

Fareham Borough
Council

Value for Money Interim Report

Year ended 31 March 2023

21 February 2024





Members of the Audit and Governance Committee
Fareham Borough Council
Civic Offices
Civic Way
Hampshire
PO16 7AZ

21 February 2024

Dear Audit and Governance Committee Members

2022/23 Value for Money Report

We are pleased to attach our interim commentary on the Value for Money (VFM) arrangements for Fareham Borough Council. This commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified (of which there are none) along with recommendations for improvement. The commentary covers our interim findings for audit year 22/23.

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

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

We welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee meeting on 11 March 2024.

Yours faithfully

Ben Lazarus

Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.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 (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) 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 and Governance Committee and management of Fareham Borough Council in accordance with our engagement letter. Our work has been undertaken so that we might state to the Audit and Governance Committee and management of Fareham Borough 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 and Governance Committee and management of Fareham Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Executive Summary



Executive Summary

Purpose

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


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

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

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

- Any identified risks of significant weakness, having regard to the three specified reporting criteria – we have not identified any significant weaknesses;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements in place over the period covered by this report (Appendix A).

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



Executive Summary (continued)

Risks of Significant Weakness

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

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with the Chief Executive Officer and Head of Finance and Audit;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

Our work is substantially complete with the only outstanding items being the responses to our request for assurances from management in relation to updating our understanding of management processes and arrangements. Subject to receiving management's response and positive assurances, we have not identified any significant weaknesses in the Council's VFM arrangements.

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

Executive Summary (continued)

Reporting

Our interim commentary for 2022/23 is set out over pages 10 to 12. The interim commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2022/23. Where appropriate we have ensured we understand arrangements up to February 2024 to ensure appropriate retrospective conclusions can be made relating to 2022/23.

We have no recommendations arising from our VFM work.

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

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

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



Executive Summary (continued)

Independence

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

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

EY Transparency Report 2023

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

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

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



02 Value for Money Commentary

Value for Money Commentary

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

No significant weakness identified

The council has appropriate arrangements in place to ensure financial sustainability.

The medium term financial strategy is updated annually, looking forward over a 4 year period.

During 2022/23, the MTFS in place was the "Medium Term Finance Strategy 2022/23 - 2026/27". This was revised and approved in January 2023 by the Executive and forecasted a use of reserve of £798k in 2023/24 and a further use of reserve over the following 3 years of £1.09m cumulative.

The latest Medium Term Financial Strategy (MTFS) was presented at the 9 January 2023 Executive meeting. This predicted a funding shortfall of around £401,000 in 2023/24 rising to £2,400,000 by 2026/27. The Executive report identified the need for a further Opportunities Plan for 2023/24 to address the budget shortfalls before the reserve position falls below a prudent level.

Subsequent to the year, the most recent update to the Opportunities Plan for 2023/24 was presented to the Executive in September 2023. The projects contained in the Plan have the estimated potential to positively impact on the Council's budget by £556,024 in 2023/24, increasing to £950,743 in 2024/25.

There are projected cumulative gaps in the Opportunities plan, in the region of:

2023/24 Budget gap of £416k, the opportunities plan projected to deliver additional income of £556k potentially resulting in a budget surplus of £140k

2024/25 Budget gap of £1,568k, the opportunities plan projected to deliver additional income of £951k potentially resulting in a reduced budget gap of £617k

These gaps will need to be addressed by the Council in the forthcoming periods, but the Council has a positive track record of addressing gaps through their annual budget processes and putting in place arrangements to do so in advance of the annual budgets based on their forward projections.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services. Please see Appendix A for more detailed commentary on this domain.

Value for Money Commentary (continued)

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

No significant weakness identified

The Council had arrangements in place to ensure it made informed decisions and properly managed its risks.

The Council maintains an internal audit service which is resourced in partnership with Portsmouth City Council. The Head of Audit, however, remains an employee of Fareham Borough Council. The internal audit service provided independent assurance on the effective operation of controls in accordance with the internal audit strategy and internal audit charter. This helps in the delivery of the whole scope of audit work and in maintaining independence. An exercise has also been carried out with other audit teams in Hampshire to document where assurances can be shared.

Managers receive a report of findings following an internal audit review and an action plan is agreed to address any weaknesses found. These actions are tracked until they are completed. An action management system has been developed to improve the information available to managers and help capture updates on implementation.

A summary of the work undertaken and the findings are reported quarterly to the Audit and Governance Committee. In 2022/23 a new format for the Head of Audit's report was piloted.

As well as the Internal Audit service, the Councils also maintains a Corporate Fraud Team and an Investigations Team, and their work is also used by management to gain assurance on arrangements to prevent and detect fraud.

The Council has an Audit and Governance Committee which undertakes the functions of an Audit Committee in accordance with the CIPFA guidance. It reports directly to the Full Council.

The Monitoring Officer and Chief Finance Officer maintain their legal responsibilities to ensure that the Council acts legally and within its financial means and are present at all the executive Committee meetings, along with a representative from the legal services partnership.

Following on from the recruitment process for a new Chief Financial Officer which started in 2022/23, the former Deputy Chief Executive and Chief Financial Officer was promoted to the Chief Executive during 2023/24 and the senior management structure was revised at the end of July 2023. The Chief Executive Officer remains the statutory s151 officer, but we are of the view this should be a short-term arrangement that should be reviewed to ensure statutory roles have appropriate focus and capacity. The Council aims to be fully recruited, including a new s151 officer, by March 2024.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to make informed decisions and properly manage its risks. Please see Appendix A for more detailed commentary on this domain.

Value for Money Commentary (continued)

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

No significant weakness identified

The Council has arrangements in place to improve economy, efficiency and effectiveness. These derive from the Corporate Plan, setting out the Council's priorities and objectives. The Council's Executive monitors progress against the key projects, budgets and performance measures on a regular basis.

The Council uses a range of mechanisms, both formal and informal, to evaluate its performance in delivering services. A new performance plan approach is being developed in 2023/24 in line with the new Chief Executive Officer's vision.

The Council produces a range of commitments and measures each year within its Local Service Agreements. This is a public document that helps to explain what customers can expect from the Council and reports how well its doing. This is formally approved by the Executive and scrutinised by the Policy and Resources Scrutiny Panel.

Fareham Borough Council employs a Procurement team to assist services when carrying out procurement processes and ensuring the Council is up to date with any changes in procurement law, and that their procedures meet the latest national and international requirements. Along with the internal audit team, they keeping the Council's Procurement and Contract Procedure Rules current and relevant to the organisation's needs.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services. Please see Appendix A for more detailed commentary on this domain.



03 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

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

Reporting criteria considerations

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

Arrangements in place

The Medium-Term Finance Strategy (MTFS) is reviewed annually and involves discussions with the Deputy Chief Executive Officer, Head of Finance and Audit and two Finance Managers who should be aware of most the significant pressures arising. The Finance Managers are in regular discussion with the Finance Business Partners, at least once a month. All services are assigned a Finance Business Partner and their role is to be in regular discussion with their services to identify financial pressures arising. The Council also subscribes to the Pixel Financial service and receives regular updates and webinar opportunities to hear how changes in government policy around core funding streams, such as RSG and business rates, may affect the Council.

Where there are significant changes occurring in the year which affect the MTFS assumptions, these will be built into the MTFS workings to see the effect. If the changes are significant such as in 2020/21 this may result in an extra emergency budget being taken to the Executive before the update of the MTFS was scheduled.

Regular Corporate Financial Forecasting meetings are held with the Deputy Chief Executive Officer, Head of Finance and Audit and two Finance Managers to review the current financial position. This is backed up by a "Good News/Bad News" update from each of the Finance Business Partners and an update on the financial position of the Key/Volatile services. These meetings were reduced in frequency during 2022/23 whilst the finance team designed and set up a new CFF management dashboard on the new T1 finance system. The new full CFF approach was launched in February 2023 and meetings diarised every 2 months from July 2023. There is a new agenda document which matches the CFF dashboard on T1. The timing of the CFF meetings should allow 2 feeder meetings to have taken place: one on Collection Fund Monitoring and one on Debt Collection. Issues arising from the CFF meeting are then fed back at the Financial Business partners meetings which are booked for the same week.

Further financial monitoring is introduced if needed and in particular is more frequent at the end of the year as the outturn position is being tracked. In May 2022 additional meetings were arranged to look at the impact of the cost of living on the 2022/23 budgets. From November 2023 the process will be strengthened with monthly budget monitoring meetings with the finance managers and quarterly updates on the financial position to the Strategic Leadership Team. More separate time will also be diarised to monitor the position on the HRA fund.

Conclusion: No risk of significant weakness identified in these arrangements.

Appendix A - Summary of arrangements

Financial Sustainability (continued)

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

Reporting criteria considerations

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

Arrangements in place

The MTFS contains a 5-year projection of net expenditure and funding sources and highlights any funding gaps arising. A significant funding gap by 2025/2026 was identified in the MTFS produced at the end of 2022/23. A presentation on this budget gap was given to members in January 2023 to recognise the significance.

The Deputy Chief Executive Officer was then assigned to lead on a process to develop the next Opportunities Plan to help bridge the funding gap and launched the process with a targeted communication campaign for the budget holders, other staff and members. Meetings were held with each Head of Service (or equivalent) by the Head of Finance and Audit and relevant FBP. The ideas generated were then moderated in separate meetings held with the Director the Service, Head of Finance and Audit and Policy, Research and Engagement Manager (lead for the Opportunities Team). All the ideas were fed into a long spreadsheet of ideas, using the Opportunities Team, and the ideas were then further moderated by the Chief Executives Management Team. All the ideas were then presented to the Executive Officers and Scrutiny Panels for further moderation and idea generation. This resulted on the next Opportunities Plan which was reported to Executive members in September 2023.

Reserves have again been allocated to finance costs which would be needed to achieve the implementation the projects identified.

Progress on delivery of the plan is being reported to the Senior Leadership Team and Executive / Policy and Resources Scrutiny Panel.

Savings being achieved as projects are delivered are built into the budgets each year and highlighted in the Executive reports.

Larger projects are also subject to specific reports to the Executive supported by member briefings

Reserves are also maintained to solve short-term issues outside of the Opportunities Plan. For specific reserves are earmarked to solve problems like the extraordinary Ash Dieback costs.

Conclusion: No risk of significant weakness identified in these arrangements.

Appendix A - Summary of arrangements

Financial Sustainability (continued)

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

Reporting criteria considerations

Arrangements in place

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

Formal budget setting is carried out in the summer / late autumn each year with updates during the year as appropriate. This involves discussions between each service manager and their Finance Business Partners to ensure that funding is built in to deliver the statutory and other priorities for the service. In 2022/23 the Council implemented the new budgeting and forecasting modules in the T1 system to make this process more integrated.

The Council maintains a Corporate Strategy which sets out its strategic priorities. The new 5-year strategy was adopted in 2023/24. Service managers and Finance Business Partners are made aware of the content of the document and take this into account when setting the budgets each year. Work is also planned to produce a formal support document to map the budget allocations against the corporate strategy headings, particular where capital funding will be required.

The funding will be monitored through the budgetary control process.
Conclusion: No risk of significant weakness identified in these arrangements.

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

Operational changes are identified by Finance Business Partners during the year through discussion with their service managers; they are also involved in checking any reports going to the various decision-making committees which have financial implications. This will include specific plans for the organisation. Any significant changes are highlighted in the good news / bad news updates prepared by the Finance Business Partners.

The Council has a number of well-established partnerships which are built into the normal budgetary control processes. Any significant changes to the partnership will be subject to reports to the Executive Committee which will highlight the financial implications. Finance Business Partners will be involved in the production of these reports and can capture the implication for the financial plan.

There is an establishment monitoring process carried out by the finance team which feeds into the Corporate Financial Forecasting monitoring and the MTFs. Any changes in establishment is subject to the completion of a financial implication sheet which is prepared in consultation with the relevant Finance Business Partner. Projects to be added to the Capital programme are subject to the completion of a capital evaluation form. The funding needs for the resulting capital programme are discussed between the two Finance Mangers and any need for Revenue contributions or use of reserves identified. This is monitored through the Corporate Financial Forecasting meetings.

Conclusion: No risk of significant weakness identified in these arrangements.

Appendix A - Summary of arrangements

Financial Sustainability (continued)

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

Reporting criteria considerations

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

Arrangements in place

Regular Corporate Financial Forecasting meetings are held with Deputy Chief Executive Officer, Head of Finance and Audit and the two Finance Managers to review the current financial position. This is backed up by a “Good News/Bad News” update from each of the Finance Business Partners, who will be picking up unplanned changes in demand from their budget meetings with service managers. Where there are significant changes occurring in the year which affect the MTFs assumptions, these will be built into the MTFs workings to see the effect. In May 2022 the impact of the cost of living on the MTFs assumptions was identified as something that needed specific attention.

A risk management discussion is held with each Head of Service or equivalent each year. The relevant Finance Business partner attends these as often issues arise which have financial implications that they need to consider.

In 2020/21 Fareham Borough Council supplemented this process by the introduction of weekly Covid dashboards to highlight the financial impact of the pandemic where assumptions underlying the current financial plans were significantly affected and needed revising.

In 2019/20 Fareham Borough Council introduced a “Living within our means” campaign to highlight to managers the predicted overspend for the year and the need to turn around the trend in spending. In 2020/21 this moved to a “Living below our means” campaign due to the financial forecasts arising from the Covid dashboard monitoring, which sought to minimise the level of reserves that would be needed to finance the council’s spending that year and in the following year.

In 2021/22 work was targeted on the impact of the Cost Of Living increases to the Council’s costs and 2022/23 was targeted on focusing attention to the Budget Gap and development of the Opportunities Plan.

Reserves are also available to solve short-term issues.

Conclusion: No risk of significant weakness identified in these arrangements.

Appendix A - Summary of arrangements

Governance

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

Reporting criteria considerations

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

Arrangements in place

The council adopted a new approach to risk management in 2017, based on vanguard principles. This stresses that risk management is an integral part of everyday management and decision making and not as a separate corporate process and therefore do not maintain risk registers except for specific topics and projects. The policy sets out the 7 principles of good risk management at the Council. Meetings are held with Internal Audit, Finance Business Partners and Heads of Service to identify the risks to their services every year (in two 6 monthly batches) and examples are obtained of changes in their risks that they have been managing in the last 12 months. These feed into a report to the senior management team and the Audit and Governance Committee. In particular, the report highlights those risks where further actions are needed or there are financial implications arising.

The Council maintains an internal audit service which is resourced in partnership with Portsmouth City Council. The Head of Audit, however, remains an employee of Fareham Borough Council. The internal audit service provided independent assurance on the effective operation of controls in accordance with the internal audit strategy and internal audit charter. A plan of work is set for the team each year per the Internal Audit Plan. Progress on delivering the plan and the latest findings arising are reported to each meeting of the Audit and Governance Committee. The results of all this work is used in the Annual Head of Audit's Opinion report along with other sources of assurances on internal control available that year, to provide the Audit and Governance Committee an annual assurance opinion. Highlights are also presented to the Chief Executives Assurance Group.

As well as the Internal Audit service, the Councils also maintains a Corporate Fraud Team and an Investigations Team, and their work is also used by management to gain assurance on arrangements to prevent and detect fraud. Individual risk assessments and action plans are being developed for the highest fraud risks identified for the Council. The scope of the work carried out by internal audit includes testing the adequacy of controls to prevent or detect fraud or error. The reports include overall assurance opinions for each audit and highlight any weaknesses in controls designed to prevent and detect fraud and error. The Annual Head of Audit's report also highlights any income or expenditure errors (including the value) which have been identified from audit testing.

An Annual Counter Fraud Report is also produced and presented to the Audit and Governance Committee by the Head of Finance and Audit. The Section 151 Officer is also kept aware of any significant Corporate Fraud investigations, particularly where internal fraud is suspected and is often the Steering Officer for these cases so is aware of what is being found in these cases.

Conclusion: No risk of significant weakness identified in these arrangements.

Appendix A - Summary of arrangements

Governance (continued)

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

Reporting criteria considerations

Arrangements in place

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

As part of the implementation of the new T1 finance system the Council has purchased an integrated budgeting and forecasting module. This was set up in 2022/23 but has had a few issues which means it has not been possible to fully abandon the process previously used when setting the 2024/25 budgets. The budget papers roll the base budget forward and the Finance Business Partners make known changes in line with the guidance from the MTFs and following discussions with the service managers. The Finance Manager is responsible for overseeing the whole process and will regularly monitor the budget position from an overall perspective including the financing of the budget from central government grants, retained business rates and council tax funding. The Finance Manager also leads on feeding in the amended establishment costs for the year. The other Finance Manager prepares the projections for the Capital programme to feed in any financing implications to the revenue budget preparation.

Once all the information has been collated the Finance Manager pulls together the overall budget proposed and updates the 5-year projections. The budget set and the council tax implications are presented to the Executive Committee.

Conclusion: No risk of significant weakness identified in these arrangements.

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

Budget reports are produced electronically daily and are available to the budget managers. They are used and adapted by Finance Business Partners in their regular budgetary control monitoring meetings. With the introduction of T1 these are now integrated as an "FBC Budget Monitoring" report within the system.

Regular Corporate Financial Forecasting meetings are held with the Deputy Chief Executive Officer, Head of Finance and Audit and the two Finance Managers to review the current financial position. This is backed up by a "Key Service update" and a "Good News/Bad News" update from each of the Finance Business Partners, which highlights issues arising from their meetings with service managers.

Formal budget monitoring information is presented to members as part of the next year's budget setting process at which points revised budgets will be set. A six-monthly position report is also presented to the Executive each autumn. An outturn position report is presented to members in July each year which includes a narrative of the financial activity in the year. A narrative report is included in the Statement of Accounts highlighting the financial and non-financial performance in the year. This is presented to the Audit and Governance Committee.

Conclusion: No risk of significant weakness identified in these arrangements.

Appendix A - Summary of arrangements

Governance (continued)

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

Reporting criteria considerations

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

Arrangements in place

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

The committee structure follows the Executive Leader and cabinet model, which requires Fareham to have a scrutiny function. The Council uses a Scrutiny Panel for each of its six portfolio areas plus 2 extra Scrutiny Panels not aligned to a portfolio (Climate change and Daedalus). Each Panel is made up of seven non-executive councillors and reflects the political balance of the elected members. The Panels normally meet a minimum of four times a year with extra meetings called when needed. Each Scrutiny Panel has a Priority Plan which identifies the objectives from the Corporate Strategy and areas of the executive function that require their scrutiny; for example, budget setting falls under the Policy and Resources Scrutiny Panel. Part of the panels' focus is to be engaged in pre-scrutiny work and to have an input in the decision-making process by making recommendations to the Executive. In some cases, specific member working groups are in place to assist in the development of service visions and strategies.

The Monitoring Officer and S151 Officer maintain their legal responsibilities to ensure that the Council acts legally and within its financial means and are present at all the executive Committee meetings, along with a representative from the legal services partnership.

The Notice of Key Decisions highlights any key decisions due to be made and these are published 28 days prior, to enable wider transparency and opportunities for representation to the decision makers. These are discussed in advance by the Senior Leadership Team.

Where partnerships have been developed with other agencies, decision making powers and delegated powers are documented and presented to members.

The Audit and Governance Committee's role is not to challenge the decisions of the Executive, that is the role of the Scrutiny Panels. Their role is to review the adequacy of the governance arrangements including decision making which is covered when they review the Annual Governance Statement and review the changes being made to the Constitution.

Conclusion: No risk of significant weakness identified in these arrangements.

Appendix A - Summary of arrangements

Governance (continued)

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

Reporting criteria considerations

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

Arrangements in place

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

A report is presented annually to the Audit and Governance Committee setting out the number of complaints received about member and any trends. A standards sub-committee is set up when a significant breach by a member requires investigation and the conclusion is reported at the next meeting of the Audit and Governance Committee and Full Council.

The Council's Code of Conduct and Disciplinary Rules and Procedure aim to maintain appropriate standards of conduct at work by employees. This policy was fully updated in June 2022 and a new platform for registering interests was also implemented. All new employees complete induction on the content of the Code. A revised policy on employee gifts, hospitality and interests has been drafted to meet the needs of the Bribery Act and still needs to be finalised The Council has an Anti-Bribery policy and a Whistleblowing policy and channels to allow concerns to be raised.

Conclusion: No risk of significant weakness identified in these arrangements.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

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

Reporting criteria considerations

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

Arrangements in place

The budget monitoring report identifies key services that are of high demand or have a net budget of over £1m. The reporting of these services highlights where risks can be identified should these areas be overspent. They are also targeted for review in the CFF process.

At the end of the year any areas which were overspent are discussed in the Finance Business Partners meeting and an action plan devised to work with the service to bring the spend under control. This process will be changing in 2023/24 when the top 6 services forecast to overspend are being highlighted in the quarterly budget monitoring reports to SLT.

Performance information is also collated, particularly in the form of the service level agreement report and discussed to identify areas for improvement. A new performance plan approach is being developed in 2023/24 in line with the new Chief Executive Officers vision.

Conclusion: No risk of significant weakness identified in these arrangements.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

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

Reporting criteria considerations

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

Arrangements in place

The Council uses a range of mechanisms, both formal and informal, to evaluate its performance in delivering services, and for identifying and delivering service improvement opportunities.

It starts from the top, with a clear expectation that the services provided should be delivered in a way that puts the customer at the heart of the process. This has been embedded throughout the organisation through a formal roll-out of the Vanguard method of service improvement over recent years. Alongside this, a strong and clear message, enshrined within the Council's corporate objectives to be a "dynamic prudent and progressive council", has been cascaded throughout the organisation to ensure that services are not only highly effective, but they are also efficient too.

Lines of responsibility in leading service delivery make it clear that Heads of Service are responsible and empowered to make continuous improvements to deliver services that meet customer expectations within affordable financial parameters. Documents such as the Chief Executive's "Expectations of a Director, and Head of Service" ensure that this approach is consistent across the organization.

Understanding actual performance is key, and this is measured across all front line services using "10/10" surveys where Heads of Service contact a sample of customers and first ask them to rate the Council's service out of 10, and then ask them what it would take for the Council to get a 9 or 10" This customer feedback helps the Council understand what it would take to achieve excellent customer service and (where appropriate) the processes within the service are adapted to reflect these suggestions.

Similarly, the Council produces a range of commitments and measures each year within its Local Service Agreements. This is a public document that helps to explain what customers can expect from the Council and reports how well its doing. This is formally approved by the Executive and scrutinised by the Policy and Resources Scrutiny Panel.

All of these channels provide the leadership team with a rounded view of how well services are performing from the customer's perspective and enables the Council to focus on areas where improvement may be necessary.

Conclusion: No risk of significant weakness identified in these arrangements.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

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

Reporting criteria considerations

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

Arrangements in place

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

Lead officers are assigned to each partnership. They are responsible for the day to day liaison with the stakeholders and customers of the partnership and for providing the Senior Leadership Team with details of any significant changes to the circumstances / membership of the partnership.

Senior Officers and/or Members sit on the board of the Council's significant partnerships and take an active part in discussions and decision making including the delivery of strategies and performance plans set for the partnership. The Council is the lead on the financial management for the Building Control Partnership (with Gosport Borough Council and Portsmouth City Council) and is also finance lead on the Environmental Health partnership with Gosport Borough Council so is in a good position to ensure the financial control and effectiveness of the partnerships. There are regular board meetings held and a representative of the finance team will provide an update on the financial position.

The Coastal Partnership is led by Havant Borough Council and regular monitoring meetings are held to discuss how the partnership is performing. An action delivered in 2022-23 has been to update the agreement and monitor the delivery of assurance arising from financial and internal audits.

The Legal Partnership with Southampton City Council is monitored closely to ensure that the hours worked is not breached or that work is carried out at a relevant level so as to make sure that the partnership is not overspent at the end of the year or any additional hours or cost will be agreed between the two parties.

An annual report on partnerships is collated and reviewed by the Senior Leadership Team each year to confirm the significance of the partnerships, review any potential governance issues and review how each is performing. There is also now an annual Partnership governance report presented to the Audit and Governance Committee as part of the Head of Audits Opinion.

Conclusion: No risk of significant weakness identified in these arrangements.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

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

Reporting criteria considerations

Arrangements in place

How 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

The Council employs a Procurement team to assist services when carrying out procurement processes. They are professionally trained and in constant contact with the Southampton Legal team to ensure that they keep up to date with changes in procurement law, and that their procedures meet the latest national and international requirements. They are also key parties along with the internal audit team to keeping the Council's Procurement and Contract Procedure Rules current and relevant to the organisation's needs. One of the key principles of the Rules are that a manager should be able to "Justify their Spend". Services are required to liaise with the procurement team and their Finance Business Partner when carrying out significant purchasing decisions and the group have to all agree a procurement approach else there is an escalation process to be followed. This includes when the purchase is complex or organisational sensitive such as the procurement of a service provider. There are a set of key questions that are asked when a significant purchase is being made.

Once a contract is in place there is a named lead officer assigned to monitor the performance of the contract. This will usually involve regular meetings with the contractor and a review of any performance measures agreed as part of the contract. For relevant services, such as housing, this will also include satisfaction monitoring with the customer. Where appropriate, rectifying actions are agreed and documented. Where performance does not meet expectations and the actions are not delivered, the Council may consider ending that contract relationship. This decision is usually taken in consultation with the contract manager, the director of that service and the procurement team. There are some expectations of the manager during the contract management stage contained in the Procurement and Contract Procedure Rules but these are not extensive. In early 2023-24 approval was obtained to start rolling out a Contract Management Pioneer Programme to support managers in their role in contract management. This involves each manager completing an online training course provided by the Government Commercial College. The Council also recognises critical suppliers/businesses. Examples include the Leisure Centre Operators, the provider of the responsive housing repairs contract, the airport operator at Daedalus and tenants of investment properties. A member of the finance team is assigned to each supplier and tasked with carrying out monitoring of the financial stability of the supplier using the Council's on-line Dunn and Bradstreet tool.

The Internal audit service includes some coverage in their plan of work to look at purchasing decisions and whether the suppliers are providing value for money. Purchasing officers for a sample of purchases are interviewed and questioned on their knowledge of their total spend trends with a supplier, how the supplier was chosen and whether the appropriate route to market had been taken. They are also questioned on how they can give assurance on how some of the items on a selected invoice provides value for money. Where possible, they are compared to the cost of similar purchases made or available by open-source searching. Other areas examined include on-going contract monitoring, invoice verification and future planned market testing.

Conclusion: No risk of significant weakness identified in these arrangements.

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