

Telephone: 023 9247 4174
Fax: 023 9248 0263
Website: www.havant.gov.uk

AUDIT AND FINANCE COMMITTEE AGENDA

Membership: Councillor Patel (Chairman)

Councillors Briggs (Vice-Chairman), Branson, Davis, Keast, Kennett, Pike and Thomas

Meeting: Audit and Finance Committee

Date: 24 March 2021

Time: 5.00 pm

Venue: Skype for Business - Skype for Business

The business to be transacted is set out below:

Gill Kneller
Chief Executive

15 March 2021

Contact Officer: Mark Gregory 023 9244 6232
Email: mark.gregory@havant.gov.uk

Can Councillors Please Submit Any Detailed Technical Questions On The Items Included In This Agenda To The Contact Officer By 12 Noon On Friday, 19 March 2021.

	Page
1 Apologies for Absence	
2 19/20 Draft Audit Results Report	1 - 56
3 Internal Audit Progress Report 2020-21 (February 2021)	57 - 70
4 Internal Audit Plan 2021-22	71 - 84
5 Internal Audit Charter 2021-22	85 - 96

GENERAL INFORMATION

IF YOU WOULD LIKE A VERSION OF THIS AGENDA, OR ANY OF ITS REPORTS, IN LARGE PRINT, BRAILLE, AUDIO OR IN ANOTHER LANGUAGE PLEASE CONTACT DEMOCRATIC SERVICES ON 023 9244 6231

Internet

This agenda and its accompanying reports can also be found on the Havant Borough Council website: www.havant.gov.uk

Public Attendance and Participation

Members of the public are welcome to follow proceedings via the link on the Council's website.

Many of the Council's meetings allow the public to make deputations on matters included in the agenda. Rules govern this procedure and for further information please get in touch with the contact officer for this agenda.



Havant

BOROUGH COUNCIL

PROTOCOL AT MEETINGS – RULES OF DEBATE

Meeting Protocol

- Microphones will be muted centrally unless it is a councillor/officers turn to speak. When unmuted centrally please note that a councillor/officer will also need to press the unmute button before speaking!
- Whilst being held remotely, the meeting remains a formal meeting of the council with the same rules of conduct. There is the potential for greater audience numbers due to people being able to watch from their own homes. The meeting will also be recorded and the recording publicly available.
- There is a viewing pane showing all participants on the left-hand side (clicking the icon depicting three people in the top left of the screen will open). This lists the attendees (committee members) in alphabetical order, which is useful to ascertain when you will have an opportunity to speak.

The Chairman will read out a detailed introduction to outline how the meeting will run.

Apologies for Absence

Will be read by the Democratic Services Officer.

Confirmation of Attendance/ Declarations of Interest/ Supplementary Matters

For expediency, the Chairman will ask each councillor in turn to confirm the above. Attendees will be able to mute and unmute their own microphones.

Confirmation of Minutes

The Chairman will ask each councillor in turn whether they have any amendments to the previous minutes. Either reply 'No amendments Chairman', or yes and clearly state the amendment.

The Chairman will ask for a proposer, at this point all microphones will be unmuted. The first councillor to speak, stating only their name 'Cllr X' will be taken as the proposer. The process will be repeated for the seconder.

Voting

When voting, the Chairman will ask each Councillor in turn, alphabetically, to state either 'FOR, AGAINST or ABSTAIN'. The Democratic Services Officer will confirm the voting numbers, following which the Chairman will declare the result of the vote.

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NON-EXEMPT

HAVANT BOROUGH COUNCIL

Audit and Finance Committee

24 March 2021

ANNUAL AUDIT RESULTS REPORT 2019/20

FOR NOTING

Portfolio: Finance, Cllr Mark Inkster

Head of Service: Lydia Morrison, Director for Corporate Services and S151 Officer

Key Decision: No

1.0 Purpose of Report

1.1 This report is submitted to the Audit and Finance Committee to present the Audit Results Report for the year ending 31 March 2020.

2.0 Recommendation

2.1 Audit and Finance Committee is recommended to note the report.

3 Executive Summary

3.1 The draft Audit Results Report presents the outcome of the Audit of the Statement of Accounts and the Value for Money conclusion for the financial year ending 31 March 2020.

4 Additional Budgetary Implications

4.1 None.

5 Background and relationship to the Corporate Strategy and Directorate Business Plan/s

5.1 It is a legal requirement that the Council has an external auditor in place. Our external auditor is Ernst & Young who audits the annual accounts.

5.2 In April 2019 the Governance, Audit and Finance Board approved the scope and approach for the audit of the financial statement. The draft audit results report is attached.

6.0 Options considered

6.1 N/A.

7.0 Resource Implications

7.1 Financial Implications – None

7.2 Human Resources Implications - None

7.3 Information Governance Implications - None

7.4 Other resource implications - None

8.0 Legal Implications

8.1 None.

9.0 Risks

9.1 None

10.0 Consultation

10.1 The Annual Audit Report and Statutory Accounts are required to be noted and agreed. If this requirement is not met then the Council will have failed to meet its statutory obligations.

11.0 Communication

12.0 The Annual Audit Report and Statutory Accounts will be made publicly available on the Council's website

12.1 Appendices

Appendix A – External Audit Results Report 2019/20

13.0 Background papers

13.1 None

Agreed and signed off by:

Director & Section 151 Officer: Lydia Morrison (15/03/21)

Havant Borough Council Audit results report

Year ended 31 March 2020

March 2021

Page 3

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letters.

Building a better
working world



Members of the Governance, Audit and Finance Board
Havant Borough Council
Public Service Plaza
Civic Centre Road
Havant
PO9 2AX

11 March 2021

Dear Governance, Audit and Finance Board Members

We are pleased to attach our audit results report for the forthcoming meeting of the Governance, Audit and Finance Board. This report summarises our preliminary audit conclusion in relation to the audit of Havant Borough Council for 2019/20. We will issue our final report following the Governance, Audit and Finance Board meeting scheduled for 24 March 2021, and when all outstanding work has been completed.

Our audit of Havant Borough Council for the year ended 31 March 2020 is in progress at the time of writing this report, predominantly waiting on evidence that we have requested from the Council and has now been outstanding for some time. We will provide an update on the status of the audit at the 24 March 2021 meeting.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at section 3. We also expect to have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Governance, Audit and Finance Board, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement thus far.

We welcome the opportunity to discuss the contents of this report with you at the Governance, Audit and Finance Board meeting on 24 March 2021.

Yours faithfully

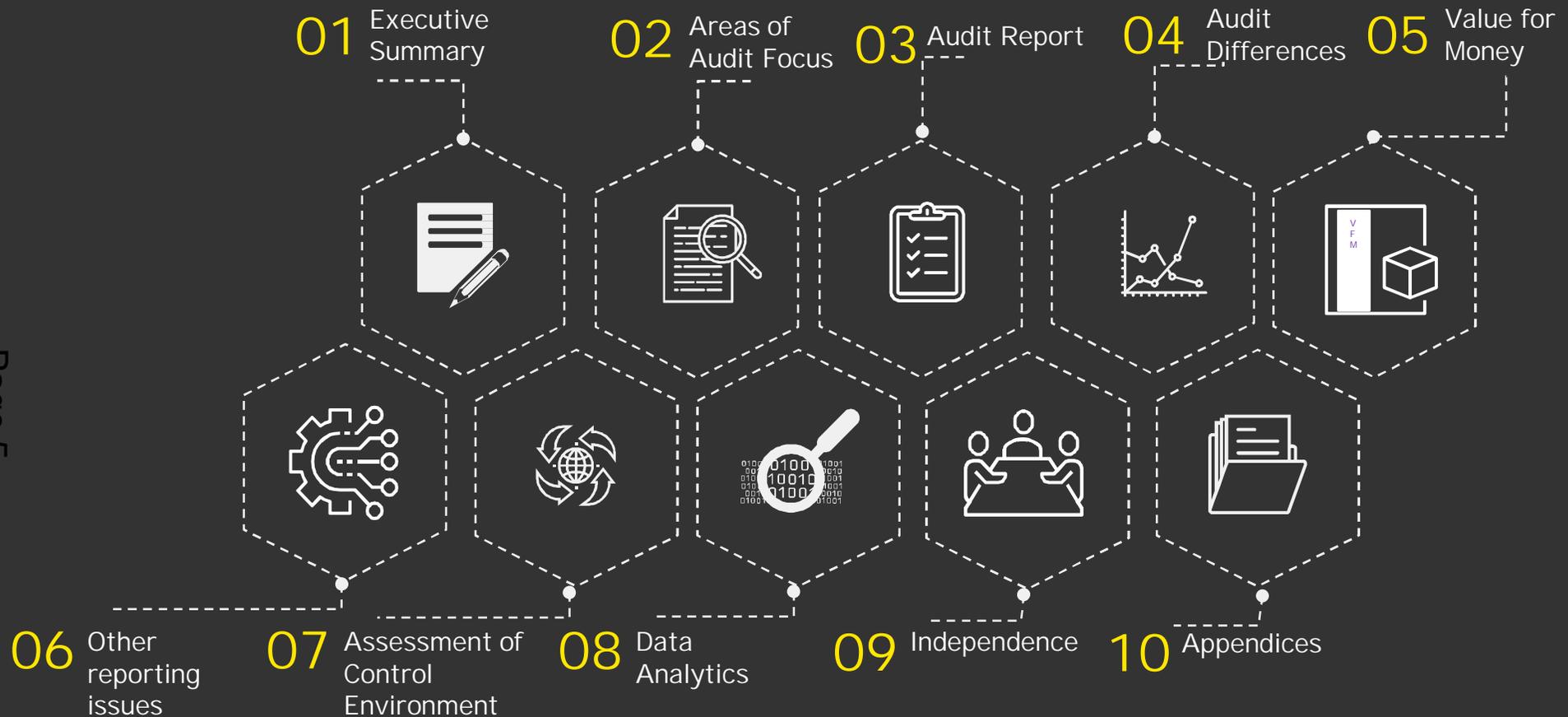
Kevin Suter

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk). This 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 (updated April 2018)' issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

Executive Summary



Executive Summary

Scope update

In our Audit Planning Report presented at the 7 October 2020 Governance, Audit and Finance Board meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities. Our audit was scheduled to meet this timescale, but we are unable to provide our audit report due to the delays experienced in providing suitable and appropriate evidence.

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agree IPE to scanned documents or other system screenshots.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19.

The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform. We have set out a provisional estimate of the impact on our audit fee in Section 9.



Executive Summary

Status of the audit

We have substantially completed our audit of Havant Borough Council's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our Audit Planning Report. We will provide an update on the status of the audit at the 24 March 2021 meeting. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- Property, plant and equipment (PPE) and investment property valuations – responses to our valuation queries are still outstanding
- Collection fund debtors and creditors balance – a few queries are still outstanding relating to differences identified in the collection fund balance.
- Review of management's going concern cashflow forecast, and related internal consultation procedures regarding our auditors' report (audit opinion)
- Review of financial instrument disclosure corrections
- Review of Authority's prior year restatement disclosure, and related internal consultation. Only partial evidence of corrections have been received to date.

The evidence to support our work in these areas have now been outstanding for some time, and we provide further information on the delays to the audit progress in Section 6 of our report.

The following are also outstanding or are to be completed as part of the conclusion of the audit once the remaining evidence has been provided:

- completion of our audit conclusion procedures
- review of the final version of the financial statements
- completion of subsequent events review
- receipt of the signed management representation letter
- completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission

We expect to issue the audit certificate at the same time as the audit opinion.

Once the internal consultation regarding our audit opinion is complete, we will confirm whether there are any matters which the opinion will need to emphasise with regard to going concern or PPE/Investment Property valuations.



Executive Summary

Audit differences

At the time of writing we identified unadjusted and adjusted audit differences in the draft financial statements relating to Net Pension Liability, Property, Plant and Equipment, Expenditure, Cash and Cash Equivalent, Financial Instruments and various disclosures. Details can be found in Section 4 Audit Differences.

As our audit work is ongoing at the time of writing this report, further adjusted and unadjusted misstatements may be identified. We will update the Governance and Audit and Finance Board at the meeting on 24 March 2021 if we identify any issues by the time of the meeting.

Areas of audit focus

Our audit planning report identified key areas of focus for our audit of Havant Borough Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of Audit Focus" section of this report. The areas of focus were as shown below. Where work is ongoing at the time of writing this report, a verbal update will be provided at the Governance, Audit and Finance Board meeting on 24 March. The conclusions shown below remain subject to final review.

Page 9

Risk of fraud in revenue and expenditure recognition: inappropriate capitalisation of revenue expenditure - no issues have been identified from our work to address this risk at the time of writing this report except a cut off issue, which is included in the unadjusted summary of audit differences section below.

- Misstatements due to fraud or error - no issues have been identified from our work to address this risk at the time of writing this report.
- Valuation of Land and Buildings and Investment Property - our work to address these risks, with input from our internal valuation specialists, is ongoing
- Going concern - our work in this area is ongoing
- Pension Liability Valuation - our work to address this risk is well progressed. One matter arising relating to Pension asset valuation but the difference is below our materiality threshold.
- NNDR Appeals Provision - no issues have been identified from our work to address this risk at the time of writing this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Governance and Audit and Finance Board.



Executive Summary

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Other reporting issues

We review the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We do not expect to have any matters to report as a result of this work.

We are yet to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission following the completion of the financial statements audit and will provide an update to the Committee following completion of this work.

We have no other matters to report.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified one significant risk over sustainable resource deployment and informed decision making.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Details can be found in Section 5 Value for Money.

Independence

Please refer to Section 9 for our update on Independence. We have no independence issues to report.



02 Areas of Audit Focus



Significant risk

Inappropriate capitalisation of revenue expenditure

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund. This would result in funding expenditure that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.

The manipulation of capitalising expenditure could occur through management override of controls.

What judgements are we focused on?

We are focused on the following:

- For significant additions we examined invoices, capital expenditure authorisations, leases and other data that support these additions and expenditure. We reviewed the sample selected against the definition of capital expenditure in IAS 16; and
- Whether management were inappropriately processing journals that transferred amounts from revenue to capital.

What did we do?

- Documented our understanding of the controls relevant to this significant risk and considered they have been appropriately designed;
- Designed journal procedures to identify and review adjustment manual journals that moved amounts from revenue codes to capital codes; and
- Amended our sample sizes when testing PPE additions to reflect the existence of this risk. Agreed samples to source documentation to ensure the classification was reasonable.
- We selected a sample of REFCUS expenditure, using lowered testing thresholds, to confirm it was appropriate for the expenditure incurred to be funded from capital sources

What are our conclusions?

We have not identified any issues with the classification of capital expenditure.

We have not identified any instances of inappropriate judgements being applied.

We have identified two errors relating to cut off issues in our testing of PPE additions. Items of PPE relating to the prior year were incorrectly capitalised in the current year. We have reported these errors in the section 4 below.

Overall our testing of additions, REFCUS expenditure and journals has not identified any indications of inappropriate capitalisation of revenue expenditure or inappropriate classification of transactions as REFCUS



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement. The manipulation of capitalising expenditure could occur through management override of controls.

Page 13

What judgements are we focused on?

We focused on the following:

Understanding the risks of fraud and the controls put in place to address those risks by management and how the Governance, Audit and Finance Board oversees management's processes over fraud.

- Considering the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures in respect of journal entries, estimates and significant unusual transactions.

What did we do?

- Wrote to the s151 officer, Chair of the Governance, Audit and Finance Board and the Head of Internal Audit in this regard and reviewed their responses;
- Documented our understanding of the controls relevant to this significant risk and considered they have been appropriately designed;
- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- Reviewed accounting estimates for evidence of management bias; and
- Evaluated the business rationale for any significant unusual transactions.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any transactions during our audit which appeared unusual or outside the Council's normal course of business



Significant risk

Valuation of Investment Properties and PPE

Page 14

What is the risk?

The value of Investment Properties and Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and market fluctuations. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. Furthermore, we identified significant errors in the prior year in relation to property valuations.

The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty.

Since late March 2020 in the UK, Covid-19 has had a dramatic impact on the occupation of buildings due to the forced closure of restaurants, retail stores, leisure, offices and hotels due to government regulation. We do not know how long the government's measures will last or how long businesses will be impacted. Rental income is expected to fall as tenants may default on their rents and seek to negotiate rent reductions as the tenants can no longer trade effectively. This could have a significant impact on investment properties and certain categories of PPE which are valued using assumptions based on future income generation.

What did we do?

We:

- Considered the work performed by the Authority's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Sample tested key asset information used by the valuers in performing their valuation and challenge the key assumptions used by the valuers.
- For PPE, considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code.
- For PPE, reviewed assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated.
- Tested accounting entries have been correctly processed in the financial statements.
- For PPE, consider the Council's asset base by type of asset and valuation methodology, as impacts are likely to be more significant for assets valued on the basis of data from market transactions.
- Ensured that appropriate disclosure has been made in the financial statements concerning the material uncertainty.
- Obtained input from EY Real Estates, our internal specialists on asset valuations for Investment Properties and PPE, including inputs on market sentiment and how it has been reflected in the valuations.



Areas of Audit Focus

Significant risk

What are our conclusions?

We have not been able to complete this complex area of work as there are still responses outstanding to our valuation queries which management are currently working on. We will provide you with a verbal update on the outcome of our procedures at the Governance, Audit and Finance Board meeting on 24 March 2021. To date:

- We have reviewed the instructions and data provided to the valuer by the Council. We identified no issues.
- We have reviewed the classification and valuation methods used, subject to management's responses to our outstanding queries, we identified no issues with the classification and valuation methods used by management.
- We considered the annual cycle of valuations and confirmed that assets have been valued within a 5 year rolling programme as required by the Code.
- We reviewed assets not subject to valuation in 2019/20 and confirmed that the remaining asset base was not materially misstated.
- We reviewed the scope and relationship of the valuer to the Council and identified no issues.
- The external valuers reported their valuations on the basis of 'material valuation uncertainty' for both PPE and Investment Properties and we have recommended that management update Note 4 'Assumptions made about the future and other major sources of estimation uncertainty' to ensure the appropriate disclosure has been made concerning the material uncertainty.

Our review of accounting entries at period end and those journals made in processing valuation adjustments did not identify any issues.



Areas of Audit Focus

Other financial statement risk

Pension Liability valuation

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council.

The Council's pension fund deficit contains material estimations and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2020 this totalled £44.99m.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What judgements are we focused on?

We focused on the following:

- The reasonableness of the underlying assumptions used by the Authority's expert - Aon Hewitt;
- Ensuring the information supplied to the actuary in relation to Havant Borough Council was complete and accurate; and
- Ensuring the accounting entries and disclosures made in the financial statements were consistent with the report from Aon Hewitt.

What did we do?

- Liaised with the auditors of Hampshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Havant Borough Council;
- Assessed the work of the Pension Fund actuary (AON Hewitt) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considered relevant reviews by the EY actuarial team;
- Reviewed the actuaries estimates to outturn information where available; and
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What are our conclusions?

We obtained assurances from the auditors of Hampshire Pension Fund that the information supplied to the actuary in relation to Havant Borough Council was materially accurate and complete.

We have assessed and are satisfied with the competency and objectivity of the Council's actuaries: AON Hewitt.

We have reviewed the work of the actuaries. We challenged the actuarial valuation and found no indication of management bias in this estimate.

We identified a difference in the estimated fair value of plan assets of the pension fund compared to the actual outturn for the year. This decreased the pension asset by £510k (Havant Borough Council's share) resulting in a increase in the net pension liability.

Management opted not to amend the accounts as the impact was immaterial and therefore did not request an updated IAS 19 report from the Actuaries.



Areas of Audit Focus

Other financial statement risk

Going concern

What is the risk?

The Council prepares its accounts on the assumption that it will continue as a going concern. The current and future uncertainty over government funding and loss of income as a result of Covid-19 increases the need for the Council to revisit its financial planning and undertake a detailed assessment to support its going concern assertion. From an audit perspective, the auditor's report going concern concept is a 12-month outlook from the audit opinion date, rather than the balance sheet date. So, for the 2019/20 statements, for example, we will need to see evidence of an assessment up to and including April 2022. This will need information relevant to the 2022/23 financial year.

What judgements are we focused on?

We focused on management's assessment of the going concern assumption in preparing the Council's financial statements. We also in the process of reviewing management's cash flow forecasts to determine whether expected forecasting appeared reasonable and whether it was sufficient to enable the Council to continue its operations.

We also discussed with management further disclosures required in the 2019/20 statements on going concern.

What did we do?

- We reviewed the Governance, Audit and Finance Board's assessment of the appropriateness of the going concern assumption;
- We reviewed and challenged the level and form of disclosure of this assessment made in the financial statements, given the Covid-19 pandemic; and
- We are currently reviewing the Council's cash flow forecasts and financial plans for the foreseeable future to ensure that these are sufficiently robust and supported by adequate evidence, and that the cash flow forecasts demonstrates that the Council has sufficient liquidity to continue its operations.

What are our conclusions?

Our work on going concern, and the related internal consultation process, is ongoing at the time of writing this report as we had only recently received management's cash flow forecast which underpins the going concern assessment, hence we have not yet been able to conclude. Based on our work performed to date:

- Our review of management's continued use of the going concern assumption concludes it remains appropriate;
- We reviewed the proposed going concern disclosures for included in the draft financial statements and worked with management to recommended improvements to these disclosures. Management subsequently enhanced the disclosures;

The conclusion of our work may indicate an emphasis of matter is required for our audit opinion. This is not a qualification, but draws attention to the reader of the accounts such matters that are important for their understanding of the Statement of Accounts, that are properly disclosed. We cannot conclude whether this is required until the work on management's cash flow forecast is complete.

We will provide an update at the Governance, Audit and Finance Board meeting on 24 March.



Areas of Audit Focus

Other areas of audit focus

NDR Appeals Valuation

What is the risk?

The Non Domestic Rates Appeals Provision requires a number of assumptions and judgements.

In addition, in the prior year we have identified an error above our audit differences threshold.

What judgements are we focused on?

We focused on the following:

- The reasonableness of the assumptions to appeals made to the 2005 and 2010 ratings lists;
- The reasonableness of the assumptions made to any appeals lodged against the 2017 ratings list, and the Council's assumptions for appeals as yet unlodged.

What did we do?

- Reviewed the calculation of the provision for accuracy;
- Considered the work performed by the Council expert, Analyse Local and understood the assumptions used in their calculation;
- Ensured the Council has amended the provision appropriately for any Business Rate reliefs awarded; and
- Performed post year-end review of appeals settled to determine whether the revised rateable value and effective date of the appeal are in line with the provision.

What are our conclusions?

We have reviewed the calculation of the provision and confirmed that the calculation was accurate.

We have confirmed that the provision considered unlodged appeals.

We noted few minor issues with the disclosure in the draft financial statement, which management has agreed to correct.

We reviewed the assumptions, methods and models used by management's specialist. We identified no issues.



03 Audit Report



Audit Report

Draft audit report

As set out on page 5, we are unable to conclude on the final form of our audit report until all procedures are completed, especially those relating to Going Concern disclosures and property valuations. We may include an emphasis of matter relating to the Council's Going Concern disclosures or other impacts of Covid-19 in addition to the form and content set out below. We have shown an example emphasis of matter paragraph for reference – but this may not be needed in the actual audit report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAVANT BOROUGH COUNCIL

Opinion

We have audited the financial statements of Havant Borough Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- The related notes 1 to 29 and the Expenditure and Funding Analysis, and
- Collection Fund and the related notes 1 to 3

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of Havant Borough Council as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below.

We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Disclosure in relation to the effects of COVID-19

We draw attention to Note 29 of the financial statements, which describes the economic consequences the Authority is facing as a result of COVID-19 which is impacting its financial and operation position and performance during 2020/21 and beyond.

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Audit Report

Our proposed audit report

Other information

The other information comprises the information included in the Statement of Accounts 2019/20, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, we are satisfied that, in all significant respects, Havant Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer Responsibilities set out on page 39, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which [includes the financial statements], in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.



Audit Report

Our proposed audit report

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether the [name of body] had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the [name of body] put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Havant Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of Havant Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Havant Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.



04 Audit Differences





Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements greater than £0.072m identified during the course of our audit which management have corrected:

- £1.3m downward revaluations of Property, Plant & Equipment (PPE) as a result of difference in the PPE valuation report and amount recognised in fixed asset register.
 - £1.128 upward revaluations of PPE as a result of PPE valuations was performed incorrectly. The misstatement was identified by the management and it was classified to the investment property.
 - £2.528m prior year adjustment in relation to an understatement of income and expenditure relating to Coastal Partnership. This adjustment does not affect the overall net figures in the accounts. Further amendments are still required to the cash flow statement and the notes to the accounts but we are yet to receive these.
 - £0.292. reclassification of overdraft balance from Cash and cash equivalent to current liability in the financial statement.
- Some misstatements in disclosures

As our audit work is ongoing at the time of writing this report, further adjusted misstatements may be identified. We will provide an update at the Governance, Audit and Finance Board meeting on 24 March 2021.



Audit Differences

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Governance, Audit and Finance Board and provided within the Letter of Representation:

	Assets Non-current	Liabilities Current	Liabilities Non-current	Reserves	Other comprehensive income	CIES
Uncorrected misstatements	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)			Debit/(Credit) Current period
Known differences:						
▶ Expenditure recognised in the incorrect period. Expenditure incurred in 2018/19 was recognised in 2019/20				118k		(118k)
▶ Capital additions recognised in the incorrect period. Capital expenditure incurred in 2018/19 was recognised in 2019/20	(436k)			436k		
▶ Valuation difference in relation to the Fair Value of plan assets of the Pension Fund			(510k)		510k	
Total	(436k)	-	(510k)	554k	510k	(118k)

As our audit work is ongoing at the time of writing this report, further unadjusted misstatements may be identified. We will provide an update at the Governance, Audit and Finance Board meeting on 24 March 2021.



05

Value for Money Risks



Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

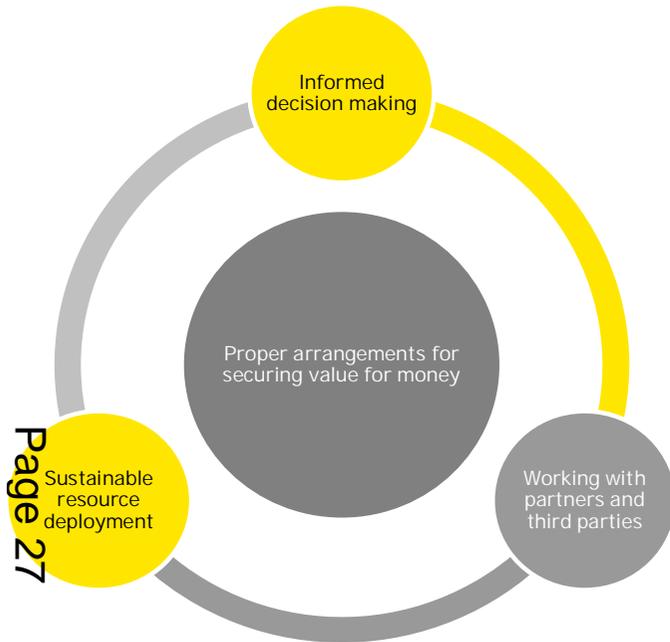
For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.



Impact of covid-19 on our Value for Money assessment

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider Local Authorities' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

Overall conclusion

We identified one significant risk around these arrangements relating to the impact on the Council exiting the 5 Councils contract. The table below presents our findings in response to the risk in our audit planning report and any other significant weaknesses or issues we want to bring to your attention.

We expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:
“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”
 Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.
 The section below presents the findings of our work in response to the risks area in our audit planning report. No further risks were identified during the course of our audit.

What was the significant value for money risk?

In October 2017, Havant Borough Council (the Council) entered into two contracts for the provision of corporate services, in partnership with Hart District Council, South Oxfordshire District Council, Vale of the White Horse District Council and Mendip District Council (known as the “Five Councils”). The services were originally split into two lots; data-based services (Lot 1) and property based services (Lot 2).

These contracts were designed to generate savings of over £50 million for the Five Councils across their lifetime of nine years but the Councils have had to renegotiate Lot 1, in October 2018, and pull out of Lot 2, in January 2018, due to the issues with the way the contracts were constructed and the implications for the practical implementation of them.

In October 2018, the Five Councils drafted the new Inter-Authority Agreement (IAA) which outlined the revised governance and cost sharing arrangements between them.

The 5 Councils are now exiting the contract for some services as at 31 March 2020. Havant Borough Council in particular have brought back Finance, HR and Payroll in-house as of 1 April 2020. The remaining services will remain with Capita for at least one further year. Given the short timescale for termination of the contract there is a risk that both the services and financial performance of the Council would be negatively impacted if new arrangements, from 1 April 2020, are difficult to implement or do not deliver the intended benefits in a sufficiently timely manner.

What arrangements did the risk affect?

Deploy resources in a sustainable manner /
 Informed decision making

Page 28



Value for Money Risks

Audit findings

In line with the governance arrangements in the IAA, service performance and contract change discussions continued to be reported to the regular 6 weekly meetings of the 5 Council's Strategic Management Board (SMB), Operational Management Board (OMB) and the Joint Tactical Board (JTB) during 2019/20. In the latter part of 2019/20, the 5 C's Strategic Partnership Project Team began to facilitate the insourcing of services. Business cases for alternative solutions were discussed for each service provided by Capita and it was decided that the HR, Payroll and Accountancy services would be re-provisioned with effect from 1 April 2020. Exchequer and IT services still remain with Capita, but at the time of writing this report, these are currently being reviewed to decide on the best options going forward for 1 April 2021. On 1 April 2020, the HR, Payroll and Accountancy all transitioned back into Havant with no disruption to service provision.

The HR and Payroll service is being adequately managed in-house. South Oxfordshire District Council is the lead Authority as the Zellis contract/software which is used to run the payroll services and has been novated to them. The Zellis system administrator has been TUPE'd across and this service and associated costs are shared across all the Authorities. The rest of the staff are South Ox staff and their costs are recharged proportionately across the other Authorities, except Mendip who have taken a different route for HR & Payroll services. No significant issues since services have been transferred. HR/Payroll have eliminated all errors, staff are being paid correctly and on time, almost zero error rate.

For accountancy, there was an agreed finance structure put in place as Havant TUPED 4 Capita staff back in-house and agreed a joint delivery of financial services with East Hampshire District Council under a new contract. Processes are working much better and the finance team have been focused on the financial year-end, producing two sets of financial statements for both Havant Borough Council and East Hampshire District Council, as well as supporting the business grant response to Covid-19. The cost of exiting the Capita contract for HR, Payroll and Accountancy was a one-off payment for Havant and the Council had put monies aside in an earmarked reserve to cover these costs and the parties agreed for the Authorities not to pay a contract milestone in March.

The adoption of a new business model by Capita is a key strategic risk on the Council's Strategic Risk Register for 2019/20 and 2020/21. Regular reporting on the actions to mitigate the risk around the transfer of services has been received by the Council's Governance, Audit and Finance Board who monitor this Risk Register on a quarterly basis. Whilst the Council reports on refining relevant business cases, in line with negotiations, it also reported that there is no indication that Capita intend to cease delivering any services that the Councils are not prepared to nor will withdraw from.

In terms of whether the arrangements to exit the contract were adequate, we conclude that there were clear arrangements to manage the transition to ensure the continuity of services for HR, Payroll and Accountancy services. Whilst negotiations now turns to the remaining services, with particular focus on Exchequer Services and IT, we suggest that management carry out individual services reviews of the HR, Payroll and Accountancy services to ensure that the new services delivered the intended benefits and continue to improve service performance.



06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the 2019/20 Financial Statements with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the 2019/20 Statement of Accounts and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and expect to confirm it is consistent with other information from our audit of the financial statements and that we have no other matters to report.

Page 31

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We will perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission following the completion of the financial statements audit and provide an update to the Governance, Audit and Finance Board following completion of this work. The audit certificate will be issued once this work is complete.

Other reporting issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

Any significant difficulties encountered during the audit

- We commenced the audit in August for 6 weeks and completed audit work on cash and cash equivalent, debtors, creditors, borrowings, reserves, housing benefit, REFCUS, finance and investment income, value for money procedures, income testing and disclosures. At the end of our visit queries on the following areas were still outstanding: PPE & IP valuation, PPE disposals, collection fund debtors / creditors, NDR appeals provision, pensions, grant receipts in advance, earmarked reserve, expenditure testing, grant income, taxation and non specific grant income, collection fund, financial instrument disclosure, cashflow statement, journal entry testing and management's going concern assessment.

We came back in November and December but management had not made significant progress. We managed to complete grant receipts in advance, expenditure testing, grant income, taxation and non specific grant income and cash flow statement during this time but the queries on the remaining areas were still outstanding.

We recommenced the audit in January for 4 weeks and completed procedures on the NDR appeals provision, earmarked reserves, collection fund and journal entry testing but we had still not received the going concern cash flow forecast as the finance team were working on the 21/22 budgets and MTFS. We raised further queries on property valuations during this time and left those with management and we gave the finance team 3 weeks to obtain all outstanding information and to respond to the outstanding queries. Upon our return in March the property valuation, PPE disposals, collection fund debtors / creditors and financial instrument disclosure queries were still not responded to. The internal property team were reprioritised to work on setting up Covid-19 testing facilities and were unable to respond to any of our queries.

- Generally we had issues with the quality of supporting working papers where evidence provided had no clear rationale to support the balances and there were often delays in receiving the information requested. Often the quality of the evidence was not adequate and we had to go back on multiple occasions to get satisfactory evidence to support the transactions we were testing. The interim Head of Finance who prepared the draft accounts had left the Council once the draft accounts were submitted and the finance team struggled to obtain the relevant working papers to respond to some of our requests.
- There were numerous requests to update the NDR appeals provision disclosure in the financial statements in order to allow us to perform sample testing on this balance. These updates were outstanding at the end of our August/September visit and was only processed in January. We were then able to undertake our testing on this balance.
- We requested management's going concern assessment during our August/September visit and although this was provided in December, it did not include the cash flow forecast underpinning this assessment as the Council was updating this as part of their budget process. We obtained the updated cash flow forecast in March and we are currently in the process of reviewing this information and therefore have not yet been able to conclude our work in this area.
- During our August/September visit we requested evidence of assets written off/disposed of during the year but to date we have only received partial evidence. During accounts preparation the items were identified as not being in the Council's possession and the previous interim Head of Finance had authorised for these items to be written off. The finance team provided us with a listing of assets transferred to Capita during the exiting of the 5Cs contract but we could not tie all of these items through to the list of items disposed/written off and we are still awaiting further evidence.

Other reporting issues

Other matters (continued)

Any significant difficulties encountered during the audit

- We identified a prior year adjustment in relation to the presentation of the Coastal Partnership income and expenditure that had not been reflected in the draft accounts. We requested the rationale and explanations at the end of September to support the new accounting treatment but we experienced some delays in obtaining this information as these amendments were made by the previous interim Head of Finance. Once we obtained the rationale from management in November, we identified a prior period error as the amendments were made prospectively and should have been made retrospectively and disclosed in the draft accounts. We recommended that management make the necessary amendments to the comparator figures and disclose the nature of the amendments in the notes to the accounts. We received extracts of the amendments made to the comprehensive income and expenditure statement but the amendments were not processed in the cash flow statement and the notes to the accounts. To date these further amendments are still outstanding.
- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures - *None*;
- Any significant matters arising from the audit that were discussed with management - *None*;
- Written representations we have requested – *Assurance letter responses from those charged with governance and the Monitoring Officer were requested in April but were only received in November and March respectively which prevented us from closing off on some of our audit procedures*;
- Expected modifications to the audit report - *None*;
- Any other matters significant to overseeing the financial reporting process - *None*;
- Related parties - *None*;
- External confirmations - *None*; and
- Consideration of laws and regulations - *None*.

We have no other matters to report at the time of writing this report. We will provide a further update if required at the meeting of the Governance, Audit and Finance Board on 24 March 2021

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We considered whether circumstances arising from Covid-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.



08 Data Analytics



Use of Data Analytics in the Audit

▶ Data analytics – Journal entries

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2019/20, our use of these analysers in the Authority's audit included selecting samples for general income and expenditure testing, testing payroll costs, and identifying and focusing our journals testing on those entries we deemed to have the highest inherent risk to the audit.

We captured the data through our formal data requests and the data transfer took place on a secured EY website. The transfer methodology is in line with our EY data protection policies, which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtained downloads of all of the Authority's financial ledger transactions posted in the year. We performed completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then reviewed and sorted transactions, allowing us to more effectively identify and test journals that we considered to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also used our analysers in our payroll testing. We obtained all payroll transactions posted in the year from the General Ledger and performed completeness analysis over the data and procedures to understand the data and identify unusual items. We also reconciled the GL amount to the payroll subledger. We then analysed the data against a number of specifically designed procedures.



Page 38

09

Independence

Confirmation and analysis of Audit fees

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 17 September 2020. We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Governance, Audit and Finance Board on 24 March 2021.

Our fees below do not include the scale fee review which is currently underway with PSAA to agree whether the scale fees for Local Government need to be rebased to account for the increased audit and quality requirements as well as increased regulatory challenge on the depth and quality of assurance provided by audit suppliers. There is now greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. Discussions with PSAA remain ongoing, see page 40 for further detail.

As part of our reporting on our independence, we set out below a summary of fees for the year ended 31 March 2020. We confirm that we have not undertaken non-audit work. Since 2018/19 we are no longer the reporting accountant for Housing Benefit Subsidy certification

	Final Fee 2019/20	Planned Fee 2019/20	Scale Fee 2019/20	Final Fee 2018/19
	£	£	£	£
Total Audit Fee – Code work	TBC*	57,564	36,036	84,574
Scale Fee Rebasing: Changes in work required to address professional and regulatory requirements and scope associated with risk (see page 40)	34,998			N/A
Non-audit work – Grant claims	N/A	N/A	N/A	27,733
Total fees	TBC*	57,564	36,036	112,307

Confirmation and analysis of Audit fees (continued)

* The final fee for our Code work will be confirmed upon completion of the audit. We will assess the level of additional fees which we will propose and discuss these with management as soon as possible and we will report the final fee to the Governance, Audit and Finance Board in our final Audit Results Report. For 2019/20, the final fee has been impacted by a range of factors which has resulted in additional work and additional audit effort. We set out an estimate of the potential additional fee for this below which we will discuss with the Director of Corporate Services and is subject to approval by PSAA:

- The need to engage EY Real Estate to review a sample of valuations of investment properties and EUV assets, 16 assets in total, c.£15,000 (included in planned fee above)
- Review of additional disclosures that were required in relation to going concern, c.£2,500 (included in planned fee above)
- Additional work that will be required to address the value for money risks identified, c.£3,528 based on prior year (included in planned fee above)
- The preliminary work undertaken on group accounts. The Council did not inform us of the decision not to prepare group accounts to equity account for the interest in Norse South East Ltd as in previous years. We performed some preliminary work to prepare to audit the group accounts but discovered that group accounts were not prepared when we reviewed the draft accounts, c.£500 (included in planned fee above)
- Significant difficulties encountered during the audit process as highlighted in section 6 above, additional fee to date £10,172
- Additional work undertaken on aspects of housing benefit income and expenditure which would previously have been performed as part of HB certification, £382 based on prior year. This had to be done separately as we are not the HBAP reporting accountant, therefore, increasing the scope where remuneration would previously have been under HBCOUNT principle through HB certification work. The detail of this work is as follows:

Module 2:

Establishing that the system parameters had been appropriately updated to ensure the correct calculation of benefit awarded.

Module 5 - Ensuring that:

- (1) The system has been upgraded to the latest subsidy software, therefore, correctly producing figures for the subsidy claim - including supplementary adjustment reports - which is the basis of the annual income and any dr/cr compared to payments on account.
- (2) Reconciliation of the draft claim form to the Financial Statements.
- (3) The system has been balanced, and benefit awarded can be reconciled to (a) the subsidy claimed, and (b) reconciles to the general ledger and financial statements of the authority recording the expenditure recognised for the year.

This work was undertaken by audit staff, with supervision from the audit senior



Confirmation and analysis of Audit fees (continued)

Scale Fee Rebasing: Changes in work required to address professional and regulatory requirements and scope associated with risk

Janet Dawson, our Government & Public Sector Assurance Lead, wrote to all Chief Finance Officers and Audit Committee (or equivalent) chairs on 11 February 2020 on the subject of the sustainability of UK local public audit. Amongst other issues her letter stated that we did not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity, and the audit profession's context for cost and fee increases, including the attractiveness of audit, investment in technology, innovation and the regulatory environment.

Around the same time, PSAA consulted on its 2020/21 audit fees ([PSAA fee consultation](#)), discussing the challenging environment, new standards and regulatory requirements. They noted an appropriate forum for fee discussions from these impacts would be between the auditor and Chief Financial Officer, to take place as soon as possible as part of planning discussions for 2019/20 audits.

The subsequent review by Sir Tony Redmond ([Redmond Review](#)) has also highlighted that audit fees in the local authority sector have dropped significantly at the same time that audit fees in other sectors have significantly risen, and that no assessment of the amount it would cost to audit each local authority based on their level of audit risk has been made in the past ten years due to the methods applied by the Audit Commission and then PSAA. As such there is no guarantee that the fee paid by each local authority accurately reflects the risk profile or amount of audit work required for their external audit.

To address these issues we undertook an analysis of the changes in professional and regulatory requirements since our last tender to PSAA was submitted, and any other known changes in audit risk. For instance, where applicable, significant commercial property investments, creation of joint ventures, subsidiaries and other similar arrangements.

We identified the proposed fee rebasing under the headings of:

- Changes in risk;
- Increased regulatory requirements; and
- Client readiness and ability to support a technologically enabled audit.

As requested by PSAA, we discussed this with management on 5 October 2020 (delayed from March 2020 due to the impact of the coronavirus pandemic)

We did not reach agreement. While management recognised many of these pressures and can see how they are reflected in the changes in the audit work, their view was that this is a decision for PSAA.

Having not reached agreement, and in light of managements comments, we will now submit the proposed rebasing to PSAA for their review and decision. We would like to thank management for their contribution to this debate and the positive manner in which they engaged with us, although we did not reach agreement.

Independence



Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors 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 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Page 42

Services provided by Ernst & Young

The fee table above includes a summary of the fees that you have paid to us in the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed in the fee table above has been provided on a contingent fee basis.

As at the date of this report, we are contracted to provide audit services for a further three years from 1 April 2020.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements

An absolute prohibition on contingent fees.

Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.

Permitted services required by law or regulation will not be subject to the 70% fee cap.

Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.

- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2020

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 2020:

https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2020/ey-uk-2020-transparency-report.pdf



10 Appendices

Appendix A

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Governance, Audit and Finance Board of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report - September 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report - September 2020
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Draft Audit results report – March 2021

Page 16

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	Draft Audit results report – March 2021
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	Draft Audit results report – March 2021
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the Governance, Audit and Finance Board where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	To be confirmed with letter of representation at the next Governance, Audit and Finance Board meeting
Fraud	<ul style="list-style-type: none"> • Enquiries of the Governance, Audit and Finance Board to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Governance, Audit and Finance Board responsibility. 	<p>Draft Audit results report – March 2021</p> <p>We have no matters to report at this stage</p>

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the Authority 	Draft Audit results report – March 2021 We have no matters to report at this stage
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence • Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place. 	Audit planning report - September 2020 Draft Audit results report – March 2021

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur Enquiry of the Governance, Audit and Finance Board into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Governance, Audit and Finance Board may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	Draft Audit results report - March 2021

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Draft Audit results report – March 2021
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Draft Audit results report – March 2021
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor’s report 	Draft Audit results report – March 2021
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report - September 2020 Draft Audit results report – March 2021

Page 50

Management representation letter

Provisional Management Rep Letter

Ernst & Young LLP
Grosvenor House
Grosvenor Square
Southampton
SO15 2BE

This letter of representations is provided in connection with your audit of the financial statements of Havant Borough Council ("the Council") for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Havant Borough Council as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 for the Council.

2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [*specify reasons for not correcting misstatement*]

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Management representation letter

Provisional Management Rep Letter

Page 52

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council’s financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council’s activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic

3. We have made available to you all minutes of the meetings of the Full Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: *[list date]*.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council’s related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter (29 July 2020) through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel

Management representation letter

Provisional Management Rep Letter

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than as described in Note 29 to the financial statements, there have been no events, including events related to the COVID-19 pandemic subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information the Narrative Statement and the Annual Governance Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Going Concern

1. Note 29 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

H. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.

2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.

3. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts

I. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

J. Use of the Work of a Specialist - Actuary

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of the net pension liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

K. Use of the Work of a Specialist – Property Valuers

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of investment property and operational land and buildings and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Estimates

NNDR appeals and other provisions estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice of Local Authority Accounting in the United Kingdom 2019/20.

2. We confirm that the significant assumptions used in making the estimate of provisions (including the NNDR appeals provision) appropriately reflect our intent and ability to carry out providing services on behalf of the entity

Management representation letter

Provisional Management Rep Letter

3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate are complete, including the effects of the COVID-19 pandemic and made in accordance with CIPFA LASAAC Code of Practice of Local Authority Accounting in the United Kingdom 2019/20.
4. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

Valuation of investment property and operational land and buildings estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice of Local Authority Accounting in the United Kingdom 2019/20.
2. We confirm that the significant assumptions used in making the estimate of valuation of investment property and operational land and buildings appropriately reflect our intent and ability to use and maintain these assets on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate are complete, including the effects of the COVID-19 pandemic and made in accordance with CIPFA LASAAC Code of Practice of Local Authority Accounting in the United Kingdom 2019/20.
4. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic

Pension Valuation Estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice of Local Authority Accounting in the United Kingdom 2019/20.

2. We confirm that the significant assumptions used in making the estimate of pensions valuations appropriately reflect our intent and ability to carry out providing services on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete, including the effects of the COVID-19 pandemic and made in accordance with CIPFA LASAAC Code of Practice of Local Authority Accounting in the United Kingdom 2019/20.
4. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic

M. Retirement benefits

On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for

Yours faithfully,

Lydia Morrison – Director of Corporate Services (S151 Officer)

Councillor Tony Briggs- Chair of the Governance, Audit and Finance Board

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

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NON EXEMPT

HAVANT BOROUGH COUNCIL

AUDIT AND FINANCE COMMITTEE

24 March 2021

INTERNAL AUDIT PROGRESS REPORT 2020-21 (February 2021)

Deputy Head of the Southern Internal Audit
Partnership

ITEM NO

FOR DECISION

Key Decision: No

1.0 Purpose of Report

- 1.1 The purpose of this paper is to provide the Audit and Finance Committee with an overview of internal audit activity against assurance work completed in accordance with the approved audit plan and to provide an overview of the status of 'live' reports.

2.0 Recommendation

- 2.1 That the Audit and Finance Committee note the Internal Audit Progress Report, reflecting progress to 05 February 2021, as attached at Appendix 1.

3.0 Summary

- 3.1 Under the Accounts and Audit (England) Regulations 2015, the Council is responsible for:
- ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
 - undertaking an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.
- 3.2 In accordance with the Public Sector Internal Audit Standards and the Council's Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to Audit and Finance Committee summarising:

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

3.3 Appendix 1 summarises the performance of Internal Audit for 2020-21 to 05 February 2021.

4.0 Implications

4.1 Resources:

Internal Audit is provided through the Southern Internal Audit Partnership. The audit plan consists of 300 audit days and remains fluid throughout the year to meet the changing needs of the Council.

4.2 Legal:

Compliance with the Accounts and Audit (England) Regulations 2015.

4.3 Strategy:

Internal audit plays a vital role in helping the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

4.4 Risks:

The audit needs assessment follows a risk-based audit approach taking cognisance of the Council's risk register.

4.5 Communications:

None directly from this report.

4.6 Customers & Community:

None directly from this report although improvements to controls and governance arrangements will ensure more efficient and effective service delivery.

4.7 Integrated Impact Assessment (IIA):

n/a

5.0 Consultation

5.1 The report has been discussed and noted by the Management Team who met at the Executive Board on 23 February 2021.

Appendices:

Appendix 1 – Internal Audit Progress Report 2020-21

Agreed and signed off by:

Legal Services: Daniel Toohey, Head of Legal and;

Finance: Lydia Morrison, Chief Finance Officer.

Contact Officer: Antony Harvey

Job Title: Deputy Head of the Southern Internal Audit Partnership

Telephone: 07784 265289

E-Mail: antony.harvey@hants.gov.uk

Internal Audit Progress Report (February 2021)

Havant Borough Council



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

Contents:

1.	Role of Internal Audit	3
2.	Purpose of report	4
3.	Performance dashboard	5
4.	Analysis of 'Live' audit reviews	6-7
5.	Executive summaries 'Limited' and 'No' assurance opinions	7
6.	Planning and resourcing	7
7.	Rolling work programme	8-9
Annex 1	Adjustments to the plan	10
Annex 2	Pre 2020-21 Audit Opinion Definitions	11

1. Role of Internal Audit

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

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

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

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

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

Havant Borough Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.

2. Purpose of report

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

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

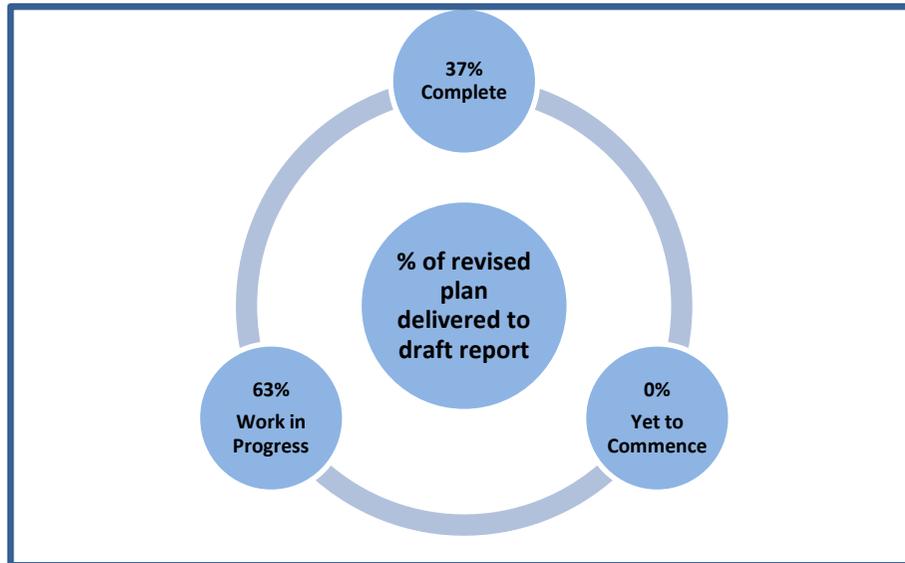
Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review.

CIPFA have recently released a paper which examined the case for standardising the terminology and definitions used in internal audit engagements across the whole of the public sector and has subsequently recommended a standard set of opinions and supporting definitions for internal audit service providers to use. To ensure we continue to conform to the best practice principles, we will be adopting the standard definitions for our 2020-21 work and moving forwards. The assurance opinions are categorised as follows:

Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

** Some reports listed within this progress report (pre 2020-21 audit plan) refer to categorisations used by SIAP prior to adoption of the CIPFA standard definitions, reference is provided at Annex 2*

3. Performance dashboard



Compliance with Public Sector Internal Audit Standards

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

'The mandatory elements of the International Professional Practices Framework (IPPF) include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles.

It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.

We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN).

We are pleased to report that SIAP conform with all relevant, associated elements.'

4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)	Not Accepted	Not Yet Due	Complete	Overdue		
								L	M	H
Information Governance	May 19	HoPRQ	Adequate	12	0	0	9	1	2	
Procurement *	May 19	HoSC	Adequate	8	0	0	8			
Food Safety	Nov 19	HoNS	Limited	10	0	0	8	1	1	
Neighbourhood Quality (Fly Tipping)	Dec 19	HoNS	Limited	13	0	0	10			3
Income Collection *	Feb 20	CFO	Adequate	1	0	0	1			
Treasury Management	May 20	CFO	No	10	0	0	9			1
Animal Welfare (Licensing)	May 20	HoNS	Limited	14	0	0	8	2	3	1
Lease Income	May 20	HoNS	Limited	14	0	7	7			
IT Asset Management	Jun 20	HoPRQ	Adequate	6	0	0	2	1	3	
Licensing	Jun 20	HoNS	Adequate	6	0	0	4			2
Information Governance	Jun 20	HoPRQ	Limited	8	0	0	7		1	
Norse – Governance Arrangements	Jun 20	HoSC	Adequate	4	0	3	1			
Accounts Payable	Dec 20	CFO	Adequate	3	0	3	0			
Accounts Receivable / Debt Management	Dec 20	CFO	Limited	6	0	6	0			
Human Resources	Jan 21	HoOD	Reasonable	4	0	2	2			
Computer Implementations (Building Control)	Jan 21	HoPRQ	Reasonable	6	0	5	1			
IT Risk Management	Feb 21	HoPRQ	Reasonable	3	0	3	0			
Total								5	10	7

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

Audit Sponsor	
Head of Organisational Development	HoOD
Head of Customer Services	HoCS
Chief Finance Officer and Director of Corporate Services	CFO
Head of Programmes, Redesign and Quality	HoPRQ
Head of Development	HoD
Head of Strategic Commissioning	HoSC
Head of Neighbourhood Support	HoNS
Head of Regeneration	HoR
Service Director (Regeneration and Place)	SD (RP)
Head of Commercial Development	HoCD

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

There have been no 'Limited' or 'No' assurance opinion reports issued as part of the 2020-21 audit work. The Accounts Receivable / Debt Management 'Limited' assurance opinion report (as shown below in section 7 of this progress report) was finalised in December 2020 however the findings were included within the 2019-20 Annual Internal Audit Report and Opinion reported to the Governance, Audit and Finance Board in July 2020.

6. Planning & Resourcing

The internal audit plan for 2020-21 was discussed by the Executive Board on 25 February 2020 and approved by the Governance, Audit and Finance Board on 29 July 2020.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 7.

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
2019-20								
Accounts Payable	CFO	✓	✓	✓	Apr 20	Dec 20	Adequate	2019-20 Opinion
Accounts Receivable / Debt Management	CFO	✓	✓	✓	Jun 20	Dec 20	Limited	2019-20 Opinion
2020-21								
Corporate /Governance Reviews								
Performance Management	HoPRQ	✓	✓	✓				
Project / Programme Management	HoPRQ	✓						
Partnership Management (Five Councils)	HoSC	✓	✓	✓	Dec 20	Jan 21	Substantial	
Norse South East - Governance	HoSC	✓	✓	✓				
Contract Management Arrangements	HoSC	✓	✓					
Financial Stability – COVID-19 Response Plan	CFO	✓	✓	✓	Jan 21	Jan 21	Substantial	
National Fraud Initiative (NFI)	CFO	n/a	n/a	✓	n/a	n/a	n/a	
CIPFA Fraud Survey	CFO	n/a	n/a	✓	n/a	n/a	n/a	
Information Governance	HoPRQ	✓	✓	✓	Nov 20	Jan 21	n/a	Follow-up

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Human Resources								
Human Resources / Recruitment	HoOD	✓	✓	✓	Dec 20	Jan 21	Reasonable	
Workforce Support – COVID-19	HoOD	✓	✓					
Financial Management								
Business Rates	HoCS	✓	✓	✓				
Income Collection and Banking	CFO	✓	n/a					Critical friend role
Accounts Payable	CFO	✓	n/a					Critical friend role
Accounts Receivable / Debt Management	CFO	✓	n/a					Critical friend role
Main Accounting and Reconciliations	CFO	✓	✓					
Treasury Management	CFO	✓	✓					
Payroll	HoOD	✓	✓	✓				
Lease Income	HoNS	✓	✓	✓				
Information Technology								
Computer Implementations (Building Control)	HoPRQ	✓	✓	✓	Aug 20	Jan 21	Reasonable	
IT Security Governance	HoPRQ	✓	✓	✓				
IT Risk Management	HoPRQ	✓	✓	✓	Dec 20	Feb 21	Reasonable	
Cyber Attack Response Pathway	HoPRQ	✓	✓	✓				
Service / Other Reviews								
Regeneration	SD (RP)	✓	✓					
Building Control	SD (RP)	✓	✓	✓				
Neighbourhood Quality (Fly Tipping)	HoNS	✓	✓	✓	Dec 20	Jan 21	n/a	Follow-up
Food Safety	HoNS	✓						Follow-up
Licensing (Animal Welfare)	HoNS	✓	✓					Follow-up

Annex 1 - Adjustments to the plan

Audit reviews added to the plan (included in rolling work programme above)	
Computer Implementations (Building Control)	Review deferred from 19-20 and will contribute towards the 20-21 annual report and opinion.
IT Security Governance	Review deferred from 19-20 and will contribute towards the 20-21 annual report and opinion.
IT Risk Management	Review deferred from 19-20 and will contribute towards the 20-21 annual report and opinion.
Information Governance	Follow-up of 19-20 limited assurance opinion audit.
Neighbourhood Quality (Fly Tipping)	Follow-up of 19-20 limited assurance opinion audit.
Food Safety	Follow-up of 19-20 limited assurance opinion audit.
Licensing (Animal Welfare)	Follow-up of 19-20 limited assurance opinion audit.
Lease Income	Follow-up of 19-20 limited assurance opinion audit.

Audit reviews removed from the plan (excluded from rolling work programme)	
Service Continuity Planning (Loss of IT)	Service and IT Business Continuity Plans are being refreshed in light of COVID-19. Defer the review until 21-22 to enable completion of the refresh/for the plans to become embedded.
Hosted ICT Services *	Defer the review to 21-22 to align the audit to planned changes within this area.
Asset Management (Corporate Estate) *	Defer the review to 21-22 to align the audit to planned changes within this area / current resource pressures on the Council's Team.

Proposed March 2021 *

Annex 2 - Assurance opinions and definitions used by SIAP prior to adoption of the CIPFA standard definitions

Substantial	A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified
Adequate	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified
Limited	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk
No	Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives.

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NON EXEMPT

HAVANT BOROUGH COUNCIL

AUDIT AND FINANCE COMMITTEE

24 March 2021

INTERNAL AUDIT PLAN 2021-22

Deputy Head the of Southern Internal Audit Partnership

ITEM NO

FOR DECISION

Key Decision: No

1.0 Purpose of Report

1.1 The purpose of this paper is to provide the Audit and Finance Committee with the Internal Audit Plan 2021-22 (Appendix 1) for Havant Borough Council.

1.2 The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business activities, systems or processes under review that:

- The framework of internal control, risk management and governance is appropriate and operating effectively; and
- Risks to the achievement of the Council's objectives are identified, assessed and managed to a defined acceptable level.

2.0 Recommendation

2.1 That the Audit and Finance Committee approve the Internal Audit Plan 2021-22 attached as Appendix 1.

3.0 Summary

3.1 The Internal Audit Plan provides the mechanism through which the Chief Internal Auditor can ensure the most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

3.2 To ensure the Internal Audit Plan is aligned to the needs of the Council, the plan has been developed following consultation with the Executive Board and

Heads of Service; a review of key documents including the Corporate Risk Register and Corporate Strategy 2020 to 2024; and our understanding of the organisation and key priorities for 2021-22.

3.3 The Internal Audit Plan will remain fluid and subject to on-going review, and amended in consultation with the relevant officers, to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through the Chief Internal Auditor's continued contact and liaison with those responsible for the governance of the Council.

3.4 The Council's 'internal audit charter' ensures the Chief Internal Auditor has sufficient resource necessary to fulfil the requirements and expectations to deliver an internal audit opinion. Significant matters that jeopardise the delivery of the plan, or require changes to the plan will be identified, addressed and reported to the Management Team.

4.0 Implications

4.1 Resources:

Internal Audit is provided through the Southern Internal Audit Partnership. The audit plan consists of 300 audit days and remains fluid throughout the year to meet the changing needs of the Council.

4.2 Legal:

Compliance with the Accounts and Audit (England) Regulations 2015.

4.3 Strategy:

Internal audit plays a vital role in helping the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

4.4 Risks:

The audit needs assessment follows a risk-based audit approach taking cognisance of the Council's risk register.

4.5 Communications:

None directly from this report.

4.6 Customers & Community:

None directly from this report although improvements to controls and governance arrangements will ensure more efficient and effective service delivery.

4.7 Integrated Impact Assessment (IIA):
n/a

5.0 Consultation

5.1 The report has been discussed and noted by the Management Team who met at the Executive Board on 23 February 2021.

Appendices:

Appendix 1 – Internal Audit Plan 2021-22

Agreed and signed off by:

Legal Services: Daniel Toohey, Head of Legal and;
Finance: Lydia Morrison, Chief Finance Officer.

Contact Officer: Antony Harvey
Job Title: Deputy Head of the Southern Internal Audit Partnership
Telephone: 07784 265289
E-Mail: antony.harvey@hants.gov.uk

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Internal Audit Plan 2021-22

Havant Borough Council



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

Contents:

Introduction	.....	2
Your Internal Audit Team	.....	3
Conformance with Internal Audit Standards	.....	3
Conflicts of Interest	.....	3
Council Strategy	.....	4
Council Risk	.....	4
Developing the internal audit plan	.....	5
Internal Audit Plan 2021-22	.....	6 - 8

Introduction

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

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

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

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

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

The aim of internal audit’s work programme is to provide independent and objective assurance to management, in relation to the business activities, systems or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risk to the achievement of the Council’s objectives is identified, assessed and managed to a defined acceptable level.

The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements. Internal Audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant Strategic Directors and Audit Sponsors, to ensure it continues to reflect the needs of the Council. Amendments to the plan

will be identified through the Southern Internal Audit Partnership's continued contact and liaison with those responsible for the governance of the Council.

Your Internal Audit Team

Your internal audit service is provided by the Southern Internal Audit Partnership. The team will be led by Antony Harvey, Deputy Head of the Southern Internal Audit Partnership, supported Mark Norton, Audit Manager.

Conformance with internal auditing standards

The Southern Internal Audit Partnership service is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In September 2020 the Institute of Internal Auditors (IIA) completed an external quality assessment of the Southern Internal Audit Partnership. The report concluded:

'The mandatory elements of the International Professional Practices Framework (IPPF) include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles.

It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.

We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN).

We are pleased to report that SIAP conform with all relevant, associated elements.'

Conflicts of Interest

We are not aware of any relationships that may affect the independence and objectivity of the team, which are required to be disclosed under internal auditing standards.

Council Strategy

Havant Borough Council's 'Corporate Strategy 2020 to 2024' states: 'Our Purpose is to enhance the lives of our residents, businesses and visitors. We will achieve our purpose by concentrating on five themes from now until 2024:

- 1) An environmentally aware and cleaner Borough
- 2) A safe environment, healthier and more active residents
- 3) A thriving local economy
- 4) A revitalized borough with infrastructure that meets our ambitions
- 5) A sustainable Council.

Council Risk

The Council have a clear framework and approach to risk management. The strategic risks assessed by the Council are a key focus of our planning for the year to ensure it meets the organisation's assurance needs and contributes to the achievement of their Purpose and five underlying themes. We will monitor the strategic risk register closely over the course of the year to ensure our plan remains agile to the rapidly changing landscape.

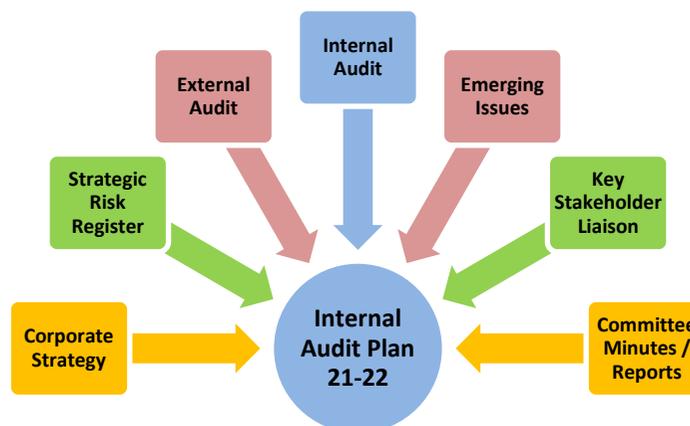
Developing the internal audit plan

We have used various sources of information and discussed priorities for internal audit with:

- Lydia Morrison – Chief Finance Officer and Director of Corporate Services
- Matthew Tiller – Head of Finance
- Heads of Service
- Executive Board
- Audit and Finance Committee.

Based on these conversations with key stakeholders, a review of key corporate documents and our understanding of the organisation, the Southern Internal Audit Partnership have developed an annual audit plan for 2021-22.

The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation. We will however continue to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained.



Internal Audit Plan 2021-22

Audit Review	Indicative scope	Corporate Priority	Last Audited	Timing
Asset Management	Review of the arrangements in place to deliver the key objectives within the Asset Management Strategy (including the results of the 2019 CIPFA peer review and corresponding management actions).	5	-	Q2
Health & Safety	Review of the effectiveness of the ongoing COVID-19 secure working arrangements and remote working provisions.	2	2019-20	Q1
Risk Management Arrangements	Assurance over the risk management framework including governance, transparency and maturity.	All	2018-19	Q2
Procurement Arrangements	Review of the implementation of the in-house corporate contract procurement arrangements.	All	2018-19	Q4
Contract Management Arrangements	Review of the implementation of the in-house corporate contract management arrangements.	All	2019-20	Q4
Financial Stability	Coverage over a three-year cycle to include medium-term financial strategy; budget setting / forecasting process; and in year budget monitoring to ensure the Council achieves a balanced budget and financial stability. 2021-22 focus on budget monitoring.	All	2020-21	Q3
Fraud Framework	Facilitation of the National Fraud Initiative exercise.	-	On-going	On-going
Human Resources	Coverage over a three-year cycle to include: - <ul style="list-style-type: none"> • Workforce strategy & planning • Training & development 	All	2020-21	Q3

Audit Review	Indicative scope	Corporate Priority	Last Audited	Timing
	<ul style="list-style-type: none"> • Recruitment • Performance management • Wellbeing & absence management • Use of agency staff/volunteers. 			
COVID-19 Business Grants	Review of the processes and systems in place for managing applications, payments and financial reconciliations.	All	-	Q1
Income Collection and Banking	Cyclical coverage of core systems to meet legislative requirements.	All	2019-20	Q3
Accounts Payable		All	2019-20	Q3
Accounts Receivable / Debt Management		All	2019-20	Q3
Treasury Management		All	2019-20	Q4
Council Tax		All	-	Q2
Hosted IT Services	A review of the Council's preparations to move hosted services to SaaS (Software as a Service) platforms as part of the transformation programme.	All	-	Q4
Service Continuity Planning (Loss of IT)	A review of how services are accounting for the loss of IT in their continuity plans, whether plans have been updated to reflect the current IT landscape and increased reliance on connectivity to the internet.	All	-	Q2
IT Device Management	Review of the controls in place to ensure IT devices are kept up to date with security and functionality releases.	All	-	Q1

Audit Review	Indicative scope	Corporate Priority	Last Audited	Timing
SharePoint Data Migration	Assurance over the data cleansing and migration plans for the transfer to SharePoint as the Council's document management system.	All	-	TBC
Planning Enforcement	Review of revised operational processes, including integration with Neighbourhood Quality Team and new triage process.	2, 3	-	Q2
Disabled Facilities Grants	Assurance over the administration and awarding of grants in line with local / legislative requirements.	2	-	Q1
Homelessness	Assurance that there is effective control to deliver strategic objectives and legislative requirements.	3	-	Q3
Planning / Development Management	Assurance over areas such as planning process, Community Infrastructure Levy, S106 agreements / developer obligations	2,3	2018-19	Q2
Open Spaces / Tree Management	Assurance over the maintenance and management of open spaces. 2021-22 focus on tree management/ash die back.	1,2	-	Q1
Certification work	Certification/final accounts audit work as required including COVID -19 related grants requiring certification.	-	-	-
COVID-19 Response	Provision for audit review(s) in direct response to the pandemic / as a result of changes to operating models enforced or enabled by remote working.	All	-	-
Audit Management	Planning, reporting, monitoring, liaison and advice			
Total days				300

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NON EXEMPT

HAVANT BOROUGH COUNCIL

AUDIT AND FINANCE COMMITTEE

24 March 2021

INTERNAL AUDIT CHARTER 2021-22
Deputy Head of the Southern Internal Audit
Partnership

ITEM NO

FOR DECISION

Key Decision: No

1.0 Purpose of Report

- 1.1 The purpose of this paper is to provide the Audit and Finance Committee with the Internal Audit Charter for 2021-22.
- 1.2 The Internal Audit Charter formally defines the internal audit activity's purpose, authority and responsibility in line with the Public Sector Internal Auditing Standards [the Standards].

2.0 Recommendation

- 2.1 That the Audit and Finance Committee approve the Internal Audit Charter for 2021-22, attached as Appendix 1.

3.0 Summary

- 3.1 With effect from 1 April 2013 internal audit services across the public sector have been governed by the Public Sector Internal Audit Standards (the Standards).
- 3.2 Within the Standards there is a requirement for an Internal Audit Charter - a formal document that defines the purpose, authority and responsibility of the internal audit activity. The proposed charter is attached at Appendix 1.
- 3.3 The Internal Audit Charter must be reviewed periodically (as a minimum annually) by the Chief Internal Auditor and presented to 'Senior Management' and 'the Board'. The Board is defined as

'the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At the Council this shall mean the Audit and Finance Committee'.

4.0 Implications

4.1 Resources:

Internal Audit is provided through the Southern Internal Audit Partnership. The audit plan consists of 300 audit days and remains fluid throughout the year to meet the changing needs of the Council.

4.2 Legal:

Compliance with the Accounts and Audit (England) Regulations 2015.

4.3 Strategy:

Internal audit plays a vital role in helping the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

4.4 Risks:

The audit needs assessment follows a risk based audit approach taking cognisance of the Council's risk register.

4.5 Communications:

None directly from this report.

4.6 Customers & Community:

None directly from this report although improvements to controls and governance arrangements will ensure more efficient and effective service delivery.

4.7 Integrated Impact Assessment (IIA):

n/a.

5.0 Consultation

5.1 The report has been discussed and approved by the Management Team who met at the Executive Board on 23 February 2021.

Appendices:

Appendix 1 – Internal Audit Charter 2021-22

Agreed and signed off by:

Legal Services: Daniel Toohey, Head of Legal and;

Finance: Lydia Morrison, Chief Finance Officer.

Contact Officer: Antony Harvey
Job Title: Deputy Head of the Southern Internal Audit Partnership
Telephone: 07784 265289
E-Mail: antony.harvey@hants.gov.uk

Internal Audit Charter 2021-22

Introduction

The Public Sector Internal Audit Standards (the Standards) provide a consolidated approach to audit standards across the whole of the public sector providing continuity, sound corporate governance and transparency.

The Standards form part of the wider mandatory elements of the International Professional Practices Framework (IPPF) which also includes the mission; core principles; definition of internal audit; and Code of Ethics.

The Standards require all internal audit activities to implement and retain an 'Internal Audit Charter'. The purpose of the Internal Audit Charter is to formally define the internal audit activity's purpose, authority and responsibility.

Mission and Core Principles

The IPPF 'Mission' aims *'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'*

The 'Core Principles' underpin delivery of the IPPF mission:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- Is insightful, proactive, and future-focused; and
- Promotes organisational improvement.

Authority

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

'undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.

The standards for 'proper practices' in relation to internal audit are laid down in the Public Sector Internal Audit Standards (updated 2017).

Purpose

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

This is achieved through internal audit providing a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

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

'independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

Responsibility

The responsibility for maintaining an adequate and effective system of internal audit within Havant Borough Council lies with the authority's Chief Finance Officer (S151 Officer).

For the Council, internal audit is provided by the Southern Internal Audit Partnership.

The Chief Internal Auditor (Deputy Head of the Southern Internal Audit Partnership) is responsible for effectively managing the internal audit activity in accordance with the 'Mission', 'Core Principles', 'Definition of Internal Auditing', the 'Code of Ethics' and 'the Standards'.

Definitions

For the purposes of this charter the following definitions shall apply:

The Board – the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At the Council this shall mean the Audit and Finance Committee.

Senior Management – those responsible for the leadership and direction of the Council. At the Council this shall mean the Executive Board.

Position in the organisation

The Chief Internal Auditor reports functionally to the Board, and organisationally to the Chief Finance Officer (S151 Officer) who has statutory responsibility as proper officer under Section 151 of the Local Government Act 1972, for ensuring an effective system of internal financial control and proper financial administration of the Council's affairs.

The Chief Internal Auditor has direct access to the Chief Executive who carries the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.

The Chief Internal Auditor has direct access to the Council's Monitoring Officer where matters arise relating to Chief Executive responsibility, legality and standards.

Where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. the Audit and Finance Committee).

Internal audit resources

The Chief Internal Auditor will be professionally qualified (Chartered Member of the Institute of Internal Auditors - CMIIA, Consultative Committee of Accountancy Bodies - CCAB or equivalent) and have wide internal audit and management experience, reflecting the responsibilities that arise from the need to liaise internally and externally with Members, senior management and other professionals.

The Chief Finance Officer (S151 Officer) will provide the Chief Internal Auditor with the resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the internal audit opinion.

The Chief Internal Auditor will ensure that the internal audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the audit strategy and operational audit plan.

The annual operational plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Internal Auditor can propose an increase in audit resource or a reduction in the number of audits if there are insufficient resources.

'Senior Management' and *'the Board'* will be advised where, for whatever reason, internal audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process.

The annual operational plan will be submitted to *'Senior Management'* and *'the Board'*, for approval. The Chief Internal Auditor will be responsible for delivery of the plan. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the Council.

Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to *'Senior Management'* and *'the Board'*.

If the Chief Internal Auditor, *'the Board'* or *'Senior Management'* consider that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Standards is prejudiced, they will advise the Chief Finance Officer (S151 Officer) accordingly.

Independence and objectivity

Internal auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice.

Internal auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgement on audit matters to others.

To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the internal audit activity:

- retains no executive or operational responsibilities;
- operates in a framework that allows unrestricted access to *'Senior Management'* and *'the Board'*;
- reports functionally to *'the Board'*;
- reports in their own name;
- rotates responsibilities for audit assignments within the internal audit team;
- completes individual declarations confirming compliance with rules on independence, conflicts of interest and acceptance of inducements; and
- ensures the planning process recognise and address potential conflicts of interest through internal audit staff not undertaking an audit for at least two years in an area where they have had previous operational roles.

If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to *'Senior Management'* and *'the Board'*. The nature of the disclosure will depend upon the impairment.

Due professional care

Internal auditors will perform work with due professional care, competence and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity but their work should be designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review.

Internal auditors will have a continuing duty to develop and maintain their professional skills, knowledge and judgement based on appropriate training, ability, integrity, objectivity and respect.

Internal auditors will apprise themselves of the *'Mission'*, *'Core Principles'*, *'Definition of Internal Auditing'*, the *'Code of Ethics'* and *'the Standards'* and will work in accordance with them in the conduct of their duties.

Internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that any suspicions of fraud, corruption or improper conduct are promptly reported to the Chief Internal Auditor in accordance with the Council's laid down procedures.

Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information gained in the course of internal audit work will not be used to effect personal gain.

Access to relevant personnel and records

In carrying out their duties, internal audit (on production of identification) shall have unrestricted right of access to all records, assets, personnel and premises, belonging to the Council or its key delivery partner organisations.

Internal audit has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. Such access shall be granted on demand and not subject to prior notice.

Scope of Internal Audit activities

The Chief Internal Auditor is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The Council assume a Key Stakeholder role within the Southern Internal Audit Partnership (SIAP). The SIAP currently provides internal audit services to a wide portfolio of public sector clients (Annex 1) through a variety of partnership and sold service delivery models.

A range of internal audit services are provided (Annex 2) to form the annual opinion for each member / client of the Southern Internal Audit Partnership. The approach is determined by the Chief Internal Auditor and will depend on the level of assurance required, the significance of the objectives under review to the organisations' success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended.

In accordance with the annual audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls. Additionally, proactive fraud reviews will be incorporated within the plan to deter and detect fraud, covering known areas of high risk.

Managers are required to report all suspicions of theft, fraud and irregularity to the Chief Internal Auditor. The Chief Internal Auditor manages and controls all investigations and will ensure that investigators are fully trained in carrying out their responsibilities.

Where there is evidence that Council staff are committing fraud, internal audit will liaise with Human Resources and the department concerned. The decision on whether to invoke criminal proceedings will be made by the Chief Internal Auditor in conjunction with the Monitoring Officer.

The monitoring of the Council's Anti-Fraud Strategy will be the responsibility of the Chief Internal Auditor, as part of the monitoring of the annual internal audit plan.

Internal audit also facilitate the Council's participation in the National Fraud Initiative (NFI) in which data from the Council's main systems are matched with data supplied from other Local Authorities and external agencies to detect potential fraudulent activity.

Reporting

Chief Internal Auditor's Annual Report and Opinion

The Chief Internal Auditor shall deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit report and opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report will incorporate as a minimum:

- The opinion;
- A summary of the work that supports the opinion; and
- A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Senior Management

As those responsible for the leadership and direction of the Council it is imperative that the Executive Board are engaged in:

- approving the internal audit charter (minimum annually);
- approving the risk based internal audit plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters;
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations; and
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance.

The Board

Organisational independence is effectively achieved when the Chief Internal Auditor reports functionally to the Board. Such reporting will include:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- approving the internal audit resource plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters, including the annual report and opinion;
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations;
- agreement of the scope and form of the external assessment as part of the quality management and improvement plan;
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance; and
- approval of significant consulting services not already included in the audit plan, prior to acceptance of the engagement.

Review of the internal audit charter

This charter will be reviewed annually (minimum) by the Chief Internal Auditor and presented to '*Senior Management*' and '*the Board*' for approval.

Southern Internal Audit Partnership – Client Portfolio

Strategic Partner:	Hampshire County Council
Key Stakeholder Partners:	West Sussex County Council Havant Borough Council East Hampshire District Council Winchester City Council New Forest District Council Mole Valley District Council Epsom and Ewell Borough Council Reigate and Banstead Borough Council Tandridge District Council Hampshire Fire & Rescue Authority Office of the Hampshire Police & Crime Commissioner / Hampshire Constabulary Office of the Sussex Police & Crime Commissioner / Sussex Police Force Office of the Surrey Police & Crime Commissioner / Surrey Police Force
External clients:	Waverley Borough Council Hampshire Pension Fund West Sussex Pension Fund New Forest National Park Authority
	Further Education Institutions Eastleigh; Highbury; Isle of Wight College; and Portsmouth.

Assurance Services

- **Risk based audit:** in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.
- **Developing systems audit:** in which:
 - the plans and designs of systems under development are assessed to identify the potential weaknesses in internal control and risk management; and
 - programme / project management controls are assessed to ascertain whether the system is likely to be delivered efficiently, effectively and economically.
- **Compliance audit:** in which a limited review, covering only the operation of controls in place to fulfil statutory, good practice or policy compliance obligations are assessed.
- **Quality assurance review:** in which the approach and competency of other reviewers / assurance providers are assessed in order to form an opinion on the reliance that can be placed on the findings and conclusions arising from their work.
- **Fraud and irregularity investigations:** Internal audit may also provide specialist skills and knowledge to assist in or lead fraud or irregularity investigations, or to ascertain the effectiveness of fraud prevention controls and detection processes. Internal audit's role in this respect is outlined in the Council's Anti Fraud and Anti Corruption Strategy.
- **Advisory / Consultancy services:** in which advice can be provided, either through formal review and reporting or more informally through discussion or briefing, on the framework of internal control, risk management and governance. It should be noted that it would not be appropriate for an auditor to become involved in establishing or implementing controls or to assume any operational responsibilities and that any advisory work undertaken must not prejudice the scope, objectivity and quality of future audit work.

NON-EXEMPT

Havant Borough Council

Audit and Finance Committee

24 March 2021

CORPORATE PERFORMANCE REPORT QUARTER THREE 2020/21

FOR NOTING

Portfolio Holder: Cllr Inkster

Key Decision: No

Report Number: *HBC/.../20*

1. Purpose

- 1.1. This paper is submitted to Audit and Finance Committee to provide a strategic overview of performance for Quarter Three 2020/21 in relation to the corporate priorities in the Council's Corporate Plan.

2. Recommendation

- 2.1. Audit & Finance Committee are required to note:
- a. The revenue and capital forecasts and forecast variance outturn for 2020/21 in Appendices A and B
 - b. The summary performance information at Appendix C for services

3. Executive Summary

Revenue Forecast

- 3.1. The revenue monitoring report for Quarter 3 shows a projected deficit for the net cost of services of **£1.425 million**, compared to a Quarter 2 deficit of **£1.333 million**, which is a forecast deterioration of **£0.091 million**. This worsening reflects the current third national lockdown and its impact on several income streams.
- 3.2. In Quarter 2 Central Government provided the Council with non-ringfenced grant funding of **£1.558 million** which is to help support during the Covid-19 pandemic. In Quarter 3 a further **£0.622 million** had been announced to be provided, it has been announced that this money is one-off and non-recurring.

- 3.3. Therefore, as a result the overall forecast position for the Council at year end, taking into account Business Rates, Council Tax and Grants is a surplus of **£0.756 million**.
- 3.4. The impact of the projected deficit for the net cost of services is a potential requirement to drawdown from reserves to balance the budget or undertake a further exercise to limit spending for the remaining year.
- 3.5. At present the shortfall is being managed through central Government grants, in particular the sales, fees and charges income recovery scheme. Commercial income losses cannot be recovered from central Government and are being mitigated by un-ringfenced Covid government grant and reduced expenditure. The work done earlier in the year on the initial review of the budget and savings identified as a result of reduced activity on planned work in order to mitigate the impact of Covid have further assisted. Government grants and assistance during Covid are only one-off and hence there remains significant pressure on the revenue budget as reported in the current approved medium term financial strategy.

Capital forecast

- 3.6. The capital monitoring report for Quarter 3 shows a projected decrease in spending of **£0.211 million** compared to Quarter 2. The decrease in spending reflects Coastal schemes that have had significant delays in starting and account for **£0.203 million** of the variance. The remaining **£0.008 million** reduction in spending compared to Quarter 2 represents the completion of a Building Control IT project slightly under budget.

4. Revenue Forecast Details

- 4.1. The report shows current estimates against approved budget and focuses on exceptions to meeting the approved budget. Detailed appendices showing the individual service headings are included at Appendix A.

4.2. Table 1 – Revenue Forecast

	Revised Budget £'000	Estimated Q3 Outturn £'000	Q3 variation £'000	Q2 variation £'000	Q2-Q3 variance £'000
Net Cost of Services	14.591	16.015	1.424	1.333	0.091
Business Rates, Council Tax and Grants	(14.591)	(16.771)	(2.180)	(1.558)	(0.622)
Net (Surplus) / Deficit	(0.000)	(0.756)	(0.756)	(0.225)	(0.531)

4.3. The main service variances against the revised budget are set out in the table below:

Service Area	Variance to budget (£,000)	Reasons	Recurring or one-off impact?
Areas reporting budget surplus			
Customer Services	(0.091)	Vacancies within service not currently filled as a result of holding vacancies during Covid-19.	Vacancies will be reviewed as part of budget setting to identify if they could be captured as recurring saving
Planning	(0.234)	Increase in anticipated income due to a large-scale planning application and two vacancies.	One-off
Areas reporting budget deficit			
Strategic Commissioning	0.225	Reduction in income forecast as a result of Covid-19. Improvement against previous quarter as a result of increases in green and bulky waste collection income	One-off subject to further Covid-19 impact current best estimate
Commercial Development	0.051	Reduction in income (in Building Control) as a result of Covid-19	One-off subject to further Covid-19 impact current best estimate

Neighbourhood Support	1.047	Reduction in income across service but in particular parking, this has worsened against quarter two due to the third lockdown and is still below expected amount (currently £1.000 million under budget for entire year)	One-off subject to further Covid-19 impact current best estimate
Housing	0.144	Increase in homelessness costs	One-off subject to further Covid-19 impact current best impact
Property	0.199	Collection rates are around 95% for first three collection periods and trend is improving. The latest collection quarter is currently at 80% Potential shortfall dependent on remaining year and further lockdowns. This lost income cannot be recovered from central Government.	There may be a longer-term impact dependent on the length of the pandemic and subsequent recession, this will be reviewed as part of MTFS.
Finance	0.421	Reflects corporate salary savings that have been removed from the current forecast due to the uncertainty around Covid-19 impact on staffing levels	Covid-19 impacts are being reviewed as part of the budget setting to understand the impact in future years.

Income – Fees & Charges

4.4. As stated, Covid-19 has placed considerable pressure on a number of income streams as a result of the lockdown and reduced economic activities. At quarter one this income pressure was forecast at 30% for the full year, further data on the impact is now available and being used to form the forecast. The impact of the current lockdown may result in the further deterioration of income over the next quarter to year end.

4.5. During the quarter, a submission was made to central Government regarding the sales and charges compensation scheme. The Government has advised that we will receive compensation of 75p in the pound above 5% losses of income for fees and charges. The first return covered the periods, April-July inclusive, the claim submitted was for **£0.393 million** and the claim was be paid in full. A further claim for lost income was made during Quarter 3, the claim total was **£0.006 million**

and covered the periods August-November inclusive. One further claim will be made for periods December to March for this scheme. Total income pressures forecast for the entire year are forecast to be **£1.605 million** which total 19% of the income against budget. To date 25% of that income pressure has been recovered through the first two rounds of the compensation scheme. The expected forecast for full year is that the income recovery scheme will provide a total of £0.400 million, although this is dependent on how the remaining year unfolds with respect to the pandemic.

Head of Service	Income		Covid Income Recovered	% of Pressure Recovered
	Covid Income Pressure	Pressure % against budget		
Head of Commercial Development	0.057	39%	0.005	8%
Head of Customer Services	0.017	12%	0.009	54%
Head of Neighbourhood Support	1.054	41%	0.252	24%
Head of Planning	-0.056	-9%	0.049	-88%
Head of Programmes Redesign	0.016	29%	0.000	0%
Head of Property	0.199	10%	0.000	0%
Head of Regeneration (South)	0.000	0%	0.016	
Head of Strategic Commissioning	0.218	10%	0.000	0%
Regeneration Investments	0.100	14%	0.069	69%
Total	1.605	19%	0.401	25%

Income – Investment Property

- 4.6. A key income stream for the authority is from our investment and estates portfolio and this is being closed monitored. To date we have forecast a 10% reduction in commercial property due to the current collection rate. Details of the quarterly rental collections are detailed in the tables below.

Quarter	Billed	Collected	%
Quarter (25 March-24 June)	£469,008	£453,880	96.8
Quarter (25 June – 27 September)	£435,367	£428,811	98.5
Quarter (28 September – 30 December)	£430,920	£425,820	98.8
Quarter (31 December – 24 March)	£427,388	£343,398	80.3

- 4.7. The most recent quarter billed at the end of December is currently being chased and the team expect the percentage figure of 80.3% collected to increase to over 90% in the coming month as tenants pay bills

- 4.8. The Meridian Centre income is ringfenced to be placed in a reserve and therefore the revenue budget is not dependent on the income to support the 2020/21 budget. However, failure to collect will impact on the ability to build up the reserve as originally envisaged. To date the forecast pressure on Meridian income (both retail centre and car parking) is **£0.210 million**. A full report on Meridian performance is being prepared.
- 4.9. Any property where HBC is a landlord the current Coronavirus Act 2020 prevents HBC from forfeiting a lease and commencing possession proceedings for failure to pay rent or other sums, including services charges and insurance rent between 26 March 2020 and (currently) 31 March 2021. The Act does not waive or suspend the tenant's liability to pay rent under a lease. Leases can still be forfeited where a tenant breaches other covenants contained in the lease, such as tenant duties to maintain fixtures and fittings. Recovery action of all outstanding debt is continuing, and further updates will be provided during each quarterly forecast.

Additional Expenditure

- 4.10. At the end of Quarter Three expenditure was being maintained within existing budgets. During the quarter confirmation was received of additional grants to support our communities, this included £56k to support the extremely clinically vulnerable and £126k from the control outbreak management fund. This new funding has been set aside to cover additional activities support our communities during the third national lockdown.
- 4.11. The professional fees budget is currently underspent with a current year to date budget of **£1.015 million** and a year to date spend of **£0.719 million**, a saving to date of **£0.296 million**. There is currently an overspend within Agency Fees with current year to date spend of **£0.322 million** against a budget of **£0.023 million**. The majority of these relate to spend within Legal and Property, teams carrying significant vacancies. The increased expenditure of Agency Fees is offset against salary savings within these areas.
- 4.12. Costs have been managed through additional oversight on recruitment (all vacancies require Executive Board approval) and the review conducted earlier in the year identifying spend that would not be required as a result of reduced activity due to focus on the pandemic.

5. Capital Forecast Details

- 5.1. The report shows current estimates against approved budget and focusses on exceptions to meeting the approved budget. Detailed appendices showing the individual capital projects are included in Appendix B.
- 5.2. The corporate financial monitoring report for Quarter three capital is attached at Appendix B with a summary below.

	2020/21 Budget £ (000)	2020/21 Provisional Outturn £ (000)	Q3 Variation £ (000)	Q2 Variation £ (000)	Q2 - Q3 Variation £ (000)
Housing	1.628	1.628	0	0	0
Operational Land and Buildings	5.230	6.267	1.037	1.241	(0.203)
IT Equipment	0.077	0.050	(0.028)	(0.020)	(0.008)
Total Capital Programme	6.935	7.945	1.010	1.221	(0.211)

	2020/21 Budget £ (000)	2020/21 Provisional Outturn £ (000)	Q3 Variation £ (000)	Q2 Variation £ (000)	Q2 - Q3 Variation £ (000)
Funded By:					
Revenue funded as Capital	1.628	1.628	0	0	0
External Grants & Contributions	5.045	6.062	1.017	1.221	(0.203)
Use of Specific Reserves	0.127	0.120	(0.007)	0	(0.007)
Use of Capital Receipts	0.135	0.135	0	0	0
Borrowing Requirement	0	0	0	0	0
Total Funding	6.935	7.945	1.010	1.221	(0.211)

5.3. The main capital project variances against the budget are set out in the table below:

Capital project	Variance to budget (£000)	Reason
Hayling Island Goose refuge	(0.225)	Project no longer going forward
Broadmarsh feasibility study	0.048	Coastal scheme - funded by Environmental Agency in full. The revenue budget in 2021 included the anticipated capital expenditure and made provision for the same value of income (by way of EA grant).
Hayling Island Beach Management	0.620	Coastal scheme - funded by Environmental Agency in full. The revenue budget in 2021 included the anticipated capital expenditure and made provision for the same value of income (by way of EA grant).
Hayling Island Strategy	0.215	Coastal scheme - funded by Environmental Agency in full. The revenue budget in 2021 included the anticipated capital expenditure and made provision for the same value of income (by way of EA grant).
Langstone	0.163	Coastal scheme - funded by Environmental Agency in full. The revenue budget in 2021 included the anticipated capital expenditure and made provision for the same value of income (by way of EA grant).
Nutrient neutrality	0.216	Approved by Cabinet in June 2020, to be funded through s106 contributions and LEP funding
Southern Coastal IT	(0.020)	No spend planned in 2020-21

6. Collection Fund Forecast Details

- 6.1. The collection rates for Council Tax and Business Rates up to the end of Quarter Three are detailed below. Collection rates for Council Tax are down as a percentage (down 1.26%) compared to last year, and the situation has deteriorated since the previous quarter when it was down 0.80%. Business rates collection is significantly down against last year (down 8.72%) which again has deteriorated since the previous quarter when it was down 7.12%.

CTAX:		NCD		Collected	as %
Dec-19	£	70,659,008.88	£	60,089,720.37	85.04%
Dec-20	£	73,342,390.74	£	61,443,950.14	83.78%
Change	£	2,683,381.86	£	1,354,229.77	-1.26%
NNDR:		NCD		Collected	as %
Dec-19	£	35,752,120.26	£	29,167,003.84	81.58%
Dec-20	£	17,423,774.53	£	12,695,301.81	72.86%
Change	-£	18,328,345.73	-£	16,471,702.03	-8.72%

- 6.2. The impact of the loss of business rates does not impact the general fund in 2020/21 but when the government return (NNDR1) for 2021/22 is completed in January 2021 the deficit from 2020/21 will need to be recognised. MHCLG has confirmed that collection fund deficit repayment can be spread over three years as opposed to the usual one this will further assist cashflow and a scheme will be available which central Government will cover 75% of collection fund losses. As a result of the expanded retail relief a section 31 grant of £17.1M is expected to cover the retail reliefs.

7. Additional Budgetary Implications

- 7.1. None

8. Corporate Performance

- 8.1. The Covid-19 pandemic, response and recovery continues to place considerable pressure on the organisation. However, during the quarter services continued to operate, information on key performance indicators of services are contained at appendix C.
- 8.2. During the Quarter, Cabinet met twice and approved the following delegated decisions as well as decisions made in Cabinet.

- a. Langstone Flood and Coastal Erosion Risk Management
- b. Disposal of Former Landfill site known as Brockhampton West
- c. Capita contract negotiations

8.3. Full Council did not meet during the Quarter.

8.4. There was considerable effort made during the quarter with respect to handling of the Covid-19 response. During the quarter there was a lockdown in November and then a further more comprehensive lockdown in December 2020. During the quarter the Council undertook additional responsibilities with respect to Track and Trace support payments and numerous grant schemes for open and closed businesses across the borough. Additional funding was also made available to support the clinically extremely vulnerable within the borough as well as supporting efforts to ensure the lockdown was adhered to through the use of Covid marshalls. The focus on Covid has inevitably had an impact on progression of service targets in particular within Corporate Support team and operational service teams who have been focussed on grant distribution and supporting our community.

8.5. Corporately we continue to have low instances of sickness of 1.74 days per FTE (below the public sector average), although this is an increase against the 0.91 days per FT reporting at Q2. Our turnover rate of staff remains low reflecting the current economic environment with only 1 leaver during the quarter. Our key corporate projects are progressing as per the approved strategies at Full Council, narrative on progress against our key corporate projects is included at Appendix C.

8.6. Areas where progress has not been as great is predominately as a result of focus on Covid-19 response. Heads of Service have rated a number of corporate action plan targets as 'amber' or 'red' at quarter three. Red items relate to delays in IT projects (finalisation of Building Control and progress with replacement IT within Regulatory Services), these reflect the focus on Covid response as resources are diverted as well as consideration of the approach with respect to Transformation. An additional red item relates to outstanding Privacy Notices and these were reviewed recently at the Corporate Governance Board and are being taken forward for completion. A number of 'amber' targets reflect focus by the community, neighbourhood support, planning and housing team on Covid response which has resulted in delay in progress against the original corporate plan targets.

8.7. Progress against key performance indicators (KPIs) has been strong during the quarter with continued performance of our regulatory services. Collection Rates are reduced but this is expected given the current circumstances. Fly-tipping has decreased during the quarter compared to Q2 although is still high and this is being closely monitored to understand the reasons which are likely linked to lockdown. In addition, during the quarter further key performance indicators have been added for a number of services and these will be reported in due course but are shown for reference. Details of KPIs are detailed in appendix C.

9. Options considered

9.1. None – n/a

10. Resource Implications

10.1. Financial Implications

- a. Finance continues to monitor the impact of Covid-19 through monthly budget monitoring and monthly returns to MHGLG. The full year impact of Covid-19 remains difficult to forecast with complete accuracy due to the uncertainty about any further national or local lockdowns which may impact on income and/or expenditure as well as the scale of the likely recession and impact that may have on the authority,
- b. Actions taken to date to identifying budgetary in year savings have assisted with mitigating the impact of Covid-19 lost income and additional expenditure – further exercises of budgetary savings may be required during the year if there is a requirement to do so.

10.2. Human Resources Implications

- a. All recruitment is currently subject to approval by Executive Board. It is expected that there may be additional budgetary savings from the vacancies that are currently held within the system. These savings have partially been forecast within this Quarter Three forecast and will be continued to be monitored. At the end of Quarter Three there is currently a **£0.438 million** salary saving against budget and if this is replicated over the course of the year there is the potential to save **£0.585 million** in salary savings. These salary savings have been adjusted to take account of additional costs of agency staff within Property and Legal and therefore do not include salary savings within these areas as they are being offset by increased costs of Agency staff.

- b. To date there is no evidence that the reduced recruitment activity has had an impact on service delivery as evidenced by the quarterly key performance indicators as shown in Appendix C.

10.3. Information Governance Implications

- a. None

10.4. Other resource implications

- a. None

11. Legal Implications

- a. None

12. Risks

12.1. The Corporate Risk Register and Covid Risk Register has been updated as part of the Quarterly review.

12.2. The current risks on the Corporate Risk register that are above the risk threshold (after mitigation) are detailed below:

Risk ID	Risk Title	Type	Category	Identification of areas where there are significant risks	Date Added	Risk Owner	Original Assessment			Planned Mitigation Actions	Mitigation Success Factor	Control Assessment		
							✓	–	⚠			✓	–	⚠
HB6	Medium Term Financial Strategy (MTFS)	FINANCIAL	Economic	The ongoing viability of the authority being able to manage a balanced budget. Current MTFS highlights a shortfall of £12M over the course of the MTFS	28/11/16	Lydia Morrison	4	5	20	1. MTFS is reviewed each year as part of budget setting exercise. Budget challenge sessions held each year to scrutinise future business plans and income/savings. 2. Full MTFS review to take place in 2020/21 to alongside the Transformation programme 3. Identify and manage in-depth service budgets income/expenditure to rebalance budget 4. Consider the impact of Covid-19 on the MTFS	The authority has a balanced budget	4	5	20
HB8	IT Provision: short term	SERVICE	Technological	Failure by the IT provider (Capita) to provide good IT service to staff which results in a considerable regular downtime of IT leading to slower service provision. We become unable to provide a reliable and timely service to our customers.	10/04/18	Sue Parker	4	5	20	1. Weekly IT Ops Board (every Monday) tracks progress on major issues and monitors progress. Weekly RAG progress score provided on all P1 and P2 calls from IT service centre. 2. Business Solutions continue to work with Capita and the teams to help address any issues identified. 3. Contractual triggers if escalation of incidents.	Reduction in P1 incidents through monitoring of Capita KPIs	4	4	16
HB9	IT Provision: long term	SERVICE	Technological	Failure by the IT provider (Capita) to deliver on long term digital vision and aspirations of Council as per the contract in particular the strategy for 'digital by default' and contract requirements	10/04/18	Sue Parker	5	5	25	1. Ensure Capita are held to contractual responsibilities regarding digital strategy 2. Progression of a Digital Strategy for the Council as part of transformation with linkages to IT Capita 3. Renegotiation of IT contract in order to deliver required digital vision	Clear vision and links to Council aspiration of 'digital by default' Approval of Council's Digital Strategy	4	4	16
HB10	Corporate Project Delivery	GOVERNANCE	Reputation	Failure to maintain control of corporate project delivery leading to lack of clarity on priorities, use of resources resulting in reputational damage and potential costs and potential adverse impact on performance.	07/05/18	Gill Kneller	4	5	20	1) Establishment of Strategic Project Board for oversight of key corporate projects 2) Clear review of project milestones to ensure on track and delivering as per budget 3) Dedicated project budget monitoring - in particular Capital budget monitoring 4) All corporate projects have appropriate governance in place and regularly produce highlight reports 5) Review of Corporate projects to ensure focus and resource is on the right project areas covering Corporate Strategy, transformation and Covid-19 recovery	Corporate projects will deliver on time or be replaced by others with greater importance	4	4	16
HB15	Cyber Attack – System failure	SERVICE	Technological	The Councils IT systems are brought down due to an external malicious attack leading to unavailability of information, case files, workflow and data required to run services resulting in delays and non-delivery; reputational impact, negative impact to customers requiring Council services and support, and a requirement on the Council to report an 'availability breach' to the ICO	30/01/19	Sue Parker	4	5	20	1) Capita to evaluate and implement data centre defences to reduce likelihood and impact – see Cyber Security Action Plan 2) Business Continuity Plans in place for all services which reflect complete loss of IT system (linked to IT provision: short term)	All actions in Cyber Security Action Plan completed and business continuity plans all updated and accessible	4	5	20

12.3. A separate risk register is maintained in relation to Covid-19. All current Covid-19 risk are being managed within the risk tolerance threshold after mitigation actions have been assessed.

12.4. All Corporate and Covid-19 risks are being monitored through the Corporate Governance Board. Mitigations are in place for handling the risks and these are detailed in the above table.

13. Consultation

13.1. The information contained within this report has been gathered through quarterly budget forecasting supplied by budget holders as well as information supplied by Heads of Service on progress against corporate plan objectives. The report has been reviewed by Executive Board.

14. Communication

14.1. This report will be shared with Councillors as part of the publication of the Governance Audit & Finance papers which this report is sent to.

15. Appendices

Appendix A: Revenue Outturn Forecast

Appendix B: Capital Outturn Forecast

Appendix C: Performance information

16. Background papers

16.1. None

Agreed and signed off by:

Portfolio Holder: Cllr Inkster

Director & s151: Lydia Morrison

Monitoring Officer: Daniel Toohey

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HAVANT BOROUGH COUNCIL							
SERVICE / DIRECTORATE	FULL YEAR BUDGET (£,000)	COVID BUDGET CHANGES (£,000)	CURRENT BUDGET (£,000)	QTR 3 YEAR END FORECAST (£,000)	QTR 3 VARIANCE TO BUDGET (£,000)	QTR 2 VARIANCE TO BUDGET (£,000)	Q3 VARIANCE to Q2 (£,000)
5 Councils Staff and Contract	0.629	0	0.629	0.644	0.015	0.015	0
Executive Office	0.411	0	0.411	0.384	(0.027)	(0.026)	(0.001)
Head of Legal	0.392	0	0.392	0.340	(0)	0	(0.052)
Head of Organisational Development	1.311	(0.012)	1.300	1.320	0.020	0.017	0.003
Head of Programmes Redesign	2.990	(0.050)	2.940	2.944	0.004	(0.006)	0.010
Head of Customer Services	2.879	(0.078)	2.801	2.710	(0.091)	(0.046)	(0.045)
Head of Strategic Commissioning	4.231	0.000	4.231	4.456	0.225	0.321	(0.096)
Head of Finance	1.066	0.414	1.480	1.901	0.421	0.407	0.014
Head of Commercial Development	0.019	(0.017)	0.002	0.053	0.051	0.042	0.009
DIRECTOR OF CORPORATE SERVICES	13.929	0.257	14.186	14.752	0.566	0.724	(0.158)
Head of Coastal Partnerships	0.135	0.010	0.145	0.155	0.010	0.010	0
Head of Neighbourhood Support	(0.302)	(0.015)	(0.317)	0.730	1.047	0.646	0.401
Head of Housing	0.352	0	0.352	0.496	0.144	0.040	0.104
Head of Planning	1.077	(0.221)	0.856	0.622	(0.234)	0.098	(0.332)
Head of Community Engagement	0.847	(0.026)	0.821	0.779	(0.042)	(0.018)	(0.024)
Head of Property	(1.439)	0.009	(1.430)	(1.231)	0.199	0.199	0
Head of Regeneration (South)	0.455	(0.015)	0.440	0.421	(0.019)	(0.019)	0
DIRECTOR OF REGENERATION AND PLACE	1.125	(0.257)	0.868	1.972	1.105	0.956	0.149
Depreciation	(1.104)	0	(1.104)	(1.104)	0	0	0
Other Operating Income and Expenditure	0.853	0	0.853	0.797	(0.056)	(0.056)	0
TOTAL CORPORATE BUDGETS	(0.251)	0	(0.251)	(0.307)	(0.056)	(0.056)	0
TOTAL COST OF SERVICES	14.803	(0)	14.803	16.417	1.615	1.624	(0.009)
Capital Expenditure Charged to Revenue	0.127	0	0.127	0.127	0	0	0
Regeneration Investments	(0.339)	0	(0.339)	(0.129)	0.210	0.210	0
Covid 19 Income Claim	0.000	0	0	(0.400)	(0.400)	(0.500)	0.100
NET COST OF SERVICES	14.591	(0)	14.591	16.015	1.425	1.334	0.091
FUNDED BY:							
Business Rates Retention	(4.667)	0	(4.667)	(4.667)	0	0	0
Business Rates s31 Grants	(1.914)	0	(1.914)	(1.914)	0	0	0
Levy Payment on account	0.976	0	0.976	0.976	0	0	0
Council Tax Demand on the Collection Fund	(8.642)	0	(8.642)	(8.642)	0	0	0
New Homes Bonus Grant	(0.902)	0	(0.902)	(0.902)	0	0	0
Covid 19 grant	0	0	0	(2.180)	(2.180)	(1.558)	(0.622)
Collection Fund surplus/deficit	0.077	0	0.077	0.077	0	0	0
Contributions to/(from) Earmarked Reserves	0.481	0	0.481	0.481	0	0	0
Contributions to/(from) General Fund Balance	0	0	0			0	0
FUNDING	(14.591)	0.000	(14.591)	(16.771)	(2.180)	(1.558)	(0.622)
(SURPLUS) / DEFICIT	0.000	(0.000)	0.000	(0.756)	(0.755)	(0.224)	(0.531)

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HAVANT BOROUGH COUNCIL					
CAPITAL PROGRAMME SUMMARY					
	ORIGINAL FULL YEAR BUDGET	QTR 3 YEAR END FORECAST (£,000)	QTR 3 VARIANCE TO BUDGET (£,000)	QTR 2 VARIANCE TO BUDGET (£,000)	Q3 VARIANCE to Q2 (£,000)
Housing					
Disabled Facilities Grants	1.628	1.628	0	0	0
Operational Land and Buildings					
HBC Plaza Development Phase 1	3.600	3.600	0	0	0
Refurbishment of HBC Play Equipped Areas	0.070	0.070	0	0	0
New Allotments	0.135	0.135	0	0	0
Hayling Island Goose Refuge	0.225	0	(0.225)	(0.225)	0
Developer Contributions	1.200	1.200	0	0	0
Broadmarsh Feasibility Study	0	0.048	0.048	0.048	0
Hayling Island BMA	0	0.620	0.620	0.620	0
Hayling Island Strategy	0	0.215	0.215	0.276	(0.061)
Langstone FCERM	0	0.163	0.163	0.305	(0.142)
Nutrient Neutrality Mitigation	0	0.216	0.216	0.216	0
IT Equipment					
Asset Maintenance Management System	0.035	0.035	0	0	0
Building Control - Software	0.022	0.015	(0.008)	0	(0.008)
Southern Coastal	0.020	0.000	(0.020)	(0.020)	0
TOTAL CAPITAL PROGRAMME	6.935	7.945	1.010	1.221	(0.211)
Funded By:					
Revenue funded as Capital	1.628	1.628	0	0	0
External Grants & Contributions	5.045	6.062	1.017	1.221	(0.203)
Use of Specific Reserves	0.127	0.120	0	0	(0.007)
Use of Capital Receipts	0.135	0.135	0	0	0
Borrowing Requirement	0	0	0	0	0
FUNDING	6.935	7.945	1.010	1.221	(0.211)
	0	0	0	0	0

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Havant Borough Council
Performance report
Q3 2020-21

1

Contents

1. Headline achievements for Q3
2. People – key statistics for Q3
3. Finance
4. Update on corporate projects
5. Corporate governance – key statistics for Q3
6. Service dashboards (containing in-depth information about Corporate Action Plan objectives, KPIs, and budget variance)
 - Corporate Services
 - Regeneration & Place

2

Headline achievements in Q3

- We continued to provide **support to residents and businesses** during another national lockdown in November and the introduction of tier 4 restrictions in December
- Cabinet approved the approach regarding the **Langstone Flood and Coastal Risk** management approach
- The sale of former landfill site Brockhampton West was approved by Cabinet in November – the site, which has been earmarked for commercial development, will bring much needed **jobs and investment** to the area
- We took community events online, with a **virtual job fair** helping residents look for new work opportunities

3

People – key statistics for Q3

 **230**
Total FTE at
end of
quarter

 **2**
Number of new
starters

 **1**
Number of
leavers

 **0.43%**
Turnover
rate

 **1.74**
Average number of
sick days per FTE
Public sector average: 2.2 days
Private sector average: 1.8 days

 3 most common reasons for short-term
sick leave

- Cough/cold/flu (11 sick days)
- Operation/recovery (8 sick days)
- Gastrointestinal problems (7.5 sick days)

4

Finance – revenue budget outturn in Q3

	Current Budget	Q3 Year End Forecast	Q3 Variation to Q2
	£'000	£'000	£'000
Net Cost of Services	14.591	16.015	0.091
Funding	(14.591)	(16.771)	(0.622)
Net (Surplus) / Deficit	0	(0.756)	(0.531)

5

Finance – capital programme outturn in Q3

	2020/21 Budget	2020/21 Provisional Outturn	2020/21 Variance
	£ (000)	£ (000)	£ (000)
Housing	1.628	1.628	0
Operational Land and Buildings	5.230	6.267	1.037
IT Equipment	0.077	0.050	(0.028)
Total Capital Programme	6.935	7.945	1.010
	2020/21 Budget	2020/21 Provisional Outturn	2020/21 Variance
	£ (000)	£ (000)	£ (000)
Funded By:			
REFCUS (Revenue funded as Capital under Statute)	1.628	1.628	0
External Grants & Contributions	5.045	6.062	1.017
Use of Specific Reserves	0.127	0.120	(0.007)
Use of Capital Receipts	0.135	0.135	0
Borrowing Requirement	0	0	0
Total Funding	6.935	7.945	1.010

6

Corporate projects

Project	Purpose	Q3 update
Future Exchequer and Procurement service	Negotiations to remove from contract to ensure improvements in service	Negotiations concluded and report submitted to Cabinet for the resolution of outstanding disputes, milestones and volumetrics, and the removal of Exchequer and Procurement services from the contract. Procurement successfully withdrawn from the contract on 31 st December 2020
Payroll system project	Procurement and delivery of payroll service and migration of software solution	Plan to extend current arrangement – Cabinet paper scheduled for mid February
Building Control – Tascomi implementation	Final outstanding milestones to deliver the Tascomi system	The data export/import issues are still outstanding. Staff have been working with the external suppliers to resolve outstanding matters and the data import and testing is now due January 2020
Building Control – service review	Ensuring service is effective and fit for purpose	Service review complete 2 nd November. All staff now part of one workforce / one team across both Councils
Interim workstyle solutions	Co-ordinating next steps for new ways of working for reception and back office at Plaza and Penns Place	Delayed due to another national lockdown
Finance service improvement	Ensuring improvements following service returning to inhouse provision	Service review completed with new team structure advertised and existing team members subject to job evaluation
Digital committee meetings	Enabling digital committees as part of response to Covid 19	Digital Committees are continuing through Skype for Business with increased engagement from the general public.
Waste collection implications of Environment Bill	Negotiating with HCC on efficiency savings implications	County-wide briefings took place during the quarter and work at local and county-wide level is progressing on schedule

7

Corporate projects (continued)

Project	Purpose	Q3 update
Transformation programme	Definition of vision and purpose	Transformation programme being reviewed with structure to be put in place to take forward
Property – service review and system replacement	Design of service and procurement of digital solution to ensure fit for purpose	Service review completed and currently recruiting to vacant posts. New IT system to be taken forward in 21/22
Microsoft Teams implementation	Replacing Skype for Business with Microsoft Teams	Teams now rolled out across officers
Planning, Land Charges, Environmental Health – system replacement (DSIP)	Redesign and system implementation project (case management system)	Will be taken forward as part of transformation
Legal system replacement	Upgrade of Iken system to allow team to track and monitor cases	System upgrade is currently progressing working with IKEN team/Capita and Legal Services to ensure system meets requirements.
Digital Strategy	Numerous projects to deliver the strategy (including embedding of Sharepoint)	Will be taken forward as part of transformation

8

Corporate projects (continued)

Project	Purpose	Q3 update
Outbreak Control Plan	Required for any possible local Covid outbreaks	Environmental Health team focussed on current lockdown and working with businesses to ensure lockdown regulations are followed accordingly
Covid-19 recovery programme	Ensuring that the health of communities and businesses is restored after the pandemic	On hold due to LRF moving back into response
Review of Constitution	Implementation of new Constitution	Constitution to be take forward for approval in Q4.
Leisure provision review	Negotiation over Horizon and future leisure provision	Not progressed during Q3
CVW decommissioning	Decommissioning virtual IT environment to allow for future ways of working	New laptop rollout progressed during quarter with additional devices allocated
Legal – service review	Implement agreed structure and recruit to vacant posts	Team review complete and out to recruitment. Further recruitment in early Q4 as initial recruitment was not successful
Licensing – service review	Resourcing review of service	Not progressed during Q3
Plaza replacement kiosk	Replacement of payment kiosk	Not progressed during Q3

9

Corporate governance – key statistics for Q3

 **46** (Corporate)
55 (Norse)

Number of
complaints
received

 **67%** (Corporate)
76% (Norse)

% of complaints
resolved within
10 working days
– target 85%

 **186**

Number of
information
requests received
(FOI, EIR and SAR)

 **17**

Number of
internal audit
management actions
overdue by more
than 60 days

10

Risks currently scoring above 16 on the corporate risk register

Risk ID	Risk Title	Type	Category	Identification of areas where there are significant risks	Date Added	Risk Owner	Original Assessment			Planned Mitigation Actions	Mitigation Success Factor	Control Assessment		
							✓	–	⊘			✓	–	⊘
HB6	Medium Term Financial Strategy (MTFS)	FINANCIAL	Economic	The ongoing viability of the authority being able to manage a balanced budget. Current MTFS highlights a shortfall of £12M over the course of the MTFS	28/11/16	Lydia Morrison	4	5	20	1. MTFS is reviewed each year as part of budget setting exercise. Budget challenge sessions held each year to scrutinise future business plans and income/savings. 2. Full MTFS review to take place in 2020/21 to alongside the Transformation programme 3. Identify and manage in-depth service budgets income/expenditure to rebalance budget 4. Consider the impact of Covid-19 on the MTFS	The authority has a balanced budget	4	5	20
HB8	IT Provision: short term	SERVICE	Technological	Failure by the IT provider (Capita) to provide good IT service to staff which results in a considerable regular downtime of IT leading to slower service provision. We become unable to provide a reliable and timely service to our customers.	10/04/18	Sue Parker	4	5	20	1. Weekly IT Ops Board (every Monday) tracks progress on major issues and monitors progress. Weekly RAG progress score provided on all P1 and P2 calls from IT service centre. 2. Business Solutions continue to work with Capita and the teams to help address monitoring of any issues identified. 3. Contractual triggers if escalation of incidents.	Reduction in P1 incidents through monitoring of Capita KPIs	4	4	16
HB9	IT Provision: long term	SERVICE	Technological	Failure by the IT provider (Capita) to deliver on long term digital vision and aspirations of Council as per the contract in particular the strategy for 'digital by default' and contract requirements	10/04/18	Sue Parker	5	5	25	1. Ensure Capita are held to contractual responsibilities regarding digital strategy 2. Progression of a Digital Strategy for the Council as part of transformation with linkages to IT Capita 3. Renegotiation of IT contract in order to deliver required digital vision	Clear vision and links to Council aspiration of 'digital by default' Approval of Council's Digital Strategy	4	4	16
HB10	Corporate Project Delivery	GOVERNANCE	Reputation	Failure to maintain control of corporate project delivery leading to lack of clarity on priorities, use of resources resulting in reputational damage and potential costs and potential adverse impact on performance.	07/05/18	Gill Kneller	4	5	20	1) Establishment of Strategic Project Board for oversight of key corporate projects 2) Clear review of project milestones to ensure on track and delivering as per budget 3) Dedicated project budget monitoring - in particular Capital budget monitoring 4) All corporate projects have appropriate governance in place and regularly produce highlight reports 5) Review of Corporate projects to ensure focus and resource is on the right project areas covering Corporate Strategy, transformation and Covid-19 recovery	Corporate projects will deliver on time or be replaced by others with greater importance	4	4	16
HB15	Cyber Attack – System failure	SERVICE	Technological	The Council's IT systems are brought down due to an external malicious attack leading to unavailability of information, case files, workflow and data required to run services resulting in delays and non-delivery; reputational impact; negative impact to customers requiring Council services and support, and a requirement on the Council to report an 'availability breach' to the ICO	30/01/19	Sue Parker	4	5	20	1) Capita to evaluate and implement data centre defences to reduce likelihood and impact – see Cyber Security Action Plan 2) Business Continuity Plans in place for all services which reflect complete loss of IT system (linked to IT provision: short term)	All actions in Cyber Security Action Plan completed and business continuity plans all updated and accessible	4	5	20

A residual score of 16 is the threshold which has been set to indicate the Council's risk appetite (as per the Risk Management Framework).

11

Corporate Services dashboards

Performance information for Q3

- [Commercial Development](#)
- [Customer Services](#)
- [Finance](#)
- [Legal](#)
- [Organisational Development](#)
- [Programmes, Redesign & Quality](#)
- [Strategic Commissioning](#)

12

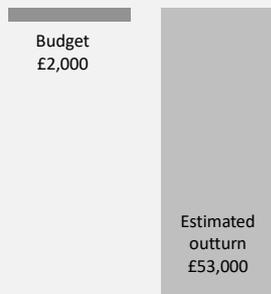
Commercial Development

Head of Service: Chris Bradley



Budget variance in Q3

Variance of £51,000



Corporate Action Plan 2020-21

Action	Outcome	Q1 RAG status	Q2 RAG status	Q3 update	Q3 RAG status
Develop and implement the first phase of the transformation programme	Clearly defined and articulated transformation workstreams with plans and resources in place to deliver transformation as per the timescales	Yellow	Not reported	Worked with new transformation consultant to take forward programme	Yellow

13

Customer Services

Head of Service: Brian Wood

Incorporating:

Corporate Support, Elections, Land Charges, GIS, Insight

Customer Services and Revenues and Benefits are provided by Capita

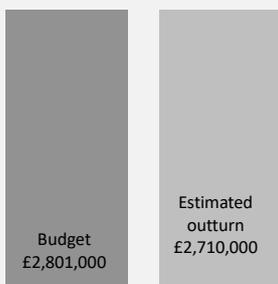


Key Performance Indicators



Budget variance in Q3

Variance of -£91,000



Indicator	Target	Q1	Q2	Q3
Calls answered and completed by CSC - one and done (%)	above 95%	99%	100%	99%
Calls answered within 20 seconds in the CSC (%)	above 75%	61%	76%	86%
Council tax cash collection rate - cumulative (%)	above 98.9% (year end cumulative)	28.9%	47.2%	74.7%
Non domestic rates cash collection rate - cumulative (%)	above 98.6% (year end cumulative)	22.9%	38.0%	63.4%
Average processing time - housing benefit and council tax benefit change events (days)	below 7	5.3	4.8	4.5
Average processing time - housing benefit and council tax benefit - new claims (days)	below 17	10.0	10.0	10.8

14

Customer Services



Team	Action	Outcome	Q1 RAG status	Q2 RAG status	Q3 update	Q3 RAG status
Corporate Support	Introduce new working arrangements to support the Covid response and transformation of the organisation	Team provides greater support to services across the office to assist with transformation of services			Team focused on Covid grant distribution in a timely manner. Numerous grant schemes currently being managed including track and track and business grants	
Elections	Implement new canvass process	Improved data matching with central government records			Completed	
Insight	Provide the organisations with insight and evidence to inform transformation, service delivery and Covid response work	Evidence based decisions are clearly demonstrated in organisational work			Continued work supporting the Covid response including additional residents survey distributed during the quarter	
Land Charges	Continue to provide service alongside further digitisation of paper records	Improved income and streamlined processes through digitisation of paper records			Due to Government policy re stamp duty significant uplift in income during the quarter as reported in financial forecast	
Revenues & Benefits	Review Discretionary Rate Relief guidelines to ensure they align with Corporate Strategy and financial sustainability	New Discretionary Rate Relief guidelines that align with Corporate Strategy and financial sustainability			Focus has been on Covid grant distribution	

15

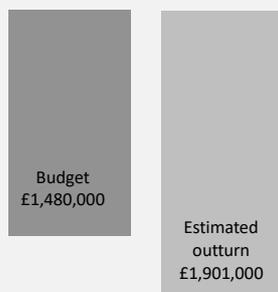
Finance

Head of Service: Matthew Tiller



Budget variance in Q3

Variance of £421,000



Action	Outcome	Q1 RAG status	Q2 RAG status	Q3 update	Q3 RAG status
Review finance processes and procedures and implement all internal audit recommendations	Transformed team that is delivering required statutory functions with no outstanding internal audit recommendations			Continual review and improvement. Working to bring Exchequer functions inhouse for 1 st April 2021, with review of processes. Service review to be completed for all of Finance before end of financial year	
Progress budget, year-end and required statutory returns as per timetables	All activities achieved against timescales			Statutory deadlines met and budget setting on line with timetable. Only delay is HBC statement of accounts, where the audit has taken longer than anticipated. This is expected to be completed and signed in early 2021/22	
Review MTFS in light of Covid-19	Financial sustainability of Council going forward is strong			MTFS updated as part of budget setting 2021/22. Work with Members and budget holders to identify pressures and potential savings to deliver balanced budget proposals for 2020/21	
Support the Council in delivery of its aims	Financial input is achieved at the right time for informed Council decisions on projects/programmes			Ongoing review of financial information to help inform estimated year end position. Continued review of income and regular submission to MHCLG for lost income. Work with budget managers to help decision making that allows the Council to come in on budget and set balanced budget for 2021/22	

16

Legal

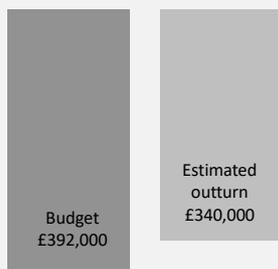
Head of Service: Daniel Toohey

Incorporating:
Legal Services, Democratic Services



Budget variance in Q3

Variance of -£52,000



Corporate Action Plan 2020-21

Team	Action	Outcome	Q1 RAG status	Q2 RAG status	Q3 update	Q3 RAG status
Democratic Services	Fully integrate the HBC and EHDC Democratic Services teams	A single multi-skilled workforce supporting the democratic process across both Councils			New structure agreed with Unison, salary grade for new positions agreed by HAY Panel, recruitment exercise underway	
	Adopt the digital-by-design approach to meetings, agenda and papers	Reduced waste paper and more efficient services		complete	Complete	complete
	Improve performance regarding: a) late submission of papers b) key decision notices c) report numbering d) publication targets	Measured performance targets			With management support a no late report policy is becoming embedded within the organisation	
Legal Services	Review and build capacity of legal support for the Councils' regeneration programme and asset income streams	Positive feedback. Recruitment carried out re planning and projects. Legal Services budget target for income; external counsel spend managed and procured compliantly	Not reported	Not reported	First round of recruitment now completed with one hire; second round about to commence. Vacancies being covered by agency staff in the interim	
	Review and support re legal advice and assistance for the Councils' Covid-19 response including priority change programmes and transitional support programmes	Successful transition re constitutional changes and member and officer engagement. Engagement with partners. Delivery re governance changes e.g. virtual committee meetings, review of extension re Annual Council	Not reported	Not reported	Assisting client departments on Covid related work as and when instructions received. Constitutional changes now adopted by full Council and member and officer engagement. Training programmes for the benefit of Members being devised in light of adoption of remodelled Constitution	
	Oversee the review of the Constitution and policy framework in line with transformation objectives of the Council	Robust and viable Constitution with services having a greater understanding of policy framework which enables service delivery and delivers clear decision making	Not reported	Not reported	New Constitution now adopted by full Council to come into force 1 March 2021	

17

Organisational Development

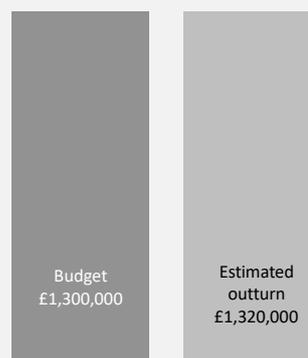
Head of Service: Caroline Tickner

Incorporating:
Human Resources, Communications & Marketing, Emergency Planning & Business Continuity, Health & Safety



Budget variance in Q3

Variance of £20,000



Corporate Action Plan 2020-21

Team	Action	Outcome	Q1 RAG status	Q2 RAG status	Q3 update	Q3 RAG status
Communications & Marketing	Develop effective marketing campaigns (internal and external) for major projects in light of Covid-19	Increased staff and resident satisfaction (with reports of good experiences) because services are understood and delivered in a convenient way (dependent on service delivery)			Continual focus on updating website and social media with latest coronavirus information. Promotion of the new rules to residents via website, e-newsletters and social media. Promotion of support packages available to businesses in the area via website, e-newsletter and social media. Signed up to social media channel Neighbour to reach approximately 11,000 residents with our messages. Promotion of coronavirus survey to residents. Promotion of internal staff wellbeing survey	
	Develop innovative campaigns to encourage customers to use digital channels to boost channel shift away from telephone/paper and face-to-face interactions, building on the digital channel shift already achieved due to Covid-19 emergency	Increased access and ease of access to our services for our residents and businesses (dependent on customer access and digital strategies)			Website continuously updated with the latest coronavirus information and support available. Application forms created for business support grants. Complete overhaul of the out of hours information on the website. Brexit information on the website updated. Refreshed metatags on the website to improve search results. In Q3, we gained 1,581 subscribers to e-newsletters, 467 likes on Facebook, 66 followers on Twitter and 161 followers on Instagram. E-newsletter bulletins had an engagement rate of 82.8% (national average for local government is 62%).	
	Use a strategic basis for determining communications priorities and activity so that corporate priorities are linked to communications priorities. Communications to be factored into service plans and linked directly to communications support for recovery following Covid-19 emergency	Informed, engaged and motivated employees and councillors (powerful Council ambassadors) who understand how their day to day work in the 'new normal' is delivering the Corporate Strategy. Informed public who have an understanding and appreciation for what the Council is trying to achieve			Insight-based communications and marketing approach developed for Warmer Homes campaign to target messages to ensure efficient and effective approach. Promotion of internal support for staff including Wellbeing Wins and future working arrangements	

Continued on next slide

18

Organisational Development



Corporate Action Plan 2020-21

Team	Action	Outcome	Q1 RAG status	Q2 RAG status	Q3 update	Q3 RAG status
Emergency Planning & Business Continuity	Lead the 'organisational' aspect of the Covid-19 recovery plan ensuring that this supports the overall recovery operating plan at a local and Hampshire-wide level and aligns with the wider scope of transformation	A robust organisational recovery plan which aligns with and complements the wider organisational transformation objectives			The rise in infection rate has led to the organisation moving out of recovery and back into response. Recovery work is now paused until the transmission rate reduces and the LRF stand down the emergency response	
	Provide the relevant training across the Council to ensure the responsibilities for BC & EP are understood by all and the Council can respond effectively should a disruption/emergency arise	Appropriate strategic and operational incident response and recovery			The BC and EP training sessions due to take place in October/November had to be delayed due to Covid workload. They have now been rescheduled for January and February. The EP training will include the new roles that are being introduced and the new message/tray system within the ECC. The district and borough plans are currently being updated by HCC EP and will be shared with the councils shortly	
	Fully understand the threats to the delivery of critical services at a local and national level and build an overall recovery plan for Covid-19 which ensures that critical services can continue to be delivered as the organisation moves from response to recovery following the Covid-19 emergency	Appropriate strategic and operational incident response and recovery			Continued response to changing Covid situations re tiered system and lockdown. Primary focus on the delivery of P1/P2 critical services; business continuity at the forefront. Move back into response may delay some aspects of the recovery work. On track for the continued delivery of critical services	
Health & Safety	Actively promote the need for the Council and its contractors to comply with all aspects of H&S legislation, ensuring that relevant monitoring and reporting is in place to mitigate risk in line with Covid-19 requirements	Rigorous monitoring of the Council and its contractors to ensure compliance with all aspects of H&S, escalating through the relevant channels where necessary if compliance falls short of minimum regulatory standards			Continuing to attend monthly CMT (Client) meetings, raising outstanding actions in relation to required documentation. Also attending the monthly service meetings. Review has taken place of the Norse Kahootz area and we have established reporting mechanisms which allow Norse to update directly – this will enable an easier auditable process. On site inspections currently on hold. We have produced and communicated guidance on contractors for all staff, along with a checklist	
Human Resources	Lead, develop and implement HR and OD interventions as per the 'People' workstream and project plan to support the effective implementation of the organisational wide transformation programme ensuring that this is aligned with the organisational recovery plan	A step change to the way the organisation delivers its services through people			Further detailed information on the TOM is needed to enable the one team workstream to progress activities fully. In the interim, work has taken place to fully align the pay structures in the two councils from April 2021 (subject to agreement). Future working styles project to inform transformation is paused due to lockdown. Values and behaviours employee group created and in progress to review the values of the councils	
	Effectively deliver CSP18 Alpha project and all associated objectives and develop a business case for the future delivery of payroll	Delivery of a successful payroll for 2020-21 (people paid accurately and on time) and a business case which identifies an affordable fit-for-purpose future payroll solution			Plan to extend Zellis arrangement with South & Vale and Hart councils until April 2022. Cabinet paper and decision scheduled for mid February	

19

Programmes, Redesign & Quality

Head of Service: Sue Parker

Incorporating:

Business Solutions Unit, Digital Design, Information Governance, Governance Hub, Effective Working, Facilities Management



Budget variance in Q3

Variance of £4,000



Key Performance Indicators

Indicator	Target	Q1	Q2	Q3
Freedom of Information - number of requests received	N/A	84	120	138
Freedom of Information - requests completed within 20 day statutory deadline (%)	above 95%	98.8%	97.5%	96.4%
Environmental Information Regulations - number of requests received	N/A	33	51	48
Environmental Information Regulations - requests completed within 20 day statutory deadline (%)	above 95%	87.9%	94.1%	95.8%
Subject Access Requests - number of requests received	N/A	2	2	0
Subject Access Requests - requests completed within statutory deadline of one month (%)	above 95%	100%	100%	N/A

20

Programmes, Redesign & Quality


Corporate Action Plan 2020-21

Team	Action	Outcome	Q1 RAG status	Q2 RAG status	Q3 update	Q3 RAG status
Business Solutions Unit	Develop and deliver discovery phase of transformation	Robust and evidenced approach in place for the implementation phase of transformation			Critical friend review of the overall programme so far has been ongoing, with feedback presented to EB. Discovery work has continued and is now progressing well, but is behind planned timescale. Current discovery activity is focusing on extracting a breadth of high level information from service areas	
	Design and deliver transformation implementation plans for the Council	Opportunities for service redesign are identified and implemented, leading to better use of resources and enhanced service delivery in line with need			There has been no further work carried out on the Design & System Implementation Programme (apart from Building Control) during this quarter, pending design of the Transformation workstreams. As the critical friend feedback on the Shaping our Future Programme is reviewed and resulting actions decided, discussions have commenced regarding the approach and best fit for DSP and whether to recommence as standalone or integrate to Shaping our Future	
	Ensure project and programme management resources are focused on corporate priorities	Skills and resources applied to enable successful delivery of corporate priorities			Delay to progress on Transformation programme has relieved some of the pressure for BSU resources. There is a continued focus on priority projects. Development of a portfolio management approach to assist with prioritisation and resource allocation process has commenced during this period. The BSU have also carried out reviews of their own 'Ways of Working' and have identified actions that will be key to providing effective support to the corporate projects and programmes	
Digital Design	Design and deliver 2020 digital projects, informed by the digital design guidelines of the Digital Strategy and the transformation plans for the Council	Digital solutions enabling the Council's strategic and operational priorities, namely: desktop hardware refresh, productivity tools, case management solutions			Work has been completed to develop the Transformation strategy map for digital infrastructure as part of the Transformation programme expanding upon the stages, guidelines and projects detailed within the Digital Strategy. Packaging for the CMW environment is near completion to support the CWV decommission. An upgrade to older device types in January will ensure base devices are fit for new applications	
	Deliver agreed SCIT service adjustments in liaison with 3rd party and Client Team	Improvements unlock opportunities for digital enablers as required via transformation plans for the Council			The councils have now begun an interim approach in order to progress with Transformation planning and implementation. Delayed delivery of technical proposals and subsequent SC negotiation to separate the shared Microsoft tenancy have forced the council to initiate their own project to take advantage of cloud infrastructure opportunities	
Governance Hub	Embed proactive performance management across the organisation, providing a refreshed suite of performance indicators and tools to promote accountability and transparency	Timely, meaningful reporting to different audiences. Performance management process is seen to add value to day-to-day work. At service level, success is recognised appropriately and interventions can be targeted where required			Quarterly performance reports are now being shared with all staff via Team Talk Unfortunately as the Covid situation deteriorates, pressures within services continue to delay planned improvements to KPIs	
	Maintain and improve understanding of the cycle of corporate governance activities, including quarterly performance reporting, risk management, and production of the Annual Governance Statement	Understanding of corporate governance is strong Evidence-based insight is an integral part of decision making			Targeted training sessions on report writing and the decision making process were run in November with very positive feedback and a summary of the feedback and lessons learned has been provided to EB as part of the HOS review of the decision making process. Work has begun on redeveloping the governance content on the intranet, with the aim of providing a comprehensive, relevant, easily understandable self-service resource. Annual Governance Statement for 2019-20 has now been published alongside the Annual Statement of Accounts	
Information Governance	Address management actions associated with the 2019-20 audit	Effective mitigation of risks associated with poor compliance with information governance legislation, thereby protecting the Council against the risk of fines and negative reputation		complete	Complete	complete
	Increase levels of understanding of responsibilities for information governance processes and controls	Improvement in the presence of necessary controls within services, reducing reliance on the Data Protection Officer			There has been a decrease in the number of outstanding Privacy Notices. There are now 2 outstanding and the relevant HOS will be required to report to January's Corporate Governance Board	
Workplace & Logistics	Redefine accommodation requirements in light of 'new BAU' requirements, transformation plans and digital enablers	Improved use of assets and new BAU in place across services			Utilisation of both sites has been undertaken against the backdrop of another lockdown in November and the challenges faced to ensure that colleagues could work in safe bubbles when on site. In today's environment, best use of space is defined as ensuring colleagues who need to access site based services and systems are as safe as possible to do so and clear operational rules are in place	
	Manage partnership relationships to ensure future use of assets and collaborative working aligns with the transformation plans of the Council	Plaza operations and partner cooperation deliver a joined up new BAU to benefit the customer			Partners continue to work remotely. DVLA decided not to renew their licence for single desk on ground floor in light of their ability to work remotely since Covid situation arose. Also need to now consider the implications of finance services returning from Capita and redrawing the red line area they presently occupy as staff will become HBC employees and up to 10 desks will be vacated	
	Define and implement marketing strategy to re-establish income streams associated with the Plaza conference suite	Income returns to pre-pandemic level			Conference centre remains closed through Q3 and with lockdown now beginning the income expected from the conference centre will not be possible. Loss of income reflected in Covid cost spreadsheets	

21

Strategic Commissioning


Corporate Action Plan 2020-21

Head of Service: Claire Hughes

Incorporating:
Capita, Environmental Services (Norse), Leisure



Budget variance in Q3

Variance of £225,000

Action	Outcome	Q1 RAG status	Q2 RAG status	Q3 update	Q3 RAG status
Review implications of the Environment Bill and identify mitigations to Hampshire County Council's proposals on the future of waste disposal services	Clarity on future direction and obligations of the waste collection service			County wide briefings took place during the quarter and work at local and county level is progressing on schedule	
Increase commercial activity by Norse South East to increase rebate to HBC	Income generated for the authority			Coronavirus continues to impact on the company's ability to search for and secure commercial work. The trade waste service is continuing to grow as is the commercial work Norse does for schools and parishes in East Hampshire	
Review delivery of the Capita contract and report on findings by December 2020	Report prepared by end of Q3			Negotiations concluded and report submitted to Cabinet for the resolution of outstanding disputes, milestones and volumetrics, and the removal of Exchequer and Procurement services from the contract. Procurement successfully withdrawn from the contract on 31 st December 2020	



Key Performance Indicators

Indicator	Target	Q1	Q2	Q3
Number of missed bins	Less than 35 per 100,000	167	345	KPI under review
Percentage of household waste recycled and composted	Above 30%	32%	37%	28%
Contamination of recycling (%)	Less than 10%	19.3%	21.2%	19.0%
Number of fly tips reported	Less than 120	199	352	282

Budget
£4,231,000

Estimated outturn
£4,456,000

22

Regeneration & Place dashboards

Performance information for Q3

[Coastal Partnership](#)
[Housing & Communities](#)
[Neighbourhood Support](#)
[Planning](#)
[Property](#)
[Regeneration & Economy](#)

23

Coastal Partnership

Head of Service:
Lyall Cairns



Budget
£145,000

Estimated
outturn
£155,000



Corporate Action Plan 2020-21

Team	Action	Outcome	Q1 RAG status	Q2 RAG status	Q3 update	Q3 RAG status
Coastal Partnership	Implement the asset investment programme (engineering maintenance and replacement works) in order to protect our coastline and reduce and manage coastal erosion and flood risk to our residents	HBC assets protected through regular and efficient maintenance Reduced flood risk, protecting the environment and residents			West Beach groyne emergency works completed and seeking cost recovery from the Environment Agency, value £35,400. Asset repairs have been re-prioritised to reflect Covid 19 restrictions and the restricted bird wintering season. Works being prioritised based on risk include South Hayling beach management activities (potential requirement to recycle shingle from the open beach back onto depleted bays fronting Eastoke Corner only). It is anticipated that the 2020/21 groyne repair works will likely extend into 2021/22	
	Implement coastal asset inspection and survey programme in line with SLAs and other commissions	Topographic surveys carried out for the regional monitoring programme and asset inspections (informing the asset investment plan programme and proactively contributing to delivery of projects to manage flood and erosion risk, future studies and assessment of climate change impacts). Commissions for land based surveys - supporting wider Council projects and providing a potential source of income			Coastal asset inspections are 90% complete, while slightly behind programme. Resources remain focused on the highest risk assets at West Beach, Eastoke, Langstone and Broadmarsh. Regional monitoring programme has recovered lost time and is now completed. This concludes Phase IV of the four year programme which has been delivered on time and budget. We are pricing Phase V, which will be a six year programme of survey work. Commissions for land surveys significantly reduced during Q1, were slowly recovering in Q2, but are again under pressure due to lockdown in Q3/4 and limited to 'safety critical' work only. The team has shifted to additional chargeable work for CP Capital projects and CELT, including significant UAV flights. Survey marketing is ongoing via email, webpage and promotional video	
	Identify and deliver the feasibility, option appraisal and EA funding to support future Coastal projects	Feasibility studies and appraisals to outline design of FCEEM schemes which will help reduce the risks to people and the developed and natural environment from flooding and coastal erosion			Langstone FCEEM Outline design study has now been completed. In October 2020 HBC Cabinet approved the outline designs and gave the formal decision to proceed into detailed design and procure professional consultant support. Detailed design procurement is underway with the next phase of the project due to start in earnest in March/April 2021. Significant funds have been raised towards project from CL, RFCC levy and other sources continue to be investigated. Polarised community views remain. Hayling Island Coastal Management Strategy. Over the past quarter there has been significant engagement with landowners and key stakeholders with several meetings taking place to gather information and understand others aspirations for Hayling. This information will feed in to the option development process alongside all the other drivers for the strategy. Broadmarsh Outline Design Study - Funded by HBC and RFCC levy. Shortlisting and economic assessment completed and leading option identified. Further work surrounding broader outcomes is being investigated. Currently reviewing project outputs and beginning internal briefing process. Strong input into local and national groups to influence and shape our industry for the betterment of our communities - Southern Coastal Group, Local Government Association Special Interest Group. Key topics being influenced via Call to Arms documents for - Coastal Landfill, Asset Maintenance, Coastal Adaptation, Place Making and Funding	
	Deliver expert environmental advice/support to assist delivery of the Coastal Partnership projects and promote environmental enhancement opportunities	Provision of fabulous outdoor spaces as part of the coastal projects delivered, which will enable communities to enjoy the coastline and have improved open spaces for future generations to enjoy			Strong environmental support to option appraisal and outline design projects including Langstone, Broadmarsh, Hayling Island Beach Management Plan, and West Beach; regional habitat creation programme updated annually to identify opportunities within the Solent to improve and enhance the natural environment; ecological surveys completed as required for projects across the Borough; strong research and investigation into environmental and ecological enhancement for future project delivery	
Civil Engineering & Landscape	Develop a sustainable transport network for walking and cycling	A sustainable transport network that allows residents to improve their quality of life by being healthier and more active in a safe environment			Reopening high streets continues to aid shoppers to be able to social distance when in our town centres. We are working with HCC to find funding to make the Emsworth town centre social distancing area a more permanent feature. Work also continues on a number of walking and cycling projects across the borough	
	Undertake HBC highway asset inspections as per programme	HBC assets will be protected through regular and efficient maintenance to ensure that the built environment is safe for the public to use			All HBC asset inspections are up to date as per inspection programme	
	Develop and sustain a transport network that is fit for purpose and will last beyond the Local Plan	A transport network that will encourage and sustain business growth			Transforming Cities project continues and we are working with HCC on the detailed design on the projects in the Havant area	

24

Housing & Communities

Head of Service: Tracey Wood



Budget variance in Q3

Variance of £102,000



Key Performance Indicators

Indicator	Target	Q1	Q2	Q3
Affordable homes delivered	above 130 (year end cumulative)	0 (but none expected)	0	15
Number of homelessness acceptances	below 65 (year end cumulative)	1	1	1
Number of homelessness interventions	above 1050 (year end cumulative)	Worked with 254 cases during Q1, 96 of these were successful DHP claims	Team worked with 237 cases	Team worked with 194 cases



25

Housing & Communities



Corporate Action Plan 2020-21

Team	Action	Outcome	Q1 RAG status	Q2 RAG status	Q3 update	Q3 RAG status
Housing (Options & Advice)	Deliver year 1 of the Homelessness and Rough Sleepers Action Plan	Reduction in the number of households placed into B&B and outside the area Completed review of the private sector offer to maximise options for those facing homelessness Increased number of landlords we work with Number of HRA assessments carried out Number of preventions Relief given Completed review of the temporary accommodation offered to ensure best use of stock, reducing the need for B&B leading to a reduction in spend	Green	Yellow	Following a second lockdown in November, numbers in B&B remain high with no move-on accommodation being available	Yellow
	Deliver the Rough Sleepers Initiative 2020/21 (£92,000 joint project with EHDC)	Relevant 1.5 officers to deliver the initiative employed by June 2020 Reduction in the number of rough sleepers in the area Working with any rough sleepers identified or sofa surfers and providing options to them (deposits/mobile phones etc)	Yellow	Yellow	Delayed due to Covid 19	Yellow
Community	Work in partnership to develop a range of projects which aim to tackle health inequalities, securing external funding where appropriate	Get Up & Go project developed, with an aim to continuation of funding September 2020 Priorities on a ward by ward basis identified through the capture of data working with Public Health and CCG by June 2020 Healthy Havant media campaign developed by December 2020 Vulnerable communities in Wecock Farm, Hayling West, Stakes and Leigh Park supported in partnership and by identifying external funding opportunities	Yellow	Green	Focus on Covid response due the quarter has resulted in delay in progressing these items as community team are working with the community on Covid response	Yellow
	Implement the Open Space Strategy, securing funding to deliver recommended actions which will improve sport, leisure and play facilities in the Borough of Havant	Contract information and tender prepared for works to deliver the Play Investment Programme, with all works completed by end of March 2021 All works identified to be funded by CIL delivered by end of March 2021 Future projects for 2021 identified and CIL bids prepared by August 2020	Green	Green	On track	Green
	Develop a multi-team approach to investigate ways to rationalise Council-owned community assets	Initial project team set up by end of July 2020 Project Initiation Documentation (PID) developed and actions agreed with Director and Cabinet Lead Events on Council land are delivered safely	Yellow	Yellow	Put on hold	Yellow
	Develop an implementation plan to ensure agreed S106 contributions for Community posts relating to new developments are allocated appropriately	Information relating to future contributions acquired by September 2020 Forecasting document regarding phased payments developed by December 2020 Recruitment plan agreed by March 2021	Yellow	Yellow	Work has progressed on this with the manager reducing hours and officers being moved on a temporary basis to EH team for support	Yellow

26

Neighbourhood Support

Head of Service: Natalie Meagher

Incorporating:

Environmental Health, Neighbourhood Quality,
Parking & Traffic Management



Budget variance in Q3

Variance of £1,047,000

Budget
-£317,000

Estimated
outturn
£730,000



Key Performance Indicators

Indicator	Target	Q1	Q2	Q3
Parking and traffic - income from pay and display machines (£)	above £265,710	£259,561	£606,212	£305,026
Parking and traffic - income from Penalty Charge Notices (£)	above £57,359	£5,147	£38,822	£57,564
Parking and traffic - FPN collection rate (%)	above 60%	Not reported by service	Not reported by service	Not reported by service
Public health funerals – number of burials	N/A	N/A (new KPI)	10	Not reported by service
Public health funerals – total costs (£)	N/A	N/A (new KPI)	£10,929	Not reported by service
Public health funerals – recovery of costs (%)	TBC	N/A (new KPI)	59%	Not reported by service
Pest control – total income (£)	TBC	N/A (new KPI)	£5109 cumulative	Not reported by service
Private sector housing – total number of DFG cases approved and completed	N/A	N/A (new KPI)	20	27
Private sector housing – DFG cases (minor adaptations) completed within time limit of 90 days from valid referral (%)	TBC	N/A (new KPI)	N/A (new KPI)	72%
Private sector housing – DFG cases (complex adaptations) completed within time limit of 120 days from valid referral (%)	TBC	N/A (new KPI)	N/A (new KPI)	43%
Private sector housing – total DFG spend (£)	N/A	N/A (new KPI)	£259,256 cumulative	Not reported by service

Additional indicators will be added in Q4

27

Neighbourhood Support



Corporate Action Plan 2020-21

Team	Action	Outcome	Q1 RAG status	Q2 RAG status	Q3 update	Q3 RAG status
Environmental Health	Undertake a resourcing review for the licensing service	A service developed to suit the current climate for the licensing function which is responsive, dynamic and aligned across EHDC and HBC			No change to previous quarter, although recruitment to two vacancies has been completed. New starters due to commence in Q4	
	Seek and gain approval for additional resource to support effective delivery of Disabled Facilities Grants, at no additional cost to the Council	Additional resource for the Private Sector Housing team which brings a unique skillset increasing effective delivery of DFGs and addressing the needs of some of the most vulnerable in our communities			No change from previous quarter	
Neighbourhood Quality	Review, align and formally adopt the Enforcement Plan	A plan which supports best practice, is deliverable and responds effectively to customer demand Wherever possible, processes aligned across both Councils			Revised plans have been approved by Portfolio Holders. Plans now ready for publication. Action closed	complete
Parking & Traffic Management	Undertake and implement a review of permits	A suite of permit schemes which are (cost) consistent with HCC's on street scheme A scheme which promotes the green agenda and is straightforward and attractive to customers			Existing permits have been reviewed as part of budget setting process. Recommendations for amendments will go live in April, subject to the budget being approved	

28

Planning

Interim Heads of Service: Julia Mansi and David Hayward

Incorporating:
Development Management, Planning Policy, Building
Heritage, Building Control

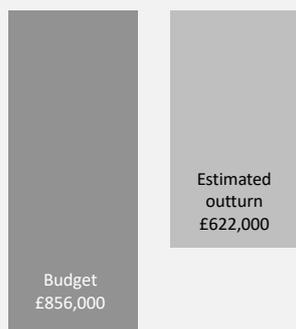


Key Performance Indicators



Budget variance in Q3

Variance of -£234,000



Indicator	Target	Q1	Q2	Q3
Number of non-compliances found under the LABC Quality Management Scheme registered under ISO 9001:2015 (internal review)	0	N/A (new KPI)	2	0
Number of previous non-compliances under the LABC Quality Management Scheme reviewed and resolved	Number of non-compliances found in previous quarter	N/A (new KPI)	0	2
Number of claims submitted against the Council for Building Control negligence / non-compliance that the Council was unsuccessful in defending	0	N/A (new KPI)	0	1 With Local Government Ombudsman to decide
Number of Building Regulations projects commenced under the Council's control	N/A	N/A (new KPI)	157	145
Number of Building Regulations projects completed under the Council's control	N/A	N/A (new KPI)	108	Not able to report
Dangerous structures receiving an initial risk assessment within 24 hours of report being received (%)	100%	N/A (new KPI)	100%	100%
Full Plans applications (Building Control) decided within statutory time limit (%)	100%	N/A (new KPI)	Not able to report due to back office system migration	Not able to report due to back office system migration
Full Plans applications (Building Control) checked within 15 days (%)	above 90%	Not able to report due to back office system migration	Not able to report due to back office system migration	Not able to report due to back office system migration

Continued on next slide

29

Planning



Key Performance Indicators

Indicator	Target	Q1	Q2	Q3
Major planning applications - number decided	N/A	4	4	4
Major planning applications - % decided within 13 weeks or agreed time extension	above 70%	100%	100%	100%
Minor planning applications - number decided	N/A	22	20	22
Minor planning applications - % decided within 8 weeks or agreed extension	above 65%	82%	85%	85%
Other planning applications - number decided	N/A	109	126	129
Other planning applications - % decided within 8 weeks or agreed extension	above 80%	92%	94%	91%
All applications - % decided within 26 weeks	above 98%	99%	99%	99%
Discharge of condition applications - % decided within 8 weeks	above 80%	26% Conditions Officer post currently vacant	72%	35% Conditions Officer post remains vacant
Major planning applications - % of decisions allowed on appeal	below 20%	0%	0%	0%
Minor and other planning applications - % of decisions allowed on appeal	below 30%	0%	0%	0.5%

30

Planning Corporate Action Plan 2020-21

Team	Action	Outcome	Q1 RAG status	Q2 RAG status	Q3 update	Q3 RAG status
Building Control	Implement service review to form a shared workforce across Havant and East Hampshire, with a model that is scalable to take on additional Building Control business where the opportunity arises	One workforce team for Building Control across Havant and East Hampshire created			Service review complete on 2 nd November. All staff now part of new One Workforce team	complete
	Review and amend Building Control prices to ensure full cost recovery against chargeable work and implement time recording system to assist future pricing reviews	Fair and transparent fees with strong evidence in place			Prices reviewed and amended with full evidence in place, ready to implement from 1 st April 2020 (subject to Council approval of the proposed new hourly rate)	complete
	Continue and complete the implementation of the new Tascom Building Control system and review the actual benefits attained against perceived ones	New IT project completed and report published on benefit realisation				The data export / import issues previously identified are still outstanding. Staff have been working with external suppliers to resolve outstanding matters and the data import and testing is now due in January 2021
Development Management	Ensure timely decision making of major applications	Delivery of high quality housing and employment development Delivery of affordable housing			Service working normally with most staff working remotely. DMC meeting as normal and making decisions. Applications submitted at an all time high – staff starting to struggle with workloads. Recruiting to two vacant posts	
	Seek best possible placemaking outcomes for developments	Delivery of infrastructure and facilities is facilitated The quality of place is preserved, protected or enhanced			Service working normally with most staff working remotely. DMC meeting as normal and making decisions	
	Replace existing IT system	Provision of improved and more efficient service for customers Team performance retained and enhanced				Waiting to see how this fits with transformation and corporate support. Project ready for next phase
Planning Policy	Undertake the consultation on changes to the Havant Borough Local Plan and submit the plan to government for examination	A submitted Local Plan that has increased weight in decision making		Not reported	Consultation took place November-December 2020	
	Put in place a complete mitigation plan to ensure development is nutrient neutral, using HBC landholding, which is financially sustainable to the Council	A mitigation plan prepared and in the process of being implemented		Not reported	LEP grant must be spent by end of financial year, otherwise funding will be withdrawn and reputation with LEP damaged. Mitigation scheme is up and running and successfully being implemented	
	Undertake a comprehensive review of the Community Infrastructure Levy Spending Protocol	An adopted Community Infrastructure Levy Spending Protocol		Not reported	2020/21 spending round is progressing – Cabinet briefing on 13/1. Members highlight this as being extremely controversial. Questions remain over the future process, to be set out in the spending protocol, and resources to enact it	

31

Property Corporate Action Plan 2020-21

Interim Head of Service: Natalie Meagher

Budget variance in Q3
Variance of £199,000

Budget: -£1,430,000
Estimated outturn: -£1,231,000

Action	Outcome	Q1 RAG status	Q2 RAG status	Q3 update	Q3 RAG status
Develop, deliver and implement a new staffing structure across both Councils	A team that is appropriately resourced and possesses the right skillset, experience and expertise to meet the Councils' aspirations in terms of estates and asset management			Lead Asset Manager has been recruited, due to start in April 2021. Recruitment underway for remaining 4 posts: Lead Estate Manager, Estate Manager, Senior Estate Surveyor and Asset Manager	

Key Performance Indicators

Quarter	Billed	Collected	%
Quarter (25 March-24 June)	£469,008	£453,880	96.8
Quarter (25 June – 27 September)	£435,367	£428,811	98.5
Quarter (28 September – 30 December)	£430,920	£425,820	98.8
Quarter (31 December – 24 March)	£427,388	£343,398	80.3

32

Regeneration & Economy

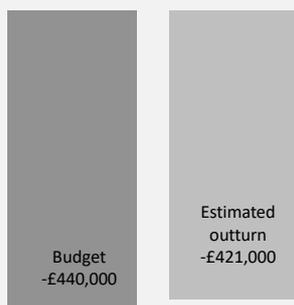
Head of Service: Clare Chester

Incorporating:
Regeneration South, Economic Development



Budget variance in Q3

Variance of -£19,000



Corporate Action Plan 2020-21

Team	Action	Outcome	Q1 RAG status	Q2 RAG status	Q3 update	Q3 RAG status
Regeneration South	Bring forward the five strategic development areas set out in the Regeneration Strategy with a particular focus on the synergistic opportunities around Havant town centre, Leigh Park centre and Hayling seafront	TBC	Yellow	Yellow	The review of the Regeneration Strategy with members concluded that the regeneration of Havant town centre should remain a priority. The project relating to Civic Plaza Car Park is being closed and a Cabinet report has been drafted to this effect. Marshall Regeneration Ltd have been commissioned to set out a project relating to the wider Civic Plaza and town centre in light of reduced resources	Yellow
	Deliver the Regeneration Programme, continuing to build on the themes established in the Regeneration Strategy	Individual projects will be taken to Cabinet for approval. The Regeneration Programme, including progress, will be reviewed every three years	Yellow	Yellow	Brockhampton disposal exchanged on 20 th December 2020 and due to complete on 11 th January 2021. This is phase 1 of the Regeneration Strategy that generates significant capital funding to take forward future phases	Yellow
	Identify, through engagement, where projects can be developed to provide direct stimuli into the local economy and community	TBC	Yellow	Yellow	Priorities agreed with members particularly around the allocation of capital funds. Programme Manager submitted resignation meaning that resources and delivery will need to be reviewed	Yellow
Economic Development	Implement the business and economic development priorities within the Covid-19 economy recovery programme	Businesses are supported with grant funding advice and support to remain operational/solvent during the Covid-19 outbreak and thriving in the long term	Green	Not reported	Team have been working with businesses across the Borough to ensure that grants are available to businesses	Green

33

The quarterly performance report is compiled by the Governance Hub using information submitted by services.

Contact

Will Jackson, Governance Manager william.jackson@havant.gov.uk

Georgie Thurlby, Project Officer (Governance) georgie.thurlby@havant.gov.uk

34

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