



Meeting	Audit and Governance Committee
Date and Time	Monday, 12th June, 2023 at 6.30 pm.
Venue	Walton Suite, Winchester Guildhall

Note: This meeting is being held in person at the location specified above. Members of the public should note that a live video feed of the meeting will be available from the council's YouTube channel ([youtube.com/WinchesterCC](https://www.youtube.com/WinchesterCC)) during the meeting.

A limited number of seats will be made available at the above named location however attendance must be notified to the council at least 3 working days before the meeting. Please note that priority will be given to those wishing to attend and address the meeting over those wishing to attend and observe.

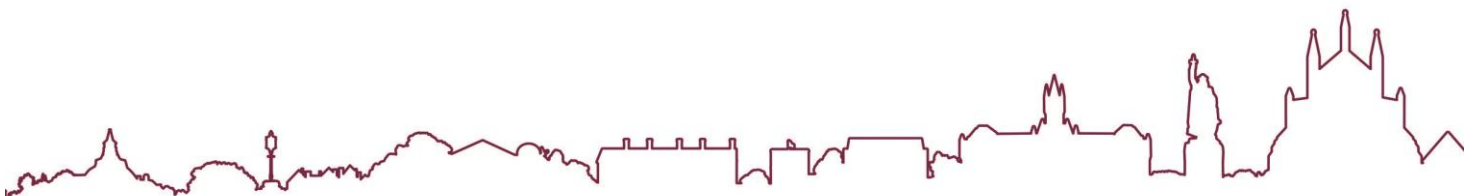
AGENDA

PROCEDURAL ITEMS

- 1. Apologies**
To record the names of apologies given.
- 2. Disclosure of Interests**
To receive any disclosure of interests from Members and Officers in matters to be discussed.
Note: Councillors are reminded of their obligations to declare disclosable pecuniary interests, personal and/or prejudicial interests in accordance with legislation and the Council's Code of Conduct.
- 3. Appointment of Vice-Chairperson for the 2023/24 municipal year**
- 4. Chairperson's announcements**

BUSINESS ITEMS

- 5. Minutes of the previous meeting held on 2 March 2023 (Pages 5 - 10)**



6. **Public Participation**

– To receive and note questions asked and statements made from members of the public on matters which fall within the remit of the Committee..

NB members of the public are required to register with Democratic Services three clear working days before the meeting (see below for further details).

Members of the public and visiting councillors may speak at this Committee, provided they have registered to speak three working days in advance. Please contact Democratic Services **by 5pm on 6 June 2023** via democracy@winchester.gov.uk or (01962) 848 264 to register to speak and for further details.

7. **Audit & Governance Committee Work Programme 2023/24 (Pages 11 - 16)**
(AG106)
8. **Auditors annual report 21/22 (Pages 17 - 48)**
(AG108)
9. **Annual Governance Statement 2022/23 (Pages 49 - 64)**
(AG105)
10. **Q4 Governance Monitoring (Pages 65 - 102)**
(AG104)

Laura Taylor
Chief Executive

All of the Council's publicly available agendas, reports and minutes are available to view and download from the Council's [Website](#) and are also open to inspection at the offices of the council. As part of our drive to minimise our use of paper we do not provide paper copies of the full agenda pack at meetings. We do however, provide a number of copies of the agenda front sheet at the meeting which contains the QR Code opposite. Scanning this code enables members of the public to easily access all of the meeting papers on their own electronic device. Please hold your device's camera or QR code App over the QR Code so that it's clearly visible within your screen and you will be redirected to the agenda pack.



2 June 2023

Agenda Contact: Nancy Graham, Senior Democratic Services Officer
Tel: 01962 848 235 email: ngraham@winchester.gov.uk

**With the exception of exempt items, Agenda, reports and previous minutes are available on the Council's Website www.winchester.gov.uk*

MEMBERSHIP

Chairperson:

Power (Liberal Democrats)

Vice-Chairperson:

Conservatives

Godfrey
Miller

Liberal Democrats

Achwal
Chamberlain
Gordon-Smith

Deputy Members

Bolton and Cunningham

Eve and Wise

Quorum = 3 members

TERMS OF REFERENCE

Audit and Governance Committee – Included within the Council's Constitution (Part 2, Article 9)

PUBLIC PARTICIPATION

A public question and comment session is available at 6.30pm for a 15 minute period. There are few limitations on the questions you can ask. These relate to current applications, personal cases and confidential matters. Please contact Democratic Services on 01962 848 264 in advance of the meeting for further details. If there are no members of the public present at 6.30pm who wish to ask questions or make statements, then the meeting will commence.

NB members of the public are required to register with Democratic Services three clear working days before the meeting (see below for further details).

FILMING AND BROADCAST NOTIFICATION

This meeting will be recorded and broadcast live on the Council's website. The meeting may also be recorded and broadcast by the press and members of the public – please see the Access to Information Procedure Rules within the Council's Constitution for further information, which is available to view on the [Council's website](#). Please note that the video recording is subtitled but you may have to enable your device to see them (advice on how to do this is on the meeting page).

DISABLED ACCESS:

Disabled access is normally available, but please phone Democratic Services on 01962 848 264 or email democracy@winchester.gov.uk to ensure that the necessary arrangements are in place.

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AUDIT AND GOVERNANCE COMMITTEE

Thursday, 2 March 2023

Attendance:

Councillors
Cutler (Chairperson)

Craske
Achwal
Bolton

Laming
Miller

Apologies for Absence:

Councillors Batho and Godfrey

Deputy Members:

Councillor Cunningham and Westwood

Members in attendance who spoke at the meeting

Councillors Becker (Cabinet Member for Inclusion & Engagement) and Power (Cabinet Member for Finance & Value)

Other members in attendance:

Councillor Clear

[Video recording of this meeting](#)

1. **APOLOGIES**

Apologies were received as noted above.

2. **DISCLOSURE OF INTERESTS**

Councillor Craske declared a personal (but not prejudicial) interest with regards to his employment with KPMG, who provided audit services to the Council.

3. **CHAIRPERSON'S ANNOUNCEMENTS**

Councillor Cutler announced that he had signed the 2021/22 accounts on 27 February 2023 and the council had received an unqualified opinion sign off from the external auditor on 1 March 2023. He congratulated officers for being the first local authority within Hampshire to have their 2021/22 accounts formally signed off.

4. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED:

That the minutes of the previous meeting held on 30 January 2023 be approved and adopted.

5. **PUBLIC PARTICIPATION**

At the invitation of the Chairperson, Councillor Bronk addressed the meeting at this point with comments relating to report AG096. His comments are summarised briefly below.

He emphasised that as the subject of an ongoing code of conduct complaint his comments only related to his experience of the process, rather than the nature of the specific complaint. He had experienced delays of over a year in dealing with the complaint and suggested that the committee should investigate the reasons for this delay in order to ensure similar delays did not occur in the future. He highlighted the impact of the delay on him personally and also on his ability to carry out his duties as a ward councillor. He requested that the committee take steps to ensure a permanent improvement to the timescale for dealing with complaints, including being satisfied that there were appropriate resources available. He also asked that the committee receive greater disclosure of the status of each complaint and its status together with the reasons for any delay.

6. **INTERNAL AUDIT PLAN 23/24 – 24/25 (AG101)**

Antony Harvey from the Southern Internal Audit Practice (SIAP) was present at the meeting, introduced the report and responded to members' questions thereon.

RESOLVED:

That the Internal Audit Plan for 2023-24, attached as Appendix A to the report, be approved.

7. **INTERNAL AUDIT CHARTER 23/24**
(AG100)

Antony Harvey from the Southern Internal Audit Practice (SIAP) was present at the meeting and introduced the report advising that there were no significant changes to previous years.

Mr Harvey and the Corporate Head of Finance responded to members' questions regarding the selection of internal auditors.

RESOLVED:

That the Internal Audit Charter 2023-24, attached as Appendix A to the report, be approved.

8. **PLANNING FOR AND AUDIT OF THE 22/23 ACCOUNTS**
(AG099)

Councillor Power (Cabinet Member for Finance and Value) introduced the report and confirmed that while she had every confidence in the council's finance team achieving the required deadlines, there remained uncertainties regarding the capacity of the external auditors as had been discussed at the previous meeting.

The Corporate Head of Finance advised that it was possible the government might bring forward the 2022/23 deadlines which would put additional pressure of the team.

RESOLVED:

That the report in respect of the council's Statement of Accounts for 2022/23 be noted.

9. **RISK MANAGEMENT POLICY 23/24**
(AG097)

Councillor Power (Cabinet Member for Finance and Value) introduced the report and stated that, following discussion of risk at Scrutiny Committee on 27 February 2023, report CAB3381 would be changed prior to consideration at Cabinet to clarify the meaning of the "RAG" (red, amber, green) bands in Section 6 of the Risk Management Policy.

The Service Lead – Corporate Support introduced the report and set out the main changes since the previous year, as summarised in paragraph 12.9 of the report.

The Corporate Head of Finance confirmed that the wording of section 9 of the policy would be considered further to try to aid understanding. It was also suggested that the committee consider the policy's wording in more detail at a future meeting to suggest further developments in terms of clarity and overall understanding.

RESOLVED:

That the Cabinet Member for Finance and Value have regard to the discussion of this committee on the policy in her presentation of report CAB3381 which would be considered by Cabinet at its meeting on 16 March 2023.

10. **LOCAL CODE OF CORPORATE GOVERNANCE**
(AG095)

The Senior Policy and Programme Manager introduced the report explaining it was largely unchanged since previous versions, with the exception of the inclusion of the agreed policy to review exempt reports.

In response to questions, the Strategic Director and Monitoring Officer advised that further investigations would be carried out to determine the amount of historic exempt papers and the resources required to ascertain whether they could be made public. including whether this should be from a specific date or subject specific. She highlighted that requests could also be made under existing data protection or freedom of information legislation.

RESOLVED:

That the Local Code of Corporate Governance 2023 as set out in Appendix 1 of the report be approved.

11. **GOVERNANCE QUARTERLY UPDATE 22/23 – Q3**
(AG096)

The Cabinet Member for Inclusion and Engagement introduced the report and referred to the concerns raised by Councillor Bronk earlier in the meeting. The Senior Policy and Programme Manager reported that in general, good progress had been made since the previous quarter as set out in the report.

The Strategic Director and Monitoring Officer responded to the comments made by Councillor Bronk, including highlighting the following points:

- (a) Internal resources and capacity had impacted on the delays to responding to code of conduct complaints and there were proposals in place to address this in the future.
- (b) A great deal of work had been undertaken on tackling the backlog of complaints in the recent months and it was anticipated all would be dealt with within the next few weeks.
- (c) The procedure for dealing with complaints would be examined with a view to streamlining the process.
- (d) Plans to introduce the new model code of conduct at the council and also roll out to parish councils to ensure all organisations were using the same code.
- (e) In addition, district wide training for parish councillors would be undertaken.

The Monitoring Officer also responded to members' questions, including on the following:

- (f) The sanctions available for breach of the code of conduct.
- (g) Whether there was any relationship with the "Debate not Hate" motion agreed by Council on 18 January 2023.
- (h) The process for updating the code of conduct and training, including the involvement of members.

The Chairperson suggested that he discuss further with the Monitoring Officer the scope of the work required to update the complaint process and a further report be brought to a future committee meeting.

RESOLVED:

That the content of the report and the progress against the internal audit management actions be noted and a further report on updating the complaints process be brought to a future meeting.

12. **SUMMARY REPORT OF OUTCOME OF STANDARDS INVESTIGATION AND ACTION PLAN**
(AG098)

The Strategic Director and Monitoring Officer introduced the report which set out that 12 code of conduct complaints were received relating to Denmead Parish Council, of which five breaches had been found. The investigation had found that no member or officer involved in the parish council could consider themselves beyond reproach. The report set out the 16 findings against the parish council. A letter was sent from the Monitoring Officer to Denmead Parish Council setting out the findings of the report together with an action plan for completion and agreement by the Parish Council. The letter sent to the parish council also asked that the parish council attend a further meeting of the Standards Sub-Committee to outline progress. The parish council had responded to the findings and requested further help, advice and training from the council.

In response to questions, the Monitoring Officer advised that one possible sanction available in general in these circumstances was to “name and shame” but this would be a decision for the Audit & Governance Committee to take.

RESOLVED:

That the Monitoring Officer’s report be noted and be considered during future discussion of the code of conduct process.

The meeting commenced at 6.30 pm and concluded at 8.40 pm

Chairperson

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REPORT TITLE: AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME
2023/24

12 JUNE 2023

REPORT OF CABINET MEMBERS: CLLR NEIL CUTLER, CABINET MEMBER FOR
FINANCE AND PERFORMANCE AND CLLR KATHLEEN BECKER, CABINET
MEMBER FOR COMMUNITY AND ENGAGEMENT

Contact Officer: Sharon Evans/Liz Keys Email sevans@winchester.gov.uk /
lkeys@winchester.gov.uk

WARD(S): ALL

PURPOSE

This report sets out the work programme for the Committee for the 2023/24 municipal year.

RECOMMENDATIONS:

That the Audit and Governance Committee Work Programme for 2023/24 be approved.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

- 1.1 The setting of a work programme for the Committee for the coming municipal year supports the Council's approach to delivering efficient services.

2 FINANCIAL IMPLICATIONS

- 2.1 There are no financial implications arising from this report.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None.

4 WORKFORCE IMPLICATIONS

- 4.1 None.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None.

6 CONSULTATION AND COMMUNICATION

- 6.1 The Head of the Southern Internal Audit Partnership has been consulted on the proposed work programme as set out in Appendix 1.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 Not applicable.

8 PUBLIC SECTOR EQUALITY DUTY

- 8.1 The work programme for the Committee will take notice of recommendations by the newly formed Equality, Diversity and Inclusion Members' Forum and be updated to include reports arising from the identification of equality issues that impact on the town area.

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
Financial Exposure	n/a	n/a
Exposure to challenge	n/a	n/a
Innovation	n/a	n/a
Reputation	Ensure that the	Provides the evidence

	Committee is undertaking its role and fulfilling its responsibilities and function	that demonstrates that the Committee is carrying out its duties and responsibilities in an open and transparent way.
Achievement of outcome		
Property	n/a	n/a
Community Support	n/a	n/a
Timescales	n/a	Having a clear work programme allows the Committee to ensure that it and the Council meets its responsibilities in a timely manner (e.g. approval and publication of the accounts within statutory deadlines.
Project capacity	n/a	n/a
Other	n/a	n/a

11 SUPPORTING INFORMATION:

- 11.1 The Appendix to this Report sets out the work programme for the coming municipal year for the Audit and Governance Committee.
- 11.2 The programme includes a forward look at the reports that will be presented to the Committee during the coming year supporting its purpose of providing independent assurance to members of the adequacy of the internal control environment and risk management framework.

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 None.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

None.

Other Background Documents:-

None.

APPENDICES:

Appendix 1 – Audit and Governance work programme 23/24

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WINCHESTER CITY COUNCIL – AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME – UPCOMING ITEMS

	Item	Lead Officer	Date of Meeting
1	Q4 Governance Monitoring	Simon Howson	12 Jun 2023
2	Annual Governance Statement 22/23	Sharon Evans	12 Jun 2023
3	Auditors annual report 21/22	Liz Keys	12 Jun 2023
4	Q1 Governance Monitoring 23/24	Simon Howson	20 Jul 2023
5	Annual internal audit report & opinion 22/23	Liz Keys	20 Jul 2023
6	Certification of claims & returns annual report 2022/23	Liz Keys	20 Jul 2023
7	External audit plan 22/23	Liz Keys	20 Jul 2023
8	Treasury Management outturn 22/23	Liz Keys	20 Jul 2023
9	Draft Annual Financial report 22/23	Liz Keys	20 Jul 2023
10	Workforce plan 22-23	Robert O'Reilly	20 Jul 2023
11	Certification of Claims and Returns Annual Report 2022/23	Terri Horner	20 Jul 2023
12	Monitoring Officer's annual report 22/23	Sharon Evans	9 Nov 2023
13	Annual review of EDI Forum work	Simon Howson	9 Nov 2023
14	Audit results report for year ending 22/23	Liz Keys	9 Nov 2023
15	Annual financial report 22/23	Liz Keys	9 Nov 2023
16	Treasury management mid-year 23/24	Liz Keys	9 Nov 2023
17	Q2 Governance Monitoring 23/24	Simon Howson	9 Nov 2023
18	Constitution review	Sharon Evans	9 Nov 2023
19	Auditor annual report 22/23	Liz Keys	29 Feb 2024
20	Internal audit plan 24/25	Liz Keys	29 Feb 2024
21	Internal audit charter 24/25	Liz Keys	29 Feb 2024
22	Planning for and audit of the 23/24 accounts	Liz Keys	29 Feb 2024
23	Local Code of Corporate Governance	Simon Howson	29 Feb 2024
24	Risk Management Policy 24/25	Amy Tranah	29 Feb 2024
25	Q3 governance monitoring 23/24	Simon Howson	29 Feb 2024

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REPORT TITLE: AUDITOR'S ANNUAL REPORT 2021/22

12 JUNE 2023

REPORT OF CABINET MEMBER: Cllr Cutler – Deputy Leader and Cabinet Member for Finance and Performance

Contact Officer: Liz Keys Tel No: 01962 848226 Email Lkeys@winchester.gov.uk

WARD(S): ALL

PURPOSE

The purpose of the Auditor's Annual Report is to communicate the key issues arising from the external auditor's work to all councillors and external stakeholders, including members of the public.

The council's external auditor EY, has now presented their Auditor's Annual Report for 2021/22, which is appended to this report. It confirms that the auditor was able to give an unqualified audit opinion on the financial statements and that the council has put in place proper arrangements to secure value for money in the use of resources. It also details the proposed fees for the audit.

The receipt of the Auditor's Annual Report marks the conclusion of the external audit work in relation to the 2021/22 financial year. The letter has been discussed with officers and is published on the council's website.

RECOMMENDATIONS:

1. That the Committee:
 - i. Takes the opportunity to discuss the contents of the Annual Audit Letter 2021/22 and raises any issues with the External Auditors; and
 - ii. Confirms its acceptance of the Annual Audit Letter 2021/22.

APPENDICES:

Appendix 1 – Annual Audit Letter for the year ended 31 March 2022.

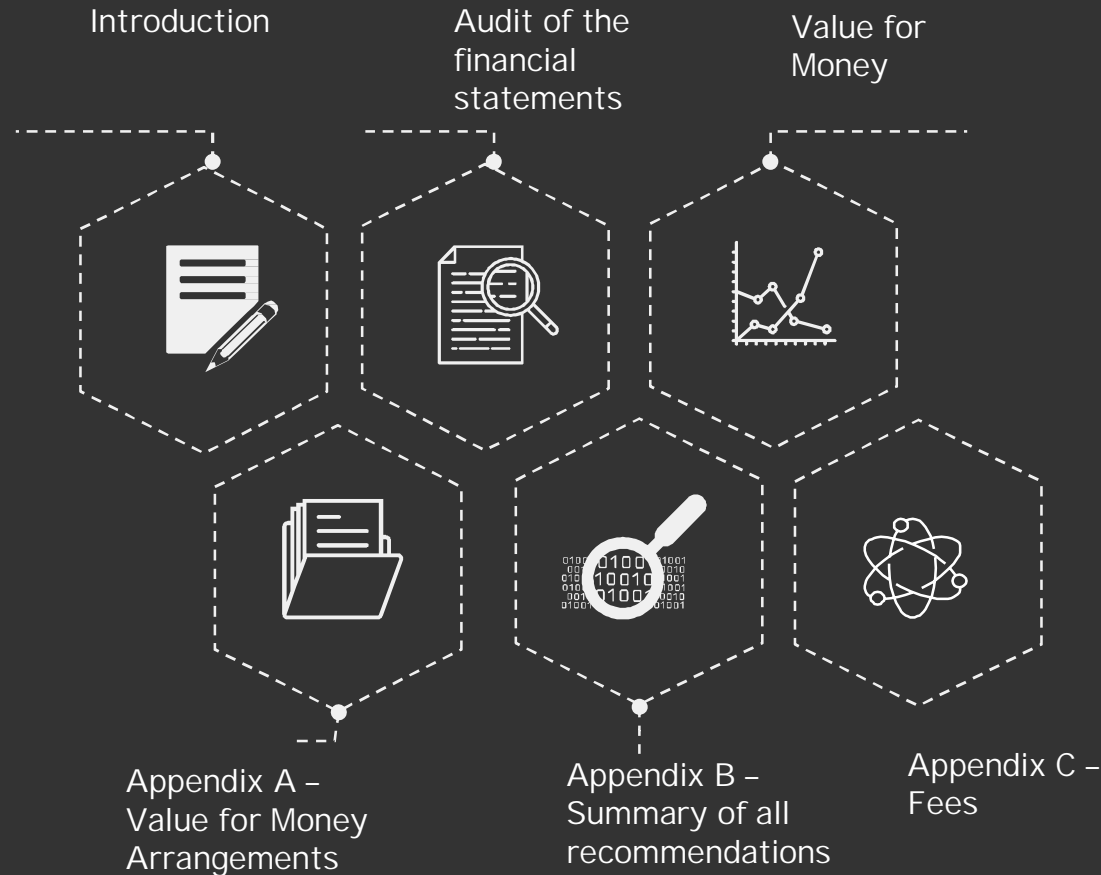
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Winchester City Council Auditor's Annual Report

Year ended 31 March 2022

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit & Governance Committee and management of Winchester City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit & Governance Committee and management of Winchester City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit & Governance Committee and management of Winchester City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



Introduction

Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Council, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2021/22 audit work in accordance with the Audit Plan that we issued on 11 July 2022. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements;

Conclusions relating to going concern; and

The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Council:

The Council is responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Introduction (continued)

2021/22 Conclusions

Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2022 and of its expenditure and income for the year then ended. We issued our auditor’s report on 28 February 2023.
Going concern	We have concluded that the Chief Financial Officer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statement	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
Value for money (VFM)	We had no matters to report by exception on the Council’s VFM arrangements. We have included our VFM commentary in Section 03.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of government accounts	We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission.
Certificate	We will be able to issue our certificate once the NAO have confirmed whether there are any additional group audit procedures required as part of the Whole of Government Accounts submission.



Audit of the financial statements

Key findings

The Narrative Statement and Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

On 28 February 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 30 January 2023 Audit & Governance Committee meeting. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan. We reported 2 areas for improvement in the control environment in the Audit Results Report.

Significant risk

Conclusion

Risk of fraud in revenue and expenditure recognition - inappropriate capitalisation of revenue expenditure

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.

From our risk assessment, we have assessed that the risk manifests itself through the potential to inappropriately capitalise revenue expenditure to improve the financial position of the general fund.

We have not identified any material weaknesses in controls or evidence of material management override. We tested a sample of PPE additions and confirmed they met the capitalisation requirements under IAS16. We tested a sample of REFCUS items and confirmed they were appropriately classified. We have not identified any instances of inappropriate judgements being applied.

Misstatements due to fraud or error - management override of controls

Our work did not identify any material weaknesses in the design of controls or evidence of material misstatements, whether due to fraud or error, related to the inappropriate capitalisation of revenue expenditure. Our work did not identify any instances of inappropriate judgements being applied.

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

We have not identified any unusual or unsupported journals, or other adjustments made in preparing the financial statements.



Audit of the financial statements

Significant risk

Conclusion

Valuation of Land and Buildings (FV/EUV) and Investment Properties

Property, Plant and Equipment land and buildings (L&B) measured at Fair Value or Existing Use Value (EUV) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Material judgemental inputs and estimation techniques are required to calculate the year-end L&B and IP balances held in the balance sheet.

As the Council's asset base is significant, and the outputs from the valuers are subject to estimation, there is a higher risk that L&B and IP may be misstated or the associated accounting entries incorrectly posted. We are required to undertake procedures on the use of experts and assumptions underlying fair value estimates.

We identified 3 misstatements following the work of our specialist EY Real Estates, who we engaged to test a sample of 4 key assets. They challenged the valuation of some assets as follows:

- Former Antiques Market (Kings Walk) - the condition of the asset is considered to be worse than the valuer has recorded
- Winchester Sport and Leisure Park – the valuation approach did not take into consideration the actual build cost, which due to the recency of construction was considered to be a useful indicator of depreciated replacement cost
- Surplus Asset – The original valuation overstated the site area, incorporating other assets already included in the fixed asset register. The valuation also did not factor in a discount for planning risk.

Our local team testing identified 1 misstatement in relation to the Investment Property 48-50 High Street (Lloyds). The valuation was overstated due to a double counting of the rent in the calculation.

The cycle of valuations was appropriate and we did not identify any material misstatements for assets not revalued.

We consider the useful economic lives of the assets to be reasonable and all accounting entries have been correctly processed in the financial statements.

We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2021/22.

Page 25
Our VFM commentary highlights relevant issues for the Council and the wider public.

We have no matters to report by exception in the audit report.

Scope

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the 30 January 2023 Audit & Governance Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Council committee reports, meetings with the Chief Financial Officer and evaluation of associated documentation through our regular engagement with Council management and the finance team.

Reporting

We completed our risk assessment procedures on 30 January 2023 and did not identify any significant weaknesses in the Council's VFM arrangements. We have also not identified any significant risks during the course of our audit. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our commentary for 2021/22 is set out over pages 8 to 10. The commentary on these pages summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see below) throughout 2021/22. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Auditor's Annual Report and have been updated for 2021/22.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

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

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

Winchester City Council have managed financial pressures, including from Covid-19, and more recently increases in energy and contract inflation. These pressures are not unique to the Council and are affecting all Local Government bodies.

The Council have delivered surpluses for several years, allowing them to build additional reserves in preparation for potential future deficits, such as due to inflationary pressures. Earmarked reserves have grown to £38m at 31/3/22 (£34m at 31/3/21). The Council has a policy of setting a minimum General Fund Reserve at £2m as per the risk register (currently maintained at £2.8m).

Budgeting at the Council is prudent to help provide a factor of safety against unexpected risks. An example of this was the budgeting for income recovery post Covid-19, where there was a positive variance against budget as the recovery was better than expected.

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The Council also plan ahead through their Medium Term Financial Strategy, which has identified future budget shortfalls to be offset through the Strategic Service Review process (Transformation challenge 2025 (TC2025) programme). This programme aims to identify options for reducing net operating costs by £3m by March 2025. The Council have previously stated that more commercial ventures have not created the gains expected and therefore have not been considered as a short term solution to funding gaps. The option to not implement savings proposals and to rely on reserves to meet projected shortfalls has also been considered but ultimately not recommended to Cabinet. The uncertainty regarding future funding makes it essential to retain a reasonable level of operational reserves. This is particularly important when the existing commitments from these reserves are recognised and their importance in supporting the capital programme.

The Council have progressed with the strategy of creating a Housing Company to support the new build programme, and has sought external legal and business planning advice to ensure the Council has the most appropriate and effective solution and that any developments are only undertaken if they are financially viable.

The Council has borrowings of £167m, but this is solely from the PWLB (part of the UK Treasury) and relates solely to Housing Revenue Account. There is no other external borrowing. This level of borrowing is not considered unusual for a body of Winchester's size.

The Council have also not pursued riskier commercial ventures. There are £69.3m of investment properties of which £23.8m are retail properties which are considered to be a higher risk with current downward trends in this sector. However, we do not consider the investments to be unusual for a Local Government Body and not indicative of a higher risk profile.

For future years the general fund budget has been set using a council tax increase of 2.7% for 22/23 and other assumptions we consider reasonable, and then more recently 2.65% for the 23/24 financial year.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



Value for Money (continued)

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

Primary oversight in relation to making decisions and managing risk lies with the Council's Cabinet or Full Council in accordance with the Council's constitution. Cabinet are supported by several other committees, who are informed by detailed reports produced by officers. There is an established Scrutiny Committee and Audit & Governance Committee which is the body formally charged with governance at the Council. The role of the Scrutiny Committee is to hold the Cabinet to account, review decisions made or actions taken in connection with the discharge of any of the Council's functions (including executive functions), and to monitor performance of the Council. The Audit & Governance Committee combines both audit functions, for example considering the work of both internal and external audit and the adequacy of risk management arrangements, and governance functions, for example promoting and maintaining high standards of conduct by Councillors and any co-opted members, and assisting the Councillors and co-opted members to observe the Members' Code of Conduct.

The budget is reviewed by the Scrutiny Committee and then the Audit and Governance Committee before being put forward for Cabinet approval. While the budget scrutiny comes from top down, there is also a bottom up approach, with meetings held with managers where they make changes to the starting budget as they see appropriate, based on their knowledge and forecasts.

In order to make informed decisions with the latest information, the budget is reviewed quarterly, and where significant changes are identified in year, the budget is updated. An example of this process in action relates to the 22/23 budget, where the negative impacts of Covid-19 on income was revised following better than expected performance in areas such as car parks in 21/22. Therefore the reduction compared to pre-pandemic levels was reduced from 10% to 7%.

There is a requirement to monitor expenditure against budget allocations and report to the Cabinet on the overall position on a regular basis, as part of the Council's overall financial and performance management reporting process. The Council's financial performance (revenue and capital), savings delivery and business performance are formally reported quarterly through a Performance Monitor

The Council have a risk register that is regularly kept up to date to ensure risks are identified and mitigations are put in place to ensure the risks to the Council are reduced to an acceptable level. The Corporate Risk Register is managed by the Council's Executive Leadership Board (ELB) with an owner from the ELB assigned to each risk to ensure risk monitoring and actions are being implemented. There are a number of 'red' risks within the risk register for 2021/22 which we considered as part of our value for money risk assessment. These are risks that we would expect to see for the Council and are not an indication of a weakness in governance arrangements.

The Council have an Internal Audit function which tests whether the controls in place to manage risk are effective. During 2021/22, Internal Audit have issued an overall opinion of "reasonable" assurance, with 1 limited assurance finding in relation to the documentation, monitoring and policies for Disabled Facilities Grants (DFGs). This was appropriately recorded in the Annual Governance Statement, with action items recorded for completion in 22/23. We have reviewed the follow up work completed by Internal Audit on DFGs and confirmed that all actions had been either completed or were nearing completion in early 2023.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to make informed decisions and properly manage its risks.



Value for Money (continued)

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

The Council produces a report of its Strategic Key Performance Indicators within their Quarterly Performance Reports. These KPIs are linked back to the key priorities within the Corporate Plan. The scorecard is used to flag areas of required improvement, devise actions to address any weakness identified and monitor progress. KPIs are given RAG ratings to clearly identify those items that are underperforming, or perhaps require closer monitoring.

The Council produces certain documents throughout the year which give the stakeholders, i.e. the public, employees etc an understanding of how the Council is performing, i.e. budget reports.

The Scrutiny Committee and Cabinet are responsible for considering reported performance against the KPIs and ensuring effective and efficient mitigating actions are taken to ensure targets set are being met. In order to give the performance reports detailed attention, the Scrutiny Committee have set up a Performance Panel to scrutinise the quarterly performance and financial monitoring reports on behalf of the Committee.

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There is a 'Transparency' section on the Council website, which gives the public the ability to review the Council expenditure, enabling the Council to be open to scrutiny. Winchester City Council purchases goods and services from a variety of suppliers. Details of procurements are documented on the Council website, which includes details on the terms and conditions and general procurement process. The Council also has a contracts management framework to ensure contracts are delivering best value and to foster long-term collaborative relationships with suppliers that strive for continuous improvement in service delivery and efficiencies.

The Internal Audit function tests whether the controls in place are effective. There are regular committee meetings to discuss the Council performance, and any issues can be raised here.

The Council are utilising the information above as part of its Transformation challenge 2025 (TC2025) programme in order to reduce £3m of baseline costs in the medium term.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Appendices

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Building a better
working world

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

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

Findings

WCC has various methods in place to ensure it can identify financial pressures, including keeping updated budget reports, to ensure the Council is on plan to meet budget requirements. The Council has a Narrative Statement which shows the annual comparison between budgeted and actual I&E, which assists in showing whether there are financial pressures.

A going concern note is also prepared within the accounts, which details levels of cash and reserves which are currently strong in spite of Covid-19 and inflationary pressures.

Regular meetings are held, and minutes are available on the Council's website showing this, and any financial issues would be discussed here. A risk register is kept and updated, and one example from the risk register is Lack of sufficient funding and/or escalating costs over the medium term reducing financial viability and inability to achieve a balanced budget, and the potential impact this could have on Council Tax payers and services that are provided.

There are ongoing financial pressures in the local government sector, which has resulted in several councils making significant commercial investments using cheap borrowing through the 'Public Works Loan Board' (PWLB). PWLB is part of the UK treasury and makes loans to local authority at 80BPS above the equivalent UK government Gilt rate. PWLB is also a non-discretionary lender. There is therefore no limit the amount a local government body can borrow, risk premium attached to the level of borrowing, or covenants attached to the borrowing.

For Winchester, they have used PWLB Borrowing almost entirely for HRA self-financing (£156m of the £166m). A recent additional £10m was also for the HRA. The General Fund currently has no external/PWLB borrowing. As at 31/3/22 borrowing (all PWLB) stands at:

- Short term borrowing - £5.1m
- Long term borrowing - £161.7m

The Council has developed a reasonable portfolio of investment properties, and made some investments in order to generate a return on cash at greater levels than current bank rates. However, they have not pursued investments in riskier commercial ventures.

Appendix A – Summary of arrangements

Financial Sustainability (Continued)

Reporting Sub-Criteria

Findings

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

The long term assets of the Council, which reflect its more commercial activity were as follows at 31/3/22:

Significant account	Balance	Description of asset
Investment property	£69.3m	The council hold a significant portfolio of investment property, although the most significant of these are garages that have been transferred over from the HRA. The investment properties that would be considered the higher risk would be retail assets which stands at: <ul style="list-style-type: none"> Retail - £23.8m
Long term investment	£6.5m	£6.3m relates to investment in the CCLA pooled property fund
Short term Investment	£21.1m	All ST investments held as bonds or short term fixed interest deposits with either banks or other Local Authorities

We do not consider the above investments to be unusual for a Local Government Body and not indicative of a higher risk profile. There was a significant uplift in the amount of short term investments in 21/22 due to an increase in grant funding close to year end, which are being held in investments on a short term basis to generate a greater rate of return while waiting to be allocated as expenditure.

Although some of its commercial activity such as retail property investments have reduced its level of income due to general market trends, as well as additional Covid-19 pressures, this has been factored into the Council's budget and MTFP.

The budget for 21/22 and the Medium Term Financial Plan for 22/23 onwards incorporated Covid-19 pressures and factored in Central Government's C-19 grants which have helped to alleviate the pressures on the Council. During 21/22 the Council outperformed its original budget in part due to Covid-19 impacts not being as severe as initially budgeted, with overall income 14% below previous budgets rather than the 20% forecasted. For 22/23 the impact of the one year spending review was added into the budget, with a further one year of New Homes Bonus allowing for £1.3m of "one off" proposals to support the delivery of the Council Plan to be funded from this allocation. The 2022/23 budget was balanced with a £0.3m deficit forecast for 2023/24 to be covered by the existing Transitional Reserve. However, it was noted significant uncertainty remains in relation to future funding of local government and projections indicate the potential for longer term deficits, subject to Government funding announcements.

Appendix A – Summary of arrangements

Financial Sustainability (Continued)

Reporting Sub-Criteria

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

Findings

The Council have not flagged a material uncertainty in the going concern basis of preparation disclosure in its financial statements around its ability to continue providing the current level of services, this has been supported within the Going Concern note itself as well as their submitted cashflow forecast to March 2023, both of which we have reviewed and agreed as reasonable at Canvas Step Determine appropriateness of going concern basis of accounting.

For general assumptions underpinning the annual budget and MTFP:

- Income reduction of 7% for 22/23 due to Covid-19, returning to normal levels in 24/25
- Pay inflation is captured in the MTFP/Budget at 2% for current year and future years. This is for staff related inflationary adjustments, such as pay awards, living wage, NI, Pension etc.
- Increase to fees and charges averaging 3%
- Contract inflation is also captured at 4% in 22/23 and sliding scale back to 2% over 3 years.
- This is offset somewhat by an annual 2.7% increase in Council Tax, as well as a 1.2% increase in the Council Tax base.
- All budget surpluses to be transferred to major investment reserve (subsequently updated that £2m a separate reserve to mitigate against the significant increase in inflation and energy costs since the 2022/23 budget was approved)

For Interest Rates and Investments and Borrowing the Council has a Treasury Management strategy. Monitoring of Treasury performance is also performed. The management strategy confirms the changes to the PWLB lending criteria which precludes a local authority from borrowing from PWLB for any purpose if it plans to purchase assets primarily for yield, but the Borrowing Strategy (section 15) confirms the Council has no such plans.

The Council also has a risk management policy which includes a risk register, which includes documenting financing pressures. Lack of funding is noted in the risk register item CR007, but current controls including 1 year funding settlement from central govt., quarterly finance monitoring and maintain the General Fund at a consistent level are noted to keep this risk below a Red rating.

Appendix A – Summary of arrangements

Financial Sustainability (Continued)

Reporting Sub-Criteria

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

Findings

WCC has various methods in place to ensure it can identify financial pressures, including keeping updated budget reports, to ensure the Council is on plan to meet budget requirements. The Council has a Narrative Statement which shows the annual comparison between budgeted and actual I&E, which assists in showing whether there are financial pressures.

A going concern note is also prepared within the accounts, which details levels of cash and reserves which are currently strong in spite of Covid-19 pressures.

Regular meetings are held, and minutes are available on the Council's website showing this, and any financial issues would be discussed here. A risk register is kept and updated, and one example from the risk register is Lack of sufficient funding and/or escalating costs over the medium term reducing financial viability and inability to achieve a balanced budget, and the potential impact this could have on Council Tax payers and services that are provided.

There are ongoing financial pressures in the local government sector, which has resulted in several councils making significant commercial investments using cheap borrowing through the 'Public Works Loan Board' (PWLB). PWLB is part of the UK treasury and makes loans to local authority at 80BPS above the equivalent UK government Gilt rate. PWLB is also a non-discretionary lender. There is therefore no limit the amount a local government body can borrow, risk premium attached to the level of borrowing, or covenants attached to the borrowing.

For Winchester, they have used PWLB Borrowing almost entirely for HRA self-financing (£156m of the £166m). A recent additional £10m was also for the HRA. The General Fund currently has no external/PWLB borrowing. As at 31/3/22 borrowing (all PWLB) stands at:

- Short term borrowing - £5.1m
- Long term borrowing - £161.7m

The Council has developed a reasonable portfolio of investment properties, and made some investments in order to generate a return on cash at greater levels than current bank rates. However, they have not pursued investments in riskier commercial ventures.

The long term assets of the Council, which reflect its more commercial activity were as follows at 31/3/22:

Appendix A – Summary of arrangements

Financial Sustainability (Continued)

Reporting Sub-Criteria

Findings

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

The Council has a policy of setting a minimum General Fund Reserve at £2m as per the risk register (currently maintained at £2.8m. There are also a number of earmarked reserves with a total balance of £33.9m (at 31/3/22) to meet specific liabilities when they fall due.

The Council set a balanced budget for 21/22 and more recently for 22/23. At year end 21/22 the Council performed better than expected against budget due to the positive recovery of parking income, higher than budgeted garden waste income, a number of additional grants received to support expenditure and higher than forecast collection of business rates. £2m of the surplus has been designated to “Exceptional Inflation Pressures” reserve with the remainder to the Major Investment reserve.

As noted in sub criteria 1, the budget has been balanced. In future years, there are additional budget shortfalls which are expected to be mitigated through the Strategic Service Review process Strategic Service Review process (Transformation challenge 2025 (TC2025) programme). This programme aims to identify options for reducing net operating costs by £3m by March 2025. The strategic service review is expected to take place by July 2023. It is noted that the Council have previously stated that more commercial ventures have not created the gains expected and therefore are not considered to be a viable short term solution to funding gaps, as well as making reference to the changes to the PWLB restrictions on lending. The Council have progressed with the idea of creating a Housing Company to support the new build programme, and has sought external legal and business planning advice to ensure the Council has the most appropriate and effective solution and that any developments are only undertaken if they are financially viable.

The option to not implement savings proposals and to rely on reserves to meet projected shortfalls has been considered but ultimately not recommended to Cabinet. The uncertainty regarding future funding makes it essential to retain a reasonable level of operational reserves. This is particularly important when the existing commitments from these reserves are recognised and their importance in supporting the capital programme.

Appendix A – Summary of arrangements

Financial Sustainability (Continued)

Reporting Sub-Criteria	Findings
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The annual budget and MTFP sit alongside and facilitate the Council’s Corporate Plan for 2020-25. The Council Plan was developed collaboratively with elected members, staff, partners and other stakeholders to prioritise the most important areas the Council needs to focus on in the future. This is done for the Council’s limited resources to be spent on the areas where it is needed most. It considered in parallel with the budget. As it is aligned to the budget and MTFP, it is intended to act as the framework in which investment decisions can be made based on agreed priorities and the outcomes the Council wants to achieve.</p> <p>The Council’s overriding objective is to provide services to residents in the area. The corporate plan details the overall vision of WCC, with its main priorities being:</p> <ul style="list-style-type: none"> • Tackling the climate emergency and creating a greener district • Homes for all • Vibrant local economy • Living well • Your services. Your voice <p>The process of preparing the budget begins with using approved MTFP and updating with more detailed information as this becomes known. The financial and delivery performance against the Corporate plan priorities is performed quarterly. This document also provides monitoring of the overall financial performance against budget, Capital spend and project management reports. Where this performance information suggests a financial impact this is reflected within the proposed budget.</p>
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	<p>Also see the commentary against sub-criteria 1. above for how the MTFP and budget is derived. This information is incorporated into other reports such as HRA budget and business plans. This budget includes details of the HRA capital programme, with increases of £41m to help build new homes. This also fits in the with Corporate plan priority of Homes for All. The Capital Strategy is published over a 10 year period in order to allow this to be factored into the MTFP.</p>
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>The Council has regularly reviews and monitors potential risks to financial resilience. We consider there to be no specific risks to WCC that are outside the normal risks faced by all local government bodies. The main risks to the Council’s financial resilience are driven by:</p> <ul style="list-style-type: none"> • Reduced Government funding • Macro economy, including war in Ukraine, leading to higher energy prices and high inflation • Reliance on strategic partners to deliver services and projects and inflationary pressures incorporated into contract prices • Failure to achieve income targets

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

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

Findings

The Council has sought to develop systems to identify, evaluate and mitigate risks which threaten its Council's ability to meet its objectives to deliver services to the public. To ensure that risks are appropriately mitigated, a Risk Register has been developed. These risks are regularly reviewed by WCC.

This details the risks facing the Council and the impact on critical services. The Corporate Risk Register is managed by the Council's Executive Leadership Board (ELB) and updated for newly stated risks and ongoing matters on a regular basis. Risk owners for corporate risks are generally a member of ELB. This risk register is included with the Risk Management Policy and formally agreed by Cabinet. Audit and Governance Committee reviews the risks and policy to make comments to cabinet on the efficacy of the arrangements for managing risk at the council. The Council operates a "Three line of defence" model in order to identify and manage risks, as follows:

First line of defence:

As the first line of defence, Service Lead or service managers own and manage risks within their service area. They are also responsible for implementing appropriate corrective action to address, process and control weaknesses.

Service Leads are also responsible for maintaining effective internal controls and managing risk on a day to day basis. They identify, assess, control and manage risks ensuring that their services are delivered in accordance with the council's aims and objectives.

Second line of defence:

The second line of defence relates to the strategic direction, policies and procedures provided by the council's oversight functions (e.g. Finance, Legal Services, Procurement and HR). These teams are responsible for designing policies, setting direction, ensuring compliance and providing assurance. Included within the Anti-Fraud and Corruption Policy is the council's Whistleblowing Policy which encourages staff to report concerns which may expose the council to risk.

Third line of defence:

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

The aim of internal audit's work programme is to provide 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. Such risks are identified through senior management liaison and internal audits own assessment of risk. External audit, inspectors and regulators also provide assurance on the management of risk and delivery of objectives.

Appendix A – Summary of arrangements (continued)

Governance (Continued)

Reporting Sub-Criteria

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

Findings

We have reviewed the risk register for March 2022 as taken to Cabinet. The key risks (red rated) identified in the risk register relate to the response to the climate emergency (e.g. moving to carbon neutral by 2024). A new risk added in this latest register also related to climate change and was amber rated, identifying a risk of lack of preparedness and incapability to respond to events caused by climate change, particularly in regards to flooding. Risk areas within the remit of our VfM work, including effective partnership working, financial viability, business continuity and cyber security are all considered to be medium risks due to the mitigations the Council have been able to put in place, which includes the regular performance monitoring that occurs in each of these areas. Financial risks are rated as a medium risk due to the mitigation of the Council's strong levels of reserves.

The Council has an established anti-fraud and corruption strategy, anti-money laundering policy and whistle-blowing arrangements that are accessible on its website.

There is an established internal audit function, performed by the Southern Internal Audit Partnership (SIAP) and programme of work and an annual opinion on internal control is given by the Head of Internal Audit. There is also an Internal Audit Charter which describes the purpose, authority and responsibility of internal audit activity. The Head of Internal Audit opinion for 2021/22 is as follows:

Annual Internal Audit Opinion 2021-22

I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the internal control environment.

In my opinion frameworks of governance, risk management and management control are **reasonable** and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

Appendix A – Summary of arrangements (continued)

Governance (Continued)

Reporting Sub-Criteria

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

Findings

The budget is derived both bottom-up and top-down. The original budget for 2020/21 plus any in year permanent budget approvals is rolled forward as a starting budget for 2021/22. Meetings are then held with managers where they make changes to the starting budget as they see appropriate, based on their forecasts. Changes are brought back to Finance for challenge, before scrutiny by the Scrutiny Committee and then the Audit and Governance Committee. The budget is reviewed quarterly, and where significant changes are identified in year which results in the original budget being no longer reflective of the actual conditions in year, the budget is updated. For the 22/23 budget, the negative impacts of Covid-19 on income was revised following better than expected performance in areas such as car parks in 21/22. Therefore the reduction compared to pre-pandemic levels was reduced from 10% to 7%. The budget has been monitored during 22/23 with inflationary pressures being greater than originally forecast. However, the original budget has not been fully revised, with updates being instead made through quarterly reviews.

WCC have a policy/aim of maintaining the general balance at their minimum reserve level of £2m. In addition to the general fund balance, the Council also hold a number of earmarked reserves to cover unexpected liabilities/increases in costs. For example, they hold a transitional reserve to be used to support the Council's response to the climate emergency, and their move towards being carbon neutral. The Council's aim, therefore, is to decrease the general fund balance to the minimum level whilst maintaining sufficient earmarked reserves to cover their risk exposure. During the year, they report internally on the performance of the general fund, and earmarked reserves. In the 20/21 accounts these reserves were as follows;

- General Fund: £14,569k
- Earmarked reserves: £33,902k

At 31/3/22 the Council's reserves position is as follows per the financial statements:

- General Fund: £10,040k
- Earmarked Reserves: £37,990k

Please note that in 2022/23, £7.239 million deficit will be transferred from the Collection Fund Adjustment Account to the General Fund, these resources are not therefore available funds and the General Fund is effectively at £2,801k.

A further £20,286k was also held in the Capital Receipts Reserve which is available for use to support the future capital spending of the Council.

Appendix A – Summary of arrangements (continued)

Governance (Continued)

Reporting Sub-Criteria

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

Findings

The Strategic Director (Resources), alongside the Corporate Head of Strategic Support Resources, are responsible for providing appropriate financial information to enable both the revenue budgets and the capital programme to be monitored effectively. There is a requirement to monitor expenditure against budget allocations and report to the Cabinet on the overall position on a regular basis, as part of the Council's overall financial and performance management reporting process. It is the responsibility of Strategic Directors and Heads of Service to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Finance team. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Strategic Director (Resources) to any problems.

The Council's financial performance (revenue and capital), savings delivery and business performance are formally reported quarterly through a Performance Monitor. The report combines both financial and service performance monitoring to provide a complete view of the Council's performance and includes:

- Council Plan 2020-25 progress update
- Financial update
- Strategic Key Performance Indicators
- Programme and Project Management – Tier 1 project highlight reports
- COVID-19 Council services demand data
- Notes from Performance Panel (part of the Scrutiny Committee)

As part of the process current and proposed corrective actions to address financial and performance risks are also reported.

There is also an internal audit function which provides an interim report and a year-end report to confirm that control are in place properly. We have obtained the report from internal audit at year end which reported 1 item with limited assurance, relating to Disabled Facilities Grants. Internal audit provided the following detail as to why limited assurance was given:

The audit assessed the governance framework to ensure Disabled Facilities Grants are awarded appropriately, in line with legislation. The audit found examples of missing and incomplete documentation; out of data policies and procedures; an absence of performance monitoring; and opportunities to improve financial controls.

Appendix A – Summary of arrangements (continued)

Governance (Continued)

Reporting Sub-Criteria

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed
(Continued)

Findings

While we test REFCUS items which include funding from DFG as part of our substantive testing, we confirm the details of the expenditure relate to the right period and are appropriate to class as REFCUS. No issues were identified as part of our substantive testing. The total value for DFG related capital grants and contributions in 21/22 was £1,231k, with future capital commitments of £369k. As part of their procedures to rectify the issues identified, the Council have recorded the following in the Annual Governance Statement.

3. Disabled Facilities Grants – ensuring the operational procedures and policy meet statutory requirements and roles and responsibilities clearly defined	List of approved contractors updated in consultation with Hampshire County Council	Private Sector Housing Senior Officer	July 2022	Updated contractors list
	Review and update Disabled Facilities Grants Policy and operational procedures	Private Sector Housing Senior Officer	September 2022	Revised Policy adopted
	Embed updated policy into the operational procedures for managing disabled facility grants	Private Sector Housing Senior Officer	October 2022	Training/ workshop sessions held with Public Sector Housing Team

We reviewed the follow up report of DFG completed by Internal audit in January 2023. This confirmed that of the sixteen management actions IA put forward, thirteen of them have been fully implemented. The remaining three management actions are assessed as partially implemented pending the production of additional operational procedures.

Statutory financial reporting is prepared at year-end based on the CIPFA requirements. The annual governance statement and the narrative statement confirm that the accounts are prepared in accordance with the relevant financial CIPFA code.

Appendix A – Summary of arrangements (continued)

Governance (Continued)

Reporting Sub-Criteria

Findings

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

Decisions are taken by the committees of the Council, and are informed by detailed reports produced by officers, with key decisions on Council Policy taken by the Cabinet or Full Council in accordance with the Council's constitution. There is an established Scrutiny Committee and Audit & Governance Committee which is the body formally charged with governance at the Council. The role of the Scrutiny Committee is to hold the Cabinet to account, review decisions made or actions taken in connection with the discharge of any of the Council's functions (including executive functions), and to monitor performance of the Council. The Audit & Governance Committee combines both audit functions, for example considering the work of both internal and external audit and the adequacy of risk management arrangements, and governance functions, for example promoting and maintaining high standards of conduct by Councillors and any co-opted members, and assisting the Councillors and co-opted members to observe the Members' Code of Conduct.

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

The responsibilities and statutory requirements of all officers and members is embedded in the Constitution. All significant actions by the Council which may have legal implications either require authorisation by the Monitoring Officer or individuals specifically delegated to act on behalf of the Monitoring Officer as set out in the Council's decision-making rules. Decision makers are also required to act within the Council's Standing Orders and scheme of delegation which makes provision for legal and constitutional advice to inform such decisions. The Council's Constitution contains a number of check points at which officers are able to identify whether decisions are being taken in compliance with the prescribed rules which ensure legal compliance. The Council has also adopted a Code of Corporate Governance (the Code) which is a framework based on guidance published in April 2016 by the Chartered Institute of Public Finance Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) around 'Delivering Good Governance in Local Government'. The Code is underpinned by the 7 core principles in the CIPFA/SOLACE framework, and is comprised of policies, procedures, behaviours and values by which the authority is controlled and governed. These Code provide the structures and guidance that members and employees require in order to ensure effective governance across the Council. It also sets out the Council's expectations and arrangements in place to help ensure that the Council conducts its business in accordance with the law and proper standards. One of its objectives is to ensure and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

There is an established Employee Code of Conduct, Member Code of Conduct and Protocol for Member/Officer Relations. The Members' code of conduct is also set out in Part 5 of the Constitution. Both members and officers are also required to declare related party interests which we consider as part of our work to gain assurance over related party transactions. Member interests are publicly available on the Council's website.

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
<p>How financial and performance information has been used to assess performance to identify areas for improvement</p>	<p>The Council produces a report of its Strategic Key Performance Indicators within their Quarterly Performance Reports. These KPIs are linked back to the key priorities within the Corporate Plan. The KPIs are organised into five strategic themes: Tackling Climate Emergency; Living Well; Homes for all; Vibrant Local Economy; Your Services Your Voice. The scorecard is used to flag areas of required improvement, devise actions to address any weakness identified and monitor progress.</p> <p>The Scrutiny Committee and Cabinet are responsible for considering reported performance against the KPIs and ensuring effective and efficient mitigating actions are taken to ensure targets set are being met. In order to give the performance reports detailed attention, the Scrutiny Committee have set up a Performance Panel to scrutinise the quarterly performance and financial monitoring reports on behalf of the Committee.</p>
<p>How the body evaluates the services it provides to assess performance and identify areas for improvement</p>	<p>As set out previously in this assessment, service performance against Council priorities is considered regularly throughout the year through the Quarterly Financial Monitoring Report. Monitoring arrangements therefore present a complete picture of both business and financial performance. This enables the Council to identify services or capital programmes that are not performing as expected by reference to KPI outcomes against targets which are based on the Council's strategic priorities as per the Corporate Plan. KPIs are given RAG ratings to clearly identify those items that are underperforming, or perhaps require closer monitoring. The Council continues to monitor and review its corporate priorities and MTFP to ensure that the plan and KPI's are aligned to the changing environment.</p> <p>We have returned to the performance monitoring at year end and reviewed the Q4 performance report. There was one change between Q3 to Q4 where % of procurement spend with local suppliers – Revenue spend moved from red rated to green rated. The red rating in Q3 was due to having to use agency staff from national firms to address vacancies which reduced in Q4. Within the Project highlights section, there were no red rated items.</p> <p>At year end the Council also produce both a General Fund and HRA financial outturn report. The GF outturn confirmed a net revenue surplus of £1.6m compared to the original budget.</p>
<p>How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve</p>	<p>The Council participate in regular committee meetings which are available to the public to review, and therefore stakeholders can understand what is happening.</p> <p>The Council produces certain documents throughout the year which give the stakeholders, i.e. the public, employees etc an understanding of how the Council is performing, i.e. budget reports.</p> <p>The annual statements are also available once audited to the public, which include the narrative/governance statement, which provides transparency to the public.</p> <p>There is also a 'Transparency' section on the Council website, which gives the public the ability to review the Council expenditure, enabling the Council to be open to scrutiny.</p>

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness (Continued)

Reporting Sub-Criteria	Findings
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	<p>Winchester City Council purchases goods and services from a variety of suppliers. Details of procurements are documented at https://www.winchester.gov.uk/about/access-to-data/procurement. The website also includes details on the terms and conditions and general procurement process, seen at https://www.winchester.gov.uk/business/opportunities-to-work-with-the-council/how-we-buy-a-supplier-s-guide/procurement-guidelines-for-suppliers. WCC also has a contracts management framework to ensure contracts are delivering best value and to foster long-term collaborative relationships with suppliers that strive for continuous improvement in service delivery and efficiencies.</p> <p>All procurement processes and contract awards must comply with the Council's Contract Standing Orders (CSOs) set out in Part 4.7 of its Constitution which also set out the limited circumstances and processes that need to be followed for those requirements to be waived.</p> <p>There is an internal audit function that tests whether the controls in place are effective. There are regular committee meetings to discuss the Council performance, and any issues can be raised here.</p>

Appendix B – Summary of all recommendations

Recommendations

The table below sets out all the recommendations arising from the financial statements and value for money audits in 2021/22. All recommendations have been agreed by management.

Issue	Recommendation
Financial statements: PPE Valuation	Following the identification of a number of misstatements in PPE and IP valuations, we request that the estates team involve the Corporate Head of Asset Management as part of their check and challenge of the external valuer's valuation report. This should help identify any inputs that do not reflect the condition or other individual circumstances of the site
Financial statements: Review of Contracts	Following the prior period restatement within Property Plant and Equipment and Finance Lease Liabilities due to the Council identifying a material embedded lease, we request that contract reviews are completed in a timely manner to ensure material items such as embedded leases are included in the appropriate accounting period.
Financial statements: Related Party Transactions	Maintain an up to date register of interests. This is achieved through members and senior officers submitting their declaration of interests annually.

Appendix C – Fees

Fees

We carried out our audit of the Council’s financial statements in line with PSAA Ltd’s “Statement of Responsibilities of auditors and audited bodies” and “Terms of Appointment and further guidance (updated April 2018)”. As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks in relation to the valuation of property, plant and equipment . As a result, we have discussed an associated additional fee with the Chief Financial Officer which remains subject to approval by PSAA Ltd.

Our final proposed fees for 2021/22 are set out in the table below:

Description	Final Fee 2021/22 £	Planned Fee 2021/22 £	Final Fee 2020/21 £
Scale Fee	43,379	43,379	43,379
Scale Fee Rebasing (1)	17,153	17,153	24,114
Scale Fee Variation (2)	18,179	8,500	
Total Audit Fee – Code work	78,711	69,032	67,523

(1) As detailed in our 2020/21 Auditor’s Annual Report we have submitted a proposed rebasing of the scale fee. For 2021/22 we continue to submit the same rebasing request as previous years.

(2) The SFV includes the impact of the changes from the 2020 Code of Audit Practice, and ISA540 (revised) on Estimates which impacted on the 2021/22 audit. We have included these impacts at the lower end of the PSAAs communicated ranges.

- £6,075 for additional works required in relation to VfM as per the updated NAO Code of Audit Practise 2020, which is the lower end of PSAAs published expected range,
- £2,512 for additional works required as per the updated ISA 540 (estimates) standard, again at the lower end of PSAA’s published expected range.
- £800 for IAS 19 Protocol Assurance provided by the Hampshire Pension Fund Auditors
- £382 for HB assurance work, where we are not the reporting accountant.
- £1,021 for inclusion of PPE/IP valuations as a significant risk, outside of original scope
- £4,914 for work performed by our PPE Valuation Specialists, EY Real Estates
- £941 for work performed by our Pensions Specialists, EY Pensions Consulting
- £1,534 for work to review the portfolio heading changes and finance lease liability prior period restatement, outside of original scope

We confirm we have not undertaken any non-audit work.

Appendix C – Fees Relationships, services and related threats and safeguards

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

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity

EY provided no non-audit services to the council for the year end 31 March 2022. As at the date of this report, there are no future non-audit services which have been contracted and no written proposal to provide non-audit services has been submitted.

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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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REPORT TITLE: ANNUAL GOVERNANCE STATEMENT 2022/23

12 JUNE 2023

REPORT OF CABINET MEMBER: CLLR BECKER – CABINET MEMBER FOR
COMMUNITY AND ENGAGEMENT

Contact Officer: Sharon Evans Tel No: 01962 848 135

Email sevans@winchester.gov.uk

WARD(S): ALL

PURPOSE:

This report sets out the proposed annual governance statement for 2022/23 and the proposed actions that will be undertaken during the coming year to address the issues arising.

RECOMMENDATIONS:

1. That the Audit and Governance Committee approves the annual governance statement for 2022/23 as set out in Appendix 1 for inclusion in the Draft Annual Financial Report 2022/23.
2. That the issues arising, and proposed actions identified in Appendix 1 be noted and that progress against the actions be brought back to the Audit and Governance Committee as an appendix to the quarterly governance monitoring report.

IMPLICATIONS:

1. COUNCIL PLAN

- 1.1. The annual governance statement is a statutory document and integral to the governance framework at the council that supports the achievement of the outcomes included in the Council Plan 2020-25.

2. FINANCIAL IMPLICATIONS

- 2.1. There are no direct financial implications. Where further work is required to respond to the issues identified, any additional financial resources required to implement identified improvements will be raised separately or through the budget process.

3. LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1. The annual governance statement is a statutory document which explains the processes and procedures that are in place to enable the council to carry out its functions effectively. Local authorities in the UK are required to prepare the statement in accordance with proper practices and the council has followed the CIPFA/SOLACE Delivering Good Governance 2016 framework which is still the most current documentation in this area.
- 3.2. The necessity to conform with these regulations and the governance framework is recognised accurately in this report.
- 3.3. There are no legal and procurement implications arising directly in this report. Where further work is required to respond to the issues identified these will be subject to review by Legal Services and Procurement, and in particular will require consideration of the council's Contract Procedure Rules and Public Contracts Regulations 2015 (PCR2015) and governance where required.

4. WORKFORCE IMPLICATIONS

- 4.1. There are no direct workforce implications arising from the content of this report.

5. PROPERTY AND ASSET IMPLICATIONS

- 5.1. There are no property and asset implications arising from the content of this report.

6. CONSULTATION AND COMMUNICATION

- 6.1. Consultation on the contents of the report has been undertaken with the Executive Leadership Board (ELB).

7. ENVIRONMENTAL CONSIDERATIONS

- 7.1. There are no environmental considerations arising from the content of this report.

8. PUBLIC SECTOR EQUALITY DUTY

- 8.1. None arising from the content of the report, although officers will need to consider the council's Public Sector Equality Duty and if required complete an Equality Impact Assessment on any specific recommendations or future decisions to be made arising from the action plan.

9. DATA PROTECTION IMPACT ASSESSMENT

- 9.1. There are no data protection impact assessments required.

10. RISK MANAGEMENT

Risk	Mitigation	Opportunities
Financial Exposure - none	n/a	n/a
Exposure to challenge	The annual governance statement (AGS) is a statutory document required by the regulation of the Accounts and Audit Regulations 2015.	The annual review of the effectiveness of the system of internal control supports the council to identify and correct control weaknesses.
Innovation – none	n/a	n/a
Reputation	The preparation and publication of the AGS is a fundamental element of the council's governance framework.	Having a robust AGS and governance framework provides the assurance that the council is delivering good governance.
Achievement of outcome - none	n/a	n/a
Property - none	n/a	n/a
Community Support - none	n/a	n/a
Timescales - none	n/a	n/a
Project capacity - none	n/a	n/a
Other - none	n/a	n/a

11. SUPPORTING INFORMATION:

- 11.1. The council's constitution delegates responsibility to the Audit and Governance Committee to approve the annual governance statement (AGS) taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
- 11.2. This report presents the AGS for the year 2022/23 for consideration by the committee.
- 11.3. The AGS is a statutory document which explains the processes and procedures that are in place to enable the council to carry out its functions effectively.
- 11.4. This AGS provides an assurance to the council and its stakeholders that good governance procedures and requirements are in place and is produced following a review of the governance arrangements by Corporate Heads of Service and Service Leads. The AGS includes an action plan to address any significant governance issues that have been identified.
- 11.5. The council must at least annually conduct a review of the effectiveness of its systems on internal control and report its findings in the annual governance statement. The annual review of governance arrangements was completed by Corporate Heads of Service and Service Leads during April 2023.
- 11.6. The AGS must be prepared in accordance with proper practices and the council has followed the CIPFA/SOLACE Delivering Good Governance 2016 framework, the most up to date guidance in this area.
- 11.7. In preparing the 2022/23 AGS, the S151 officer has reviewed the CIPFA Financial Management Code 2019 (FM Code) which sets out the principles of sound financial management; introduces an overarching framework of assurance; and sets out standards to ensure a local authority is financially sustainable. The council's governance arrangements for budgeting; the accounts; financial decision making; and compliance with codes of practice and legislation are in accordance with the financial management standards set out in the FM Code.
- 11.8. The AGS is a valuable means of communication. It enables the council to explain to its residents, service users, council taxpayers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure to deliver its outcomes and priorities.
- 11.9. There has undoubtedly been a significant impact on the council during the period of the COVID-19 pandemic, however the council has maintained all its front-line services to residents and customers throughout.
- 11.10. The following issues were included in the AGS for 2021/22:
 - **Records retention and disposal** – ensuring that the Records Retention and Disposal Policy and Schedule are refreshed and embedded into the

organisation so that records are stored in accordance with the agreed schedule.

- **Programme and project management** – ensuring consistency in the approach and methodology across the council for managing and delivering successful programmes and projects.
- **Disabled facilities grants** – ensuring the operational procedures and policy meet statutory requirements and roles and responsibilities clearly defined.

11.11. Regular progress updates have been provided during the year to members of this committee in the quarterly governance monitoring reports.

11.12. Referred to in the AGS Action Plan update in the Q4 Governance Monitoring report elsewhere on this committee's agenda (Appendix 1, report AG104 refers) there is still one action remaining relating to Programme and Project Management and good progress is being made to complete this during Q1 2023/24. Owing to the substantial progress that has been made it is not proposed to carry Programme and Project Management as an issue into the 22/23 AGS.

11.13. All actions relating to Disabled Facilities Grants were completed before the 31 March 2023 and therefore does not need to be carried forward to the 2022/23 AGS.

11.14. The Q4 Governance Monitoring report shows there are incomplete actions relating to Records Retention and Disposal and it is proposed that this issue to be carried forward to the 22/23 AGS. Progress is to be closely monitored and will be reported in future quarterly governance monitoring reports.

11.15. The issues that have been identified as requiring consideration and action during 2023/24 are:

- **Records Retention and Disposal** – ensuring that the Records Retention and Disposal Policy and Schedule are refreshed and embedded into the organisation so that records are stored in accordance with the agreed schedule.
- **Council Constitution** – review and refresh of the Council's Constitution.
- **Complaint handling** – review of performance for dealing with and responding to customer complaints, particularly stage one complaints.

11.16. Accordingly, these issues are included in the AGS for 2022/23 which is attached as appendix 1 to this report. A plan sets out the actions to address these issues is included in Appendix 2 and progress against these will be included in future governance monitoring reports.

12. OTHER OPTIONS CONSIDERED AND REJECTED

12.1. As a statutory requirement no other options have been considered.

BACKGROUND DOCUMENTS: -

Previous committee reports: -

AG076 Annual Governance Statement 2021/22

Other background documents:

None

APPENDICES:

Appendix 1 Annual Governance Statement 2022/23

Appendix 2 Annual Governance Statement 2022/23 Action Plan

ANNUAL GOVERNANCE STATEMENT 2022/23

1. Scope of Responsibility

- 1.1 Winchester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Winchester City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Winchester City Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 Winchester City Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government 2016*.
- 1.4 This governance statement explains how Winchester City Council has complied throughout 2022/23 with the council's adopted code and also meets the requirements of regulation 6(1)(a) of the Accounts and Audit Regulations 2015 in relation to the review of its system of internal control in accordance with best practice.
- 1.5 The council undertook a review of its constitution which took into account the recommendation of the Independent Report on Silver Hill and of the Local Government Association Peer Review in February 2017.
- 1.6 The updated constitution was adopted by Council on 19 March 2019 and became effective from the start of the 2019/20 municipal year. A further review is planned to ensure the changes that were made are fit for purpose.

2 The purpose of governance framework

- 2.1 The purpose of the governance framework is to ensure that the council directs and controls its activities in a way that meets standards of good governance and is accountable to the community. It does this by putting in place an organisational culture and values which drive a responsible approach to the management of public resources, supported by appropriate systems and processes, and ensuring that these work effectively. It works with the council's Performance Management Framework to ensure that the council has in place strategic objectives reflecting the needs of the community and is monitoring the achievement of these objectives through delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and

prioritise the risks to the achievement of Winchester City Council's policies aims and objectives to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

- 2.3 The governance framework has been in place at Winchester City Council for the financial year ended 31 March 2023 and remains in place up to the date of approval of the Statement of Accounts.

3 The principles of good governance

- 3.1 The CIPFA/SOLACE framework Delivering Good Governance in Local Government sets out seven core principles of good governance, these are:

Principle 1 – Behaving with integrity, demonstrating strong commitment to ethical values.

Principle 2 – Ensuring openness and comprehensive stakeholder engagement.

Principle 3 – Defining outcomes in terms of sustainable economic, social and environmental benefits.

Principle 4 – Determining the interventions necessary to optimise the achievement of the intended outcomes.

Principle 5 – Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Principle 6 – Managing risks and performance through robust internal control and strong public financial management.

Principle 7 – Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

4 Methodology for preparing the Annual Governance Statement.

- 4.1 The annual governance statement has been prepared using a process similar to that used in previous years, including.

- Service leads completing a statement of assurance providing details as to the extent and quality of internal control arrangements operating within their teams during the previous year. Furthermore, they were also asked to declare any weaknesses in the governance arrangements in their service areas, including overdue and significant internal audit actions.
- An internal control checklist is provided to Service Leads to support the completion of their statement of assurance. The checklist requires the manager to self-assess the arrangements in their team against a number of criteria including risk and performance management, financial control and staffing.
- Review of the Annual Internal Audit report and Opinion 2022/23 report and quarterly internal audit progress reports.

- The council's Audit and Governance Committee considers the draft governance statement at its meeting in early summer and before approving it determines whether it accurately reflects the council's internal control environment.
- The approved governance statement is signed off by the Chief Executive and Leader of the council.

5 The Governance Framework

- 5.1 There are a number of key elements to the systems and processes that comprise the council's governance arrangements and these are underpinned by the core principles of good governance which are: -
- Focusing on the purpose of the council and on outcomes for the local community and creating and implementing a vision for the local area.
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles.
 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
 - Taking informed and transparent decisions which are subject to effective scrutiny and managed risk.
 - Developing the capacity and capability of members and officers to be effective.
 - Engaging with local people and other stakeholders to ensure robust public accountability.
- 5.2 The council's constitution explains existing policy making and delegation procedures and the matters which must be dealt with by Full Council. It documents the role and responsibilities of Cabinet, each committee and members and officers. The council has approved a protocol governing relationships between members and officers as part of its constitution and has adopted codes of conduct for both officers and members which facilitate the promotion, communication and embedding of proper standards of behaviour. All officers have job descriptions and there are clearly defined schemes of delegation, all of which are reviewed from time to time.
- 5.3 The council's constitution incorporates clear guidelines to ensure that business is dealt with in an open manner except in circumstances when issues should be kept confidential. Meetings are open to the public except where personal or confidential matters are being discussed. All cabinet /committee agendas, minutes and cabinet member decisions are published promptly on the council's website. In addition, senior officers of the council can make decisions under delegated authority. The over-arching policy of the council is decided by the Full Council.
- 5.4 The Scrutiny Committee and Audit and Governance Committee hold cabinet members to account for delivery of the council's policy framework within the

agreed budget, and protocols are in place for any departure from this to be properly examined.

- 5.5 The council engages with its communities through a number of channels, including community planning, consultation events, surveys and campaigns relating to specific initiatives.
- 5.6 The Council Plan 2020-25, refreshed in 2022 and adopted in January 2023, is supplemented by more detailed information on the key projects and programmes of work that the authority will be delivering during the year – with actions to achieve priority outcomes set out in strategic business plans. More detailed business plans are drawn up by teams across the council, with objectives set for individual members of staff through the annual appraisal process. This process also looks at the development and training needs of staff, with a programme of training then put in place to meet these needs.
- 5.7 Progress against the Council Plan priorities and budgets is monitored regularly by the Executive Leadership Board and members of the cabinet. The Performance Panel reviews the quarterly performance reports on behalf of Scrutiny Committee, focusing on delivery of key projects and programmes of work and drawing attention to other areas where progress is exceeding, or falling short of targets. Members of cabinet also monitor progress in delivery.
- 5.8 The council has arrangements in place to regularly monitor financial performance, service performance, the progress of key corporate projects and risk management and to oversee the implementation of recommendations from internal audit reports.
- 5.9 The council publishes annually a financial report (incorporating the Statement of Accounts) within the statutory timescales. The Annual Financial Report incorporates the full requirements of best practice guidance in relation to corporate governance, risk management and internal control.
- 5.10 The council is subject to independent audit by Ernst and Young and receives an annual audit letter reporting on findings. The council supplements this work with the Southern Internal Audit Partnership and ad hoc external peer reviews. The Audit and Governance Committee undertakes the core functions as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*.
- 5.11 The council has set out the arrangements for managing risk in its Risk Management Policy (approved by Cabinet 16 March 2023, report CAB3381 refers) which also includes a Risk Appetite Statement and is reviewed annually.

6 Review of effectiveness

- 6.1 The authority has a statutory responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Strategic Leads who have responsibility for the development and maintenance of a sound governance environment.

- 6.2 Staff awareness training has been undertaken to ensure the council complies adequately with the provisions of the General Data Protection Regulation (GDPR) and Freedom of Information Act 2000 requirements.
- 6.3 The council has appointed the Corporate Head of Finance as the Section 151 officer with the statutory responsibility for the proper administration of the council's financial affairs. CIPFA/SOLACE advises that the Section 151 officer should report directly to the Chief Executive and be a member of the 'Leadership Team', of equal status to other members. The Corporate Head of Finance is a member of the Executive Leadership Team.
- 6.4 The council has appointed the Strategic Director and Monitoring Officer as the statutory "Monitoring Officer" and has procedures to ensure that the Monitoring Officer is aware of any issues which may have legal implications.
- 6.5 All cabinet reports are reviewed by the S151 Officer and Monitoring Officer and are required to demonstrate how the subject matter links to the Council Plan and highlight resource implications. Report authors are also asked to draw out risk, equality, environmental, management and legal considerations as required. Similar procedures are in place for the scrutiny and regulatory committees.
- 6.6 The council has whistle-blowing and anti-fraud and corruption policies. It has a formal complaints procedure and seeks to address and learn from complaints. The council's Audit and Governance Standards Sub-Committee deals with complaints relating to the conduct of Members.
- 6.7 Members' induction training is undertaken after each election. Members also receive regular briefings and training on developments in local government.
- 6.8 Key roles in maintaining and reviewing the effectiveness is undertaken by:

The Council	Collectively responsible for the governance of the council and Full Council is responsible for agreeing the Constitution, policy framework and budget. Manages risk in making operational and governance decisions together with proposing and implementing the policy framework, budget and key strategies.
The Cabinet	Makes key decisions as defined, formulate the annual budget in accordance with the budget and policy framework, implement the policy framework and receive regular monitoring reports on revenue and capital expenditure and performance.
Audit and Governance Committee	Approves the annual audit plan, monitors the internal control environment through receipt of audit reports and opinions and periodic progress reports, approves the annual governance statement and keeps an overview of arrangements for risk management. It also approves this governance statement and the Statement of Accounts.
External	External audit is provided by Ernst Young. Whilst the external auditors are not required to form an opinion on the

Audit	effectiveness of the council's risk and control procedures, their work does give a degree of assurance following the annual audit of the council's financial accounts.
Internal Audit	<p>The Southern Internal Audit Partnership provide the council with an internal audit service which includes the council's entire control environment. The Head of the Southern Internal Audit Partnership takes account of the council's assurance and monitoring mechanisms, including risk management arrangements, for achieving the council's objectives.</p> <p>The Internal Audit Plan is based on the Corporate Risk Register and identifies Internal Audit's contribution to the review of the effectiveness of the control environment. Progress reports for the Audit and Governance Committee on progress of audits refer to the opinion assigned to each internal audit review and include a summary of findings for reviews that give 'Limited Assurance' together with data on the implementation status of all recommendations. Internal audit provides an annual opinion on the internal control environment and issues that should be included in this governance statement.</p> <p>There is a requirement for internal audit to undertake an annual self-assessment and independent external assessment every five year. Any areas of non-conformance must be reported as part of their annual report and opinion. Based upon the work completed to date the Internal Audit Opinion for 2022/23 is that the council's framework of governance, risk management and management control is reasonable, and that audit testing carried out during the year has demonstrated controls to be working in practice.</p>

7 Significant governance issues

7.1 Set out below are the significant governance issues that have been identified that will require consideration and action as appropriate over the coming year:

- **Records Retention and Disposal** – ensuring that the Records Retention and Disposal Policy and Schedule are refreshed and embedded into the organisation so that records are stored in accordance with the agreed schedule.
- **Constitution** - ensuring that the Council's Constitution is regularly reviewed and updated to take account of changes.
- **Complaint Handling** - ensuring that the Council's Constitution is regularly reviewed and updated to take account of changes.

- 7.2 An action plan is attached to this Statement and details the actions to be undertaken during the next 12 months that will address these issues. Each action is assigned to a senior officer who has responsibility for delivering the relevant actions.

8 Assurance summary

- 8.1 Good governance is about operating properly. It is the means by which the council shows that it is taking decision for the good of its residents, in a fair, equitable and open way. It also requires standards of behaviour that support good decision making – collective and individual integrity, openness and honesty. It is the foundation for the effective delivery of good quality services that meet the needs of the users. It is fundamental to demonstrating that public money is well spent. Without good governance, the council would find it difficult to operate services successfully.
- 8.2 We have discussed with the Chief Internal Auditor who has indicated, based upon the work completed to date the Internal Audit Opinion for 2022/23 is that the council's framework of governance, risk management and management control is reasonable, and that audit testing carried out during the year has demonstrated controls to be working in practice.
- 8.3 The auditor's Annual Internal Audit Report and Opinion 2022/23 will be presented to this committee's next meeting on 20 July 2023.
- 8.4 The effect of the COVID-19 pandemic outbreak that began in March 2020 has not had an impact on any of the council's governance arrangements during the 2022/23 period.

9 Conclusion

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

Signed:

Laura Taylor
Chief Executive
Winchester City Council

Dated:

Signed:

Councillor M. Tod
Leader of the Council
Winchester City Council

Dated

Annual Governance Statement 2022/23 – Action Plan

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No	Issue	Actions	Lead Officer	Target Date	Method of Assurance
1	Records Retention and Disposal – ensuring that the Records Retention and Disposal Policy and Schedule are refreshed and embedded into the organisation so that records are stored in accordance with the agreed schedule.	ELB endorsement of the refreshed Retention Policy and Schedule	Senior Policy and Programme Manager	September 2023	Updated Policy document adopted. Roll-out plan agreed
		Map and align retention schedule to content/ indexing and values in business systems	Senior Policy and Programme Manager/ Corporate Heads of Service	December 2023	Document prepared and approved that sets out how the schedule will be applied to council systems and document types
		Retention schedule implementation and application across business systems completed	Senior Policy and Programme Manager/ Corporate Heads of Service/ Service Lead - IT	March 2024	System reports showing that the retention and disposal schedule is being successfully applied and records not being kept longer than required
2.	Constitution – ensuring that the Council’s Constitution is regularly reviewed and updated to take account of changes.	Review and refresh of Constitution before sharing with Working Group.	Strategic Director & Monitoring Officer	June 2023	Draft of updated Council Constitution with comments from Working Group
		Draft Constitution considered by ELB.	Strategic Director &	June/ July 2023	Draft of updated Council Constitution

No	Issue	Actions	Lead Officer	Target Date	Method of Assurance
			Monitoring Officer		with comments from Working Group
		Final draft share with Working Group.	Strategic Director & Monitoring Officer	September 2023	Final draft of updated Constitution
		Draft Constitution considered by Audit & Governance Committee.	Strategic Director & Monitoring Officer	September 2023	Committee report
		Adoption of updated Constitution by Council.	Strategic Director & Monitoring Officer	November 2023	Adopted and published Constitution
3.	Complaint Handling - review of performance for dealing with and responding to customer complaints, particularly stage one	Promote across the organisation the standards that the Council has adopted for handling complaints	Service Lead for Corporate Support	June 2023	City Voice article reminding staff of the council's standard of responding to stage 1 complaints within 10 working days
		Review current performance and identify areas and services where the council's standard is not being achieved	Service Lead for Corporate Support	July 2023	Report providing information containing details of where complaint responses have

No	Issue	Actions	Lead Officer	Target Date	Method of Assurance
					exceeded 10 working days.
		Ongoing review and reporting of performance	Service Lead for Corporate Support	Ongoing	Improvement for the percentage of complaints responded to within 10 working days

REPORT TITLE: Q4 GOVERNANCE MONITORING

12 JUNE 2023

REPORT OF CABINET MEMBER: CLLR BECKER – CABINET MEMBER FOR
COMMUNITY AND ENGAGEMENT

Contact Officer: Sharon Evans – Tel No: 01962 848 135

Email: sevans@winchester.gov.uk

WARD(S): ALL

PURPOSE

To provide members of the Audit and Governance Committee with a summary overview of the key issues in respect of governance during the fourth quarter of the 2022/23 financial year.

RECOMMENDATIONS:

That the Audit and Governance Committee notes the content of the report, the progress against the internal audit management actions and raises any issues with the cabinet member.

IMPLICATIONS:

1. COUNCIL PLAN OUTCOME

- 1.1. This summary document supports the council to be open and transparent by reporting the effectiveness of its governance framework and highlighting areas of weakness or issues of concern.

2. FINANCIAL IMPLICATIONS

- 2.1. There are no financial implications arising from the content of this report.

3. LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1. There are no legal or procurement implications arising from the content of this report.

4. WORKFORCE IMPLICATIONS

- 4.1. There are no workforce implications arising from the content of this report.

5. PROPERTY AND ASSET IMPLICATIONS

- 5.1. There are no property and asset implications arising from the content of this report.

6. CONSULTATION AND COMMUNICATION

- 6.1. Consultation on the content of this report has been undertaken with the Cabinet member for Inclusion and Engagement and with members of the Executive Leadership Board (ELB) and Corporate Heads of Service (CHoS). Owners of actions included in the internal audit reports that are referred to in this report have provided updates on the progress achieved against the agreed management actions.

7. ENVIRONMENTAL CONSIDERATIONS

- 7.1. There are no environmental considerations arising from the content of this report.

8. PUBLIC SECTOR EQUALITY DUTY

- 8.1. None arising from the content of the report, although officers will need to consider the council's Public Sector Equality Duty and if required complete an Equality Impact Assessment on any specific recommendations or future decisions to be made. This report is not making any decisions and is for noting and raising issues only.

9. DATA PROTECTION IMPACT ASSESSMENT

- 9.1. There are no data protection impact assessments required.

10. RISK MANAGEMENT

10.1. This report presents a summary update on how the council is performing against the governance processes and procedures that are in place and set out in the Risk Management Policy 2023/24 and Local Code of Corporate Governance. Independent assurance provided by the council's internal and external auditors evidence where there are weaknesses in the council's governance arrangements and are highlighted in this report.

11. SUPPORTING INFORMATION:

11.1. This report sets out the summary information in respect of the fourth quarter of the 2022/23 financial year concerning governance.

Annual Governance Statement

11.2. Progress against the actions included in the 2021/22 Annual Governance Statement is included in appendix 1 to this report.

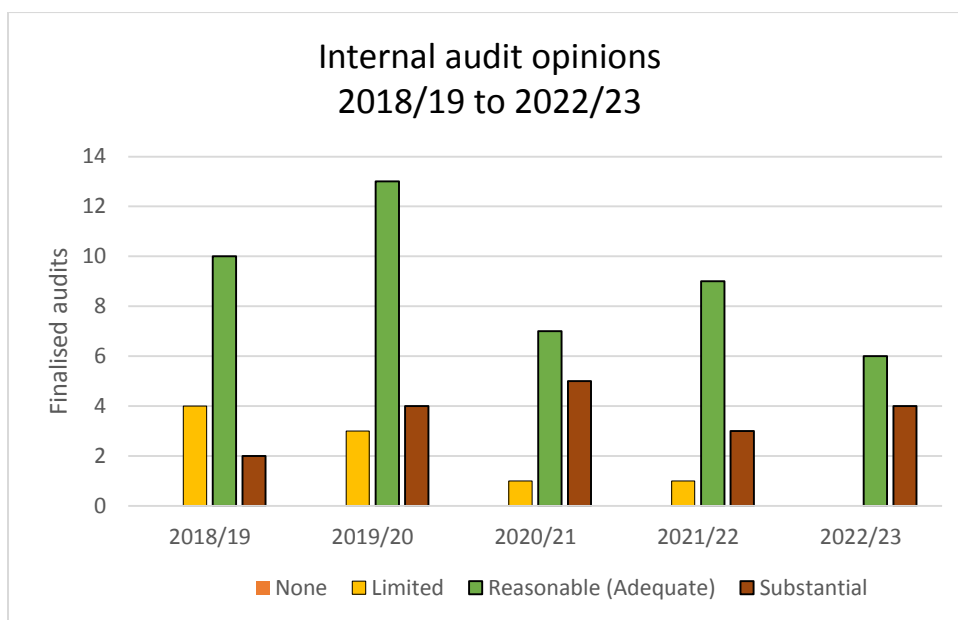
Declarations of gifts and hospitality

11.3. During the period 1 January 2023 to 31 March 2023 there were seven declarations of gifts and hospitality made by officers in accordance with the Employee Code of Conduct and included gifts of biscuits, chocolates and preserves.

11.4. Members regularly update their register of interest forms and during the period 1 January 2023 to 31 March 2023, there were no declarations of gifts or hospitality over the value of £50 recorded in accordance with the policy.

12. INTERNAL AUDIT ASSURANCE REPORTS

12.1. The graph below shows the assurance levels of the completed internal audits that were included in the audit plans in the years 2018/19 to the current year 2022/23.



- 12.2. There have been no published audit reports that concluded with a 'no assurance' or 'limited assurance' opinion during 2022/23.
- 12.3. Since the Q3 2022/23 Governance Monitoring report was presented to Audit and Governance Committee on 2 March 2023 there have been 7 internal audit reports finalised and issued before the 31 March 2023.
- User Lifecycle and Access Management (IT) (reasonable assurance).
 - Payroll (substantial assurance)
 - Main Accounting and Reconciliations (reasonable assurance).
 - Information Governance – FOI, EIR, SAR (substantial assurance)
 - Accounts Payable (reasonable assurance)
 - Housing Asset Management – Responsive Repairs (reasonable assurance)
 - Council Tax (substantial assurance)

Internal Audit Management Tracking

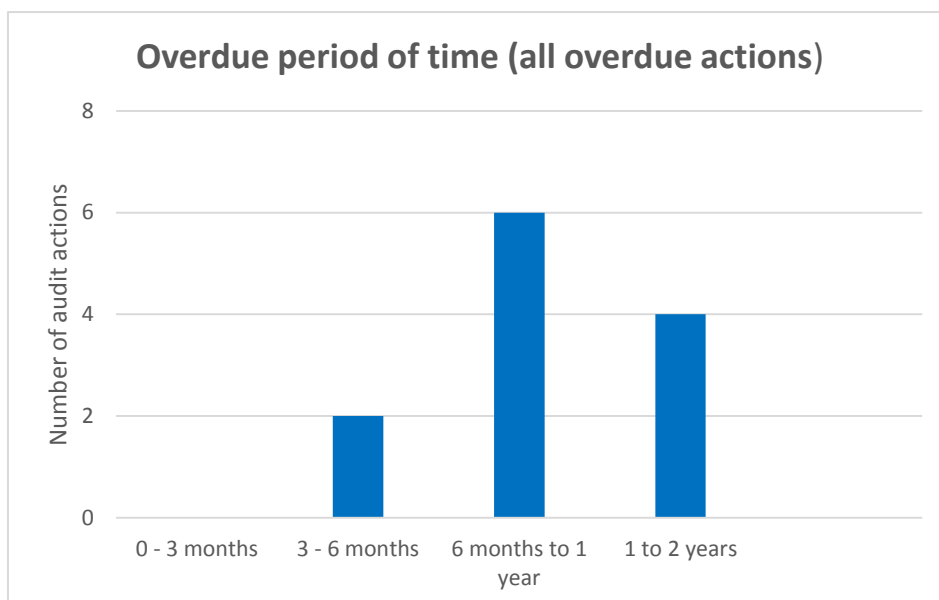
- 12.4. Corporate heads of service (CHoS), service leads, and Executive Leadership Board (ELB) regularly review the progress against the management actions included in the internal audit reports.
- 12.5. A summary table showing the status of these actions is included in the quarterly reports and the management actions are kept under regular review

to assess where actions might become superseded or obsolete due to external or internal factors.

- 12.6. To assist member's understanding, an additional narrative is included in the table to provide a brief explanation of the progress being made against the overdue audit actions and the reasons for the delay in completion.
- 12.7. There are currently 12 overdue audit actions with 3 being high priority. This is the same as reported as overdue at the last meeting of the committee on 2 March 2023.
- 12.8. Further information relating to the current overdue internal audit actions is shown in the table below.

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Reported	Not Accepted	Management Actions			LOW	MEDIUM	HIGH
						Pending	Cleared	Overdue			
Working in Partnership	09/09/2020	SDR	Limited	12 (2)	0 (0)	0 (0)	10 (2)	1 (0)			
<p>Progress update: There is one overdue action remaining which is to undertake a check with each partnership lead officer that the required management documents are in place. Details of partnerships are incorporated in the Business Plans for 2023/24 which have been completed in accordance with the schedule.</p> <p>Partnership details are being extracted from the business plans and checks underway to be completed by the end of Q1.</p>										1	
IT Business Continuity & Disaster Recovery	06/07/2021	SDR	Reasonable	4 (0)	0 (0)	0 (0)	1 (0)	3 (0)			
<p>There are three overdue actions, two relate to the undertaking of an exercise to test disaster recovery scenarios which has been delayed owing to resources previously diverted to support the council's response to COVID. The third action relates to a review of options for cloud storage which would support IT disaster recovery.</p> <p>During 2022, hardware was delivered and deployed successfully. An IT business continuity plan (BCP) exercise had been planned for October/November 2022 but has been delayed.</p> <p>A new plan is being formulated, to take into account support and renewal options of backup software and allocating resources required. Delivery of the new plan is expected to be completed by the end of Q1 2023/24.</p>									1	2	
Information Governance	03/03/2022	SDR	Limited	14 (0)	0 (0)	3 (0)	5 (1)	6 (3)			

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Reported	Not Accepted	Management Actions			LOW	MEDIUM	HIGH
						Pending	Cleared	Overdue			
Records Retention											
<p>Progress update: The overdue high priority actions relate to the adoption of an updated Records Retention and Disposal policy and the subsequent roll out across the organisation. Paragraph 14 below provides further details.</p>										4	3
WCC Programme and Project Management	06/09/2022	SDR	Reasonable	12 (0)	0 (0)	0 (0)	11 (0)	1 (0)			
<p>Progress update:</p> <p>Only one overdue action is remaining and relates to holding refresher training to embed the revised Programme and Project Management Methodology throughout the council and training for new project managers.</p> <p>A Senior Leadership team (SLT) meeting is being arranged to provide a briefing to all Corporate Heads of Service (CHoS) and service leads on the revised methodology that must be followed by any officer who is responsible for managing a project. Ongoing support on the new methodology will be provided by the Senior Policy and Programme Manager and Assistant Programme Support Officer.</p> <p>The Assistant Programme Support Officer is working with HR colleagues to identify potential training providers with the aim to secure a date for the training by the end of QTR 1 2023/24.</p>										1	



13. ***Disabled Facilities Grants***

- 13.1. Progress against the agreed audit management action points arising from the internal audit review of disabled facilities grants is now complete including the reviewing and updating of the Disabled Facilities Grant (DFG) Policy which will become the public front facing document.
- 13.2. The DFG Policy 2022/25 was approved by Cabinet Housing Committee at their meeting held on 21 March 2023.
- 13.3. A DFG 2023-2025 procedure document has been compiled in line with the DFG Policy and will be shared with staff.

14. ***Information Governance – Records Management 2020/21***

- 14.1. A review and refresh of the Records Retention Policy and Schedule has been completed and a draft of the updated policy is due to be considered at Executive Leadership Board (ELB) during Q1 2023/24. The policy sets the council's approach to managing, retaining and securely disposing of our information in accordance with our business requirements and legal obligations.
- 14.2. As an appendix to the policy, the Retention and Disposal Schedule sets out the retention periods for the different services at the council.
- 14.3. Embedding the updated policy and schedule successfully across the organisation is expected to take a significant amount of both staff resources and time and will be managed as a project, following the council's adopted project management methodology. The risks associated with this project are currently being assessed and will be reported regularly to Programme and Capital (PAC) Board along with progress updates. As part of the project

documentation, a stakeholder and implementation plan is also being developed.

15. **Risk Management**

15.1 The council's Risk Management Policy 2023/24 sets out a timetable for this committee to review the policy and corporate risks (section 11 of the Risk Management Policy). The Corporate Risk Register is included at Appendix 4 of this report. The latest formal review of the Corporate Risk Register by Executive Leadership Board (ELB) was carried out on 19 April 2023.

15.2 At this review, ELB agreed and noted the following:

- CR001 Capacity to deliver services - The current controls do not reduce the residual risk. This is accepted as the risk is very complex in nature and is subject to unexpected changes with little or no prior warning with the potential to have a major effect on capacity.
- CR003 Ensuring decisions are made on customer insight and engagement – The controls were updated to reflect the commitment made in the refreshed Council Plan in terms of 'Listening Better' and also that an Equality, Diversity and Inclusion Action Plan is being embedded across the organisation.
- CR007 The need to ensure financial resilience – ELB agreed to add the Transformation Challenge 2025 (TC25) programme to the current controls with the residual risk rating remaining the same due to the short-term nature of confirmed government funding.
- CR011 Preparedness and incapability to respond to events caused by climate change – A control was added to reflect the objectives of the Emerging Local Plan to support the council priority of tackling the climate emergency and creating a greener district.
- CR012 Nutrient neutrality – Phosphates - ELB noted that there are some mitigation options being discussed and as such the Residual Risk is reduced (likelihood reduces from highly likely to likely).

15.2. Unless stated above, the original and residual risk ratings were considered appropriate and tolerated. The causes, consequences and controls for each risk were reviewed and deemed to be sufficient at the time of the review.

15.3. ELB did not identify any new or emerging risks to be added to the Corporate Risk Register.

15.4. Of the 83 Operational Risks managed by Corporate Heads of Service, 2 of these were presented to ELB for review as residual 'red' risks. ELB agreed that the controls were sufficient, that the current residual risk score was correct and accepted and escalation to the Corporate Risk Register was not required at this stage.

16. Code of Conduct Complaints

- 16.1. The Audit and Governance Committee has two sub-committees including the Standards Sub-Committee, whose purpose is to consider investigation reports in respect of Code of Conduct Complaints that have been referred to it by the Monitoring Officer.
- 16.2. Appendix 3 provides brief details of the Code of Conduct complaints received, in progress and closed and where enquiries have been made to the Office of the Monitoring Officer.

17. OTHER OPTIONS CONSIDERED AND REJECTED

- 17.1. None

BACKGROUND DOCUMENTS: -**Previous Committee Reports: -**

AG096 Governance Monitoring Quarterly update Q3 2022/23, 2 March 2023.

Other Background Documents:

None.

APPENDICES:

Appendix 1 – Annual Governance Statement 2021/22 – progress update

Appendix 2 – Internal Audit Progress Report

Appendix 3 – Code of Conduct complaints

Appendix 4 – Corporate Risk Register

Annual Governance Statement 2021/22 – Action Plan update – March 2023

No.	Issue	Actions	Progress Update	Lead Officer	Target Date	Current Status
1.	Records Retention and Disposal Ensuring that the Records Retention and Disposal Policy and Schedule are refreshed and embedded into the organisation so that records are stored in accordance with the agreed schedule.	Review and update Retention and Disposal Policy and Schedule, endorsed by ELB and agreed roll-out plan	Refresh of Retention and Disposal Policy completed and report for ELB being prepared for consideration during summer 2023.	Senior Policy and Programme Manager	July 2022	In progress
		Map and align retention schedule to content/ indexing and values in business systems	Retention schedule being considered in line with implementation of upgrade to SharePoint and Microsoft 365.	Senior Policy and Programme Manager/ Corporate Heads of Service	October 2022	In progress
		Retention schedule implementation and application across business systems	Implementation of retention schedule to applied to upgrade of SharePoint due to take place later in 2023.	Senior Policy and Programme Manager/ Head of IT	March 2023	In progress
2.	Programme and Project Management Ensuring consistency in the approach and methodology across the council for managing and delivering successful programmes and projects	Agree a corporate project management approach and methodology that defines the existing framework	Programme and project methodology reviewed, updated, and draft has been considered at Programme and Capital (PAC) Board.	Senior Policy and Programme Manager	July 2022	Complete
		Publish guidance for all project managers to that explains the methodology to support the successful management and delivery of projects – intranet & email.	Guidance and support given to project managers in line with the revised methodology has been published on the intranet and shared with project managers.	Senior Policy and Programme Manager	August 2022	Complete

No.	Issue	Actions	Progress Update	Lead Officer	Target Date	Current Status
		Arrange and hold training events to embed the methodology throughout the council hopefully delivery by end of March	Briefing session with senior managers has been delayed to April 2023. In the process of identifying potential training providers with the aim to secure a date for the training by the end of QTR 1 2023/24.	Senior Policy and Programme Manager	June 2023	In progress
3.	Disabled Facilities Grants Ensuring the operational procedures and policy meet statutory requirements and roles and responsibilities clearly defined	List of approved contractors updated in consultation with Hampshire County Council	Procurement process procedure for new contractors completed in liaison with Hampshire County Council and 7 contractors appointed to the list.	Private Sector Housing Senior Officer	July 2022	Complete
		Review and update Disabled Facilities Grants Policy and operational procedures	Update to new draft DFG Policy 2022-2025 complete and updates have taken into consideration advice from Foundations the National Body for Home Improvement Agencies in England. Business and Housing Policy Committee on 29 November was given a presentation covering the new draft policy.	Private Sector Housing Senior Officer DFG	September 2022	Complete
		The DFG Policy and Procedure is out of date,	The new draft DFG policy was signed off by Cabinet	Private Sector Housing Senior	March 2023	Complete

No.	Issue	Actions	Progress Update	Lead Officer	Target Date	Current Status
		resulting in a lack of clarity and consistency regarding roles and responsibilities.	Housing Committee on 21 March 2023. An office procedure has been compiled to work in conjunction with the policy.	Officer		

Internal Audit Progress Report 2022/23

31 March 2023

Winchester City Council



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

Contents:

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1. Role of Internal Audit

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

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

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

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

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

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

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

2. Purpose of report

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

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

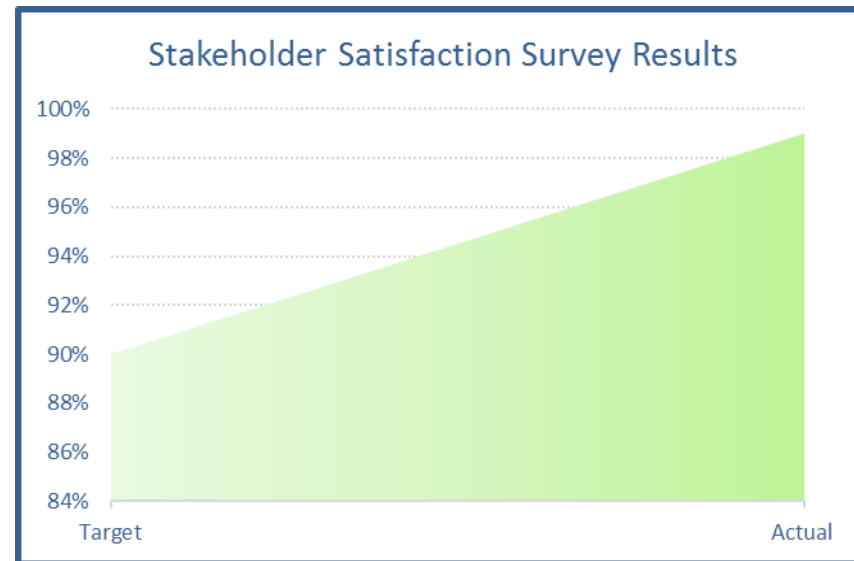
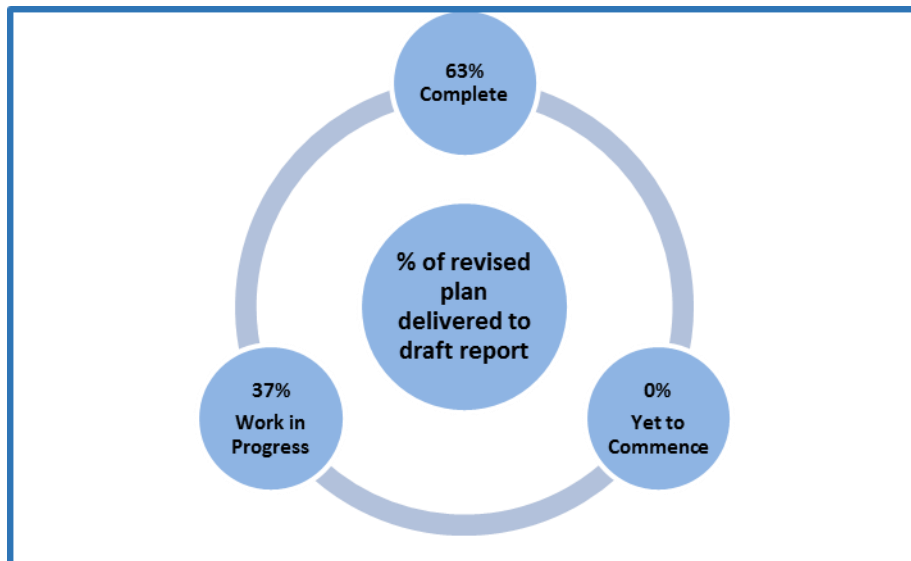
Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as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

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 the 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 Yet Due	Complete	Overdue		
							L	M	H
Working in Partnership	Sep 20	SDR	Limited **	12	0	11		1	
ICT Business Continuity and Disaster Recovery Planning	Jul 21	SDR	Reasonable	4	0	1	1	2	
Information Governance – Records Management	Mar 22	SDR	Limited	14	1	6		4	3
Housing - Leaseholder Management	Jun 22	SDS	Reasonable	6	2	4			
Programme & Project Management	Sep 22	SDR	Reasonable	12	0	11		1	
Planning / Development Management	Oct 22	SDS	Reasonable	4	2	2			
NNDR	Nov 22	SDR	Reasonable	4	1	3			
User Lifecycle & Access Management	Feb 23	SDR	Reasonable	5	2	3			
IT Asset Management	Feb 23	SDR	Reasonable	8	8	0			
Information Governance – FOI/SAR	Feb 23	SDR	Substantial	2	1	1			
Main Accounting and Reconciliation	Feb 23	SDR	Reasonable	1	1	0			
Health & Safety	Mar 23	SDP	Reasonable	9	8	1			
Accounts Payable	Mar 23	SDR	Reasonable	6	6	0			
Total							1	8	3

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

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

Audit Sponsor (Director)	
Strategic Director - Resources	SDR
Strategic Director - Services	SDS
Strategic Director – Place	SDP

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

To date, there have been no audits which have concluded with a ‘limited’ or ‘no’ assurance opinion during 2022-23.

6. Planning & Resourcing

The internal audit plan for 2022-23 was approved by the Council’s Management Team and the Audit and Governance Committee in March 2022. The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 7.

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Brought Forward – Included within 2021-22 annual report and opinion								
Economic Development – High Streets Priority Plan	SDP	✓	✓	✓	May 22	Oct 22	n/a	
Winchester Sport and Leisure Park and Meadowside Leisure Centre - Contract Management	SDP	✓	✓	✓	May 22	Oct 22	Reasonable	
User Lifecycle & Access Management	SDR	✓	✓	✓	June 22	Feb 23	Reasonable	
IT Asset Management	SDR	✓	✓	✓	July 22	Feb 23	Reasonable	
2022-23								
Strategic / Governance Reviews								
Programme & Project Management	SDR	✓	✓	✓	Aug 22	Sep 22	Reasonable	
Financial Stability – Budget Setting, Monitoring and Reporting	SDR	✓	✓	✓	Dec 22	Dec 22	Substantial	
Carbon Neutrality Action Plan	SDP	✓	✓	✓				
Asset Management (Corporate Estate)	SDP	✓	✓	✓				
Health & Safety	SDP	✓	✓	✓	Dec 22	Mar 23	Reasonable	
Procurement	SDR	✓	✓	✓				
Contract Management	SDR	✓	✓	✓				
Information Governance – FOI/SAR	SDR	✓	✓	✓	Feb 23	Feb 23	Substantial	

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Corporate Governance Framework & Complaints	SDR	✓	✓	✓	Sep 22			
Fraud Framework - NFI	SDR	n/a	n/a	✓	n/a	n/a		
Human Resources – Policies and Procedures	SDR	✓	✓	✓				
Core Financial Systems								
NNDR	SDR	✓	✓	✓	Oct 22	Nov 22	Reasonable	
Housing Rents	SDR	✓	✓	✓				
Council Tax	SDR	✓	✓	✓	Jan 23			
Accounts Payable	SDR	✓	✓	✓	Jan 23	Mar 23	Reasonable	
Main Accounting and Reconciliations	SDR	✓	✓	✓	Jan 23	Feb 23	Reasonable	
Payroll	SDR	✓	✓	✓	Nov 22	Jan 23	Substantial	
Information Technology								
Cyber Security – IT Response Planning	SDR	✓	✓	✓	Dec 22			
Service / Operational Reviews								
Housing and Homelessness – Housing Allocations	SDS	✓	✓	✓				
Housing Asset Management – Responsive Repairs	SDS	✓	✓	✓	Oct 22			
Disabled Facilities Grants – Follow-up	SDS	✓	✓	✓	Jan 23	Jan 23	n/a	
Planning / Development Management	SDS	✓	✓	✓	Aug 22	Oct 22	Reasonable	

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Open Spaces – Play Area Safety Checks	SDP	✓	✓	✓				
Licensing	SDS	✓	✓	✓				
Markets	SDP	✓	✓	✓				
Certification Audits								
Bus Service Operator Grant	SDS	✓	n/a	✓	n/a	Aug 22	n/a	Grant certified
Mayor’s Charity Account	SDS	✓	n/a	✓	n/a	Sep 22	n/a	Certification audit.

Annex 1 - Adjustments to the plan

Audit reviews added to the plan (included in rolling work programme above)	Comment
Programme & Project Management	Review brought forward from 2021-22
NDR	Review brought forward from 2021-22

Audit reviews removed from the plan (excluded from rolling work programme)	Comment
IT Governance – Mobile Device Management *	The project to implement a new mobile device management solution/roll out new mobile devices has been delayed (currently in progress) therefore defer the review to 2023-24 to assess the device management solution once implemented.
Working in Partnership *	Defer the review to enable the new framework to be rolled out across the Council and has become embedded/ action taken to align to the new framework.
Digital Strategy *	The Council are developing a digital strategy therefore defer the review until the strategy has been agreed and the audit can assess progress with implementing the aims.

* Agreed 02 March 2023

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

As from April 2020 CIPFA guidance recommends a standard set of assurance opinions and supporting definitions for internal audit service providers across the public sector.

To ensure SIAP continue to conform to the best practice principles, the standard definitions were adopted for our 2020-21 work and moving forwards.

There remain some residual reviews detailed within Section 4 of this report that refer to SIAPs former assurance ratings which are detail below.

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.

Code of conduct complaints

Code of Conduct Complaints received by the office of the Monitoring Officer since previous meeting of Audit & Governance Committee and update of those previously reported - as of 18 May 2023

Summary of current caseload:

- A. Number **Active Individual Complaints**: 3 complaints from 3 individual complainants
- B. Number Complaints **Not Commenced**: 0
- C. Number **individual complaints** relating to a City Councillor: 0
- D. Number **individual complaints** relating to a Parish/Town Councillor: 3
- E. Number of complaints received since last report: 3
- E. **Cases closed** since the last report: 19.
- F. Number of **Standards Sub Committees** held: 0

Analysis of active cases:

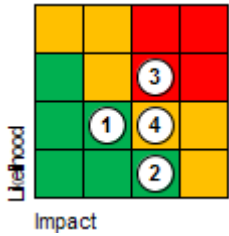
Date received	Relating to Parish/ Town/ City Councillor	Details
Sep 22	Town/ Parish Councillor	Response received from subject member to complaint. File considered by Independent Person (IP). Monitoring Officer (MO) to finalise conclusions and report.
Apr 23	Town/ Parish Councillor	Response received from subject member to complaint. File to be reviewed and considered for MO/IP review.
May 23	Town/ Parish Councillor	Response received from subject member to complaint. File to be reviewed and considered for MO/IP review.

Corporate Risk Register 2023/24



As of 19 April 2023

Residual Risk Summary:

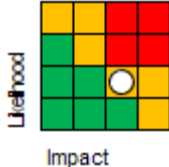





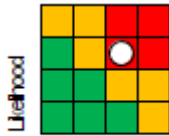
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Code	Risk Description	Risk Owner	What might go wrong?	What will happen?	Original Risk Rating	Current Controls	Residual Risk
CR001	Given competing demands and multiple complex priorities, the risk is that the council does not maintain capacity to deliver services	Chief Executive	<ul style="list-style-type: none"> • Ambitious council plan with multiple strands of activity • Staff resources are lean and teams are working at capacity to deliver services at current levels of demand • Outbreak of a pandemic that increases the pressure to continue to provide critical services as well as respond to the needs of residents and businesses affected by 	<ul style="list-style-type: none"> • If decision making is slow, delays occur and potentially available resources are redeployed or become unavailable if they are externally sourced. • Implementation of business continuity plan to target work in critical areas in cases of staff 		<ul style="list-style-type: none"> • Council Plan is distilled into key priorities by service. If capacity becomes an issue, prioritisation of activity is in place • Critical activities are reviewed with Cabinet alongside a refreshed Council Plan approved in January'23 • Proactive approach to communications 	

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Page 93			the pandemic <ul style="list-style-type: none"> • Competition from the private sector for key staff roles e.g. planning, project management • Decision making can be slow • Tension between day-to-day and strategic priorities • Key skills not in the right place 	shortage. <ul style="list-style-type: none"> • If staff lack political awareness, middle managers will be slow to redeploy resource to current priorities • If staff are diverted then can't deliver on other lower-level priorities or day-to-day work • Reputation is damaged as the council is not seen to be able to deliver projects • Local members are not always kept informed of activity in their area • Unable to deliver key council services 		internal and external <ul style="list-style-type: none"> • 50/50 hybrid working policy agreed • Maintaining communication • Annual Service Planning • Regular meetings with relevant cabinet members • Positive use of fixed term contracts to aid flexible resourcing • Targeted use of external resource • Reallocation of human and financial resources across and within the organisation as required • CMM review resources on a regular basis 	
	CR003	Decisions made by the council are challenged due to a lack of a strong evidence base, customer insight and engagement with change or procedural errors	Strategic Director and MO (SE)	<ul style="list-style-type: none"> • Lack of skill and/or time to identify evidence to support decision making • Lack of consultation with ward members and/ or parish council's over local issues • Procedural error in 	<ul style="list-style-type: none"> • Lack of a robust and evidence-based approach to customer engagement can lead to: <ul style="list-style-type: none"> • Reputational damage • Views that the 		<ul style="list-style-type: none"> • Consultation with ward and parish councillors (on matters within their ward or parish) • Risks with regard to significant projects are recognised and

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<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 94</p>			<p>statutory process</p> <ul style="list-style-type: none"> • Inconsistent and traditional approach to customer engagement across the council • Lack of awareness of the questions to ask • Lack of awareness of the 'right time' to engage • Lack of public awareness of the opportunity to engage • Council is not aware of the full range of interested stakeholders • Council may only hear the loudest voices and not the silent majority or those that do not readily engage 	<p>council is too Winchester-centric and that decisions made are inequitable</p> <ul style="list-style-type: none"> • a perception that people's views are ignored • Ward members and/or parish council's not being informed • Legal/ judicial review or challenge against a decision made 		<p>addressed separately via robust Project Management and regular reports to the Programme and Capital Strategy Board</p> <ul style="list-style-type: none"> • Legal and Monitoring Officer consultation on decisions made • Residents' survey completed 2022 • A proactive open and transparent approach to communication • Use of external specialist when appropriate • Commitment made in the refreshed Council Plan in terms of 'Listening Better' • Equality, Diversity and Inclusion Action Plan is being embedded across the organisation 	

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CR004	Failure to have plans and processes in place to recover and maintain services after a major incident (including pandemic) that has a significant impact on the ability of the Council to provide its services	Strategic Director and MO (SE)	<ul style="list-style-type: none"> • Not maintaining an effective corporate wide Business Continuity Plan • Not regularly testing the plan and following-up learning • Key staff unavailable • Communication systems ineffective • Lack of awareness of Business Continuity Plan • Failure to assess business critical functions and have plans in place 	<ul style="list-style-type: none"> • Unacceptable delay and uncertainty in returning to normal working after an emergency • Adverse publicity and criticism • Reputation damage • Adverse social and/or economic impact 		<ul style="list-style-type: none"> • Business Continuity Plans reviewed and tested in 2022 and a report due to ELB early 2023. • Annual testing of IT Disaster Recovery Plan • Critical services identified with individual business continuity plans • Back up temporary office accommodation at Hyde Lodge • All staff able to seamlessly work from home, where job allows • 2020 internal audit (Business Continuity) resulting in substantial opinion and no identified weaknesses 	
CR006	Breakdown of effective partnership working	Strategic Director (DA)	<ul style="list-style-type: none"> • Partnerships can falter due to lack of shared vision within partnerships • Money spent on Partnership working doesn't add value • Strategic partnerships 	<ul style="list-style-type: none"> • Significant project delivery such as the major projects and the new homes building programme could fail due to failure of strategic 		<ul style="list-style-type: none"> • Annual review by each CHoS of all partnerships undertaken to identify key strategic partners • Annual performance 	

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Page 96			<p>may falter due to conflicting demands within individual partners</p> <ul style="list-style-type: none"> • Incorrect application of the procurement regulations due to a misunderstanding as to how and when they apply to partnership working • Partnerships may be unsuccessfully commissioned due to lack of skills and poor scoping • Significant local, regional or national partners may close down, affecting the council 	<p>partnerships</p> <ul style="list-style-type: none"> • Local delivery could fail if local strategic partners are not aligned • Reputational damage to all partners • Lack of value for money (VfM) 		reporting for significant partnerships by CHoS'	
	CR007	Lack of sufficient funding and/or escalating costs over the medium term reducing financial viability and inability to achieve a balanced budget	Corporate Head of Finance and s151 (LK)	<ul style="list-style-type: none"> • Reduced Government funding • Reliance on strategic partners to deliver services and projects • Macro economy, including effects of Brexit, reduces locally generated Business Rates and parking income • Failure to achieve income targets • Inflation rises • Penalties are imposed 	<ul style="list-style-type: none"> • Unable to balance the budget • Increased Council Tax • Public's ability to pay for services • Reduce services provided • Demand/cost of services • Increased construction costs and impact on delivery and viability of key 	 <p>Likelihood</p> <p>Impact</p>	<ul style="list-style-type: none"> • Strategic Budget review mid-year 22/23 • One year funding settlement in place • MTFS approach setting out medium and longer-term options • Quarterly finance reporting and monitoring of key income sources • Regular policy

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			<ul style="list-style-type: none"> on the Council due to falling standards in services Impact of a Pandemic 	<ul style="list-style-type: none"> projects Over borrowing and avoidable cost 		<ul style="list-style-type: none"> review and monitoring Scenario planning and sensitivity analysis of key risks Transformation Challenge 2025 (TC25) is now in the process of being planned and implemented Maintain General fund reserve of at least £2m Regular review of reserves Annual review of fees and charges 	
008	Availability of suitable sites to meet the strategic need for building new homes (HRA)	Strategic Director (SH)	<ul style="list-style-type: none"> Increasing demand for new houses High cost of housing, including private rented sector Unable to identify new sites for new houses Increasing infrastructure demands on new sites Higher build costs Increasing inflation and interest rates affecting supply 	<ul style="list-style-type: none"> Increased housing waiting list numbers Increasing homelessness Difficulty accessing housing markets Outward migration of younger residents Adverse publicity Government intervention Ability to meet the business plan target which will 		<ul style="list-style-type: none"> A variety of plans in place to deliver significant new homes Regular monitoring of projects Revised Housing Strategy Cost benchmarking 	

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				have a negative effect on income			
CR009	Failure in cyber security leaving the council exposed to phishing and other attacks leading to compromised IT systems and data loss	Corporate Head of Finance and s151 (LK)	<ul style="list-style-type: none"> Malicious attack by Hackers for financial gain Malicious attack by Hackers to disrupt business and ability to deliver services Viral code attack in order to data mine information and identities 	<ul style="list-style-type: none"> Possible complete shutdown of Council IT Systems and Infrastructure Business\service delivery disruption Significant Financial loss Credibility and confidence lost in engaging with digital services and e-payments 		<ul style="list-style-type: none"> Mandatory Cyber Security awareness training held for all staff IT Systems and processes administered to PSN (Public Services Network) standards and protocols ITILv3 Methodology adoption for ITSM Comprehensive and regular reviews of ISP (Information Security Policies) and IT Network Access Policies Operational daily checks and proactive monitoring of Firewalls and pattern updates Staff qualified in Cyber Scheme Professional standards and within GOV UK CESG guidelines Regular system 	

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Page 99						health checks and vulnerability scans <ul style="list-style-type: none"> • System and software maintained to supported levels. • Email security managed by accredited 3rd party • Insurance for potential losses from a cyber attack • Third party review jointly with TVBC will be undertaken early 2023 to see what further actions the council's can pro-actively take to mitigate this risk further 	
	CR010	Failure to effectively respond to the Climate Change Emergency and reduce the council and district carbon emissions	Strategic Director (DA)	<ul style="list-style-type: none"> • Failure to achieve target for the council to be carbon neutral by 2024 and the district by 2030 • Carbon emissions increase • Air quality drops • Insufficient project capacity in-house 	<ul style="list-style-type: none"> • Reputational damage for failing to meet targets • Increased risk of flooding - damage to property, disruption to business, health and wellbeing of displaced residents • Increased risk of 		<ul style="list-style-type: none"> • Review of progress against the Winchester Carbon Neutrality Action Plan (CNAP). Currently reviewing the milestone report to determine next actions. • Climate Emergency

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Page 1000				droughts - pressure on river system health, depleted aquifer/reservoir volumes, negative impact upon agriculture, fire risk • Extreme heat and cold - health risk for vulnerable people, pressure on emergency and health services; • Protests by lobby groups • House price volatility		declared • Asset Management Strategy • £15mil HRA	
	CR011	Lack of preparedness and incapability to respond to events caused by climate change	Strategic Director (DA)	• Failure to prepare for an adverse weather event, for example long period of rain, heavy snow or heatwave • Failure to manage sluice gates and maintain rivers • Failure to respond to an adverse weather event, e.g. making safe city footpaths and car parks after heavy snow fall	• Flooding causing damage to property and assets • Loss of income to the council e.g. closed car parks due to snow • Adverse publicity • Damage to reputation		• Multiagency Emergency Response Plan in place, reviewed and updated annually • Annual Emergency Planning exercise to test the Plan • Completion of flood alleviation schemes • Temporary flood defence barrier purchased and available to be

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						used where there is a need <ul style="list-style-type: none"> The Emerging Local Plan has clear objectives to support the council priority of Tackling the climate emergency and creating a greener district. 	
CR012	Nutrient neutrality - Phosphates	Strategic Director (DA) and Corporate Head of Planning and Regulatory (EE)	<ul style="list-style-type: none"> Inability for developers to achieve nutrient neutrality specifically related to phosphates will delay housing and delivery of other forms of residential development within the affected area 	<ul style="list-style-type: none"> Adverse impact on economy Reduction in supply of new homes Inability to maintain a 5-year housing land supply leading to unplanned development being permitted Reputational damage 		<ul style="list-style-type: none"> £200k grant funding has been awarded by Government across the affected Solent area and we are currently working with PUSH to identify strategic solutions A formal project is being established 	

