This is reported to the Executive Director of Corporate service to take corrective action in the form of identifying savings or redistribute resources depending on the size of the overspend. This is further reported to the Council and Cabinet through quarterly budget monitoring reports as discussed in Section 1 and 2 above.

At the end of the year any areas which were overspent are discussed in the Business Partners meeting and an action plan devised to work with the service to bring the spend under control, or to assess if changes are need that will update the MTFS and next budget - which then rolls forward into the next budget cycle.

We note that a previous example of this is the Capita 5 Councils' contract. While this was entered into to pool resources and ensure efficient working, it was noted that the services offered and output was not per the planned approach for Hart DC. Based on performance monitoring and other KPIs, it was decided that the Council will exit from the contract to ensure better quality of service functions going forward.

Similarly, the Council amend the management arrangements for the SERCO waste contract during the previous year, and the lead role transferred from HDC to Basingstoke & Deane BC.

Performance data:

From a procurement/contracts perspective, contract monitoring and performance monitoring are built in as a section in the template quotation form used at Hart to ensure buyers are thinking about how they will monitor the contract right from the specification design. The guidance provided to staff also starts by making sure Data Protection considerations have been made (step 1) before designing the specification.

In terms of what are the appropriate processes in place for specific contracts, this will depend on the size of it and level of risk present. For example, the Capita and Leisure contracts have monthly reviewed KPIs, regular Service Improvement Groups, open book approach financial reviews and governance in place for escalations. Others, such as small improvement works in the Countryside service will have some of these or lighter touch reviews (eg weekly/daily onsite meetings during the works phase), the key is for the monitoring to be proportionate to the risk.

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness (continued)

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

### Reporting criteria considerations

### Arrangements in place

How financial and performance information has been used to assess performance to identify areas for improvement (continued)

For Service Plans, service priorities and performance indicators and targets are set each year. These plans are considered by Overview and Scrutiny which then makes recommendations to Cabinet as appropriate. Key risks from these service plans are recorded on the service risk registers and any corporate risks recorded on the corporate risk register. Results of performance Indicators and targets are reported by Heads of Service at service panels - these are then reported to Overview and Scrutiny.

How the body evaluates the services it provides to assess performance and identify areas for improvement

The Council uses a range of mechanisms, both formal and informal, to evaluate its performance in delivering services, and for identifying and delivering service improvement opportunities. It starts from the top, with a clear expectation that the services provided should be delivered in a way that puts the customer at the heart of the process. This is further evaluated through feedback options on various services that Hart DC provide through an online customer form -

<https://www.hart.gov.uk/feedback>.

This can be done through several ways including by phone, email, going to the Council offices, via the website or social media.

The Council also assesses its performance through various sources discussed above including the review of the Corporate Risk Register, Budget monitoring reports etc. Finally, the quarterly performance report assesses the Council's performance against KPIs identified in each service area. This is taken to the Overview and Scrutiny Committee with the Q2 reports shared in the meeting held on 17th October 2023.

<https://hart.moderngov.co.uk/ieListDocuments.aspx?CId=145&MId=595&Ver=4>

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

The Council maintains a Corporate List of its significant partnerships. These are assessed for their significance in terms of the results they seek to deliver, their profile/reputation and resources involved.

The Council has a joint waste contract with Basingstoke and Deane Borough Council (BDBC). Previously Hart DC was the lead i.e. all invoices from Serco were paid by Hart and then charged to BDBC for their share of the costs. However, during 2021/22 the lead role transferred to BDBC.

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness (continued)

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

### Reporting criteria considerations

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 (continued)

### Arrangements in place

The other main area is the 5 Councils contract. The scope of services under the contract were reduced at the beginning of FY 20/21. This was due to timely monitoring and assessment of KPIs and a further cost v benefit analysis. In conclusion, it was agreed that the HR and payroll function would be brought back in-house, and finance function was delivered during 21/22 by Mendip DC. From 1/4/23 the finance function as well moved from Mendip DC to in house and also the I.T functions are back in-house since October 2023. The exchequer service was brought back to HDC from 1/04/2021. This was because the Council did not see planned savings through this partnership and the KPI monitoring did not show the level expected by Hart DC.

The two examples above show that the Council take action where necessary and monitor the performance of the Council, and amends partnership arrangements with its partners. The information is also taken to the relevant Council meetings to engage stakeholders at the appropriate time.

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

Standing Orders on Procurement and Contracts are set out within the Constitution. This includes the procedures and statutory requirements in terms of the procurement of services. The Council has also developed a Procurement Strategy which sets the framework in which Hart District Council will work to ensure that procurement delivers value for money across all services and directly contributes to the achievement of their strategic goals.

Procurement procedures are in place and are available to officers via SharePoint. These procedures include a step-by-step guide to 'Buying Something'

A Contract Register is in place. The register is published on the HDC website, at [Contracts Register - HDC Website](#)

A number of standard procurement forms are available to officers. These documents are held on SharePoint.

Looking forward, the Council has some significant contract re-procurements that it is starting to make plans for. The Council needs to ensure that it carefully monitors the progress of these, and ensures they are adequately resourced to ensure the procurements do achieve the best value for money.

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