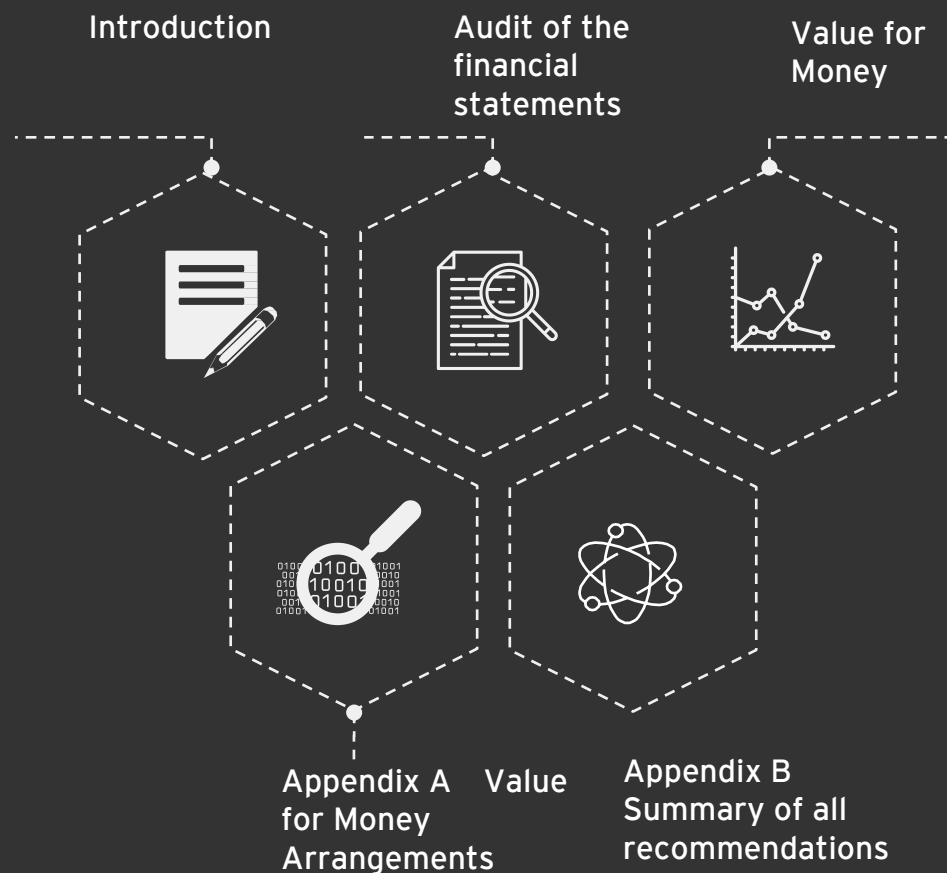


**Basingstoke and
Deane Borough
Council
Auditor's Annual
Report**

Year ended 31 March 2022

Issued on 13 September 2023

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 and Accounts Committee and management of Basingstoke and Deane Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to Audit and Accounts Committee and management of Basingstoke and Deane 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 Audit and Accounts Committee and management of Basingstoke and Deane 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.



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 Outline Audit Planning Report that we issued on 07 June 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)

2012/22 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 13 September 2023.
Going concern	We have concluded that the Executive Director of Corporate Services and Assets (Section 151 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 VFM arrangements. We included our VFM commentary in Appendix A.
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 received the 2021/22 WGA Group Audit Instructions as issued by the National Audit Office ('NAO') and we confirmed that the Council is under the threshold of £2bn for full audit procedures (threshold is consistent with 2020/21). However, the increase in HM Treasury's local government threshold means that there is a risk the NAO WGA team might require some assurances from auditors of bodies below the threshold. At the date of this report, we had not been informed that the NAO completed their sample for the 2021/22 WGA process, thus the audit completion certificate will not yet be issued for the 2021/22 until the NAO confirmation is received.
Certificate	We have not yet issued our certificate for 2021/22 as we have not yet had confirmation from the NAO that further assurances will not be required. We have completed the procedures required by the National Audit Office on the Whole of Government Accounts submission and will issue the certificate once we have the confirmation from them that no further work will be required.
Certificate 2020/21	We are pleased to say that for 2020/21 the NAO have recently confirmed that no further assurances are required, therefore in addition to the above for 2021/22, we are also able to issue the 2020/21 Certificate dated 13 September 2023.

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 13 September 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 31 July 2023 Audit and Accounts Committee meeting and we communicated a final update and confirmation of our audit completion to the Chair of the Audit and Accounts Committee on 12 September 2023. 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 Outline Audit Planning Report. We reported three internal control recommendations and no areas for improvement in the control environment in the Audit Results Report.

Significant risk

Conclusion

Management Override: Misstatements due to fraud or error

We have not identified any:

- ▶ material weaknesses in controls or evidence of material management override;
- ▶ instances of inappropriate judgements being applied; or
- ▶ other transactions during our audit which appear unusual or outside the Council's normal course of business.

Inappropriate capitalisation of revenue expenditure due to fraud or error

We did not identify any instances where expenditure had been inappropriately capitalised and we did not identify any issues with management's accounting policies or practices in relation to opting to finance expenditure from capital sources.

Valuation of Property, Plant and Equipment ("PPE") and Investment Property ("IP")

Our work on valuations is complete and we reached a final conclusion that PPE and IP are fairly stated. Our work involved engaging EY Real Estates ('EYRE') specialists, as well as extensive testing of the significant risk directly by the audit team.

Our review of the EYRE memo revealed that the valuation of investment property Manydown land was highly judgemental and we considered necessary to include additional representations from management in the representation letter.

In addition to the significant risks above, we also concluded on the following areas of audit focus.

Other areas of audit focus

Conclusion

Accounting for Covid-19 related grant funding

We have completed our work on Covid-19 grants and concluded that the accounting treatment adopted for Covid-19 related government grants accorded with the Council's assessment of whether it was acting as agent or principal. We have no findings to report on this matter.



Audit of the financial statements

Other areas of audit focus	Conclusion
Estimation uncertainty regarding pensions liability under IAS19	<p>We completed our work based on our initial audit plan and we identified one judgmental audit difference with respect to the 'Goodwin' judgment. This indicates a potential understatement of the defined pension liability by £575k (prior year understatement of £602k).</p> <p>In addition, we performed additional procedures to conclude on the triennial valuation impact on IAS19 defined pension benefit amounts: the Council's actuary, AON, re-issued the IAS 19 schedule of results at 31 March 2022, after taking into account the triennial valuation results at the same date. This resulted in a decrease in the defined pension liability balance by £7,218,000 against a credit in other comprehensive income. The Council adjusted the pension liability disclosures in its accounts to align with the updated results. We reviewed the updates and concurred with the Council's updates to the accounts.</p>
Disclosures on going concern	<p>We performed going concern procedures to cover a period up to 31 March 2025, which covers at least 12 months from the auditor's report date. We noted the information provided in the committee papers, budget and the Medium Term Financial Strategy (MTFS) in support of the going concern disclosure.</p> <p>We completed the procedures listed above and concluded that the going concern disclosure is reasonable.</p>



Audit of the financial statements

Other findings

In our final Audit Results Report to the Committee, we highlighted a number of areas for the Council to consider as it prepares accounts and supports the audit process in future years. We include the most significant of those points here.

- **Quality of audit evidence:** With regards to the quality of documentation provided to us. When providing us with listings for various classes of debtors and creditors, the level of detail is insufficient to enable us to select samples efficiently because multiple items are not provided at transaction level, thus we are forced to re-sample a number of times, which leads to an increased audit cost.
- **Leases disclosure:** As part of our audit of future lease payment disclosure, we identified a few errors in the disclosure calculation, which were caused by modified lease terms not being accurately reflected in the calculation of the disclosure. In light of these errors, we recommended that management puts relevant controls in place. As per management's suggestion, the following controls will be implemented: 1) future memos from property services in respect of a rent review will include the current lease's expiry date, this will ensure the lease expiry date for long leases is confirmed; and 2) the working paper provided to valuers confirming the list of assets to be valued will include the lease's expiry date so this can be double-checked during the valuation process. Our recommendation is to monitor an effective implementation of the proposed controls.
- **Documentation retention:** As a result of our testing of lease income, we identified a material audit difference, which was corrected by management, and a smaller difference not corrected by management (see details in Section 04). During our testing, we requested relevant supporting documentation, including signed agreements with third parties, and certain key documentation was provided to us by the finance team with a significant delay, in part due to requesting information from third parties. The corrected audit difference was around a transaction governed by complex arrangements with third parties, where professional judgment was required to interpret and apply relevant accounting standards under the CIPFA Code. We would recommend improving internal controls around the documentation of management's review of complex arrangements in conjunction with the relevant accounting standards and ensuring relevant documentation for non-standard complex arrangements is easily accessible.

The Council have responded positively to our findings and recommendations and we will continue to work with key staff to share suggestions for improvements through our audit work.

Other matters:

In addition to the audit difference on the pension liability reported on previous pages, we also reported the following audit differences:

- **Corrected audit difference:**

Amortisation across the life of a new lease of the value of a building received from the tenant of SITE000054a Viabes Business Park Site 3, for a lease restructuring. This corrected audit difference resulted in a reduction of Gain on disposal of investment property by £4.6m and an increase of Deferred income in the same amount.

- **Uncorrected audit difference:**

Amortisation across the life of an extended lease of upfront payment received from the tenant of SITE000192 Basing View, Belvedere House, for a lease restructuring. This audit difference would result in a reduction of Gain on disposal of investment property by £499k and an increase of Deferred income in the same amount.

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

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).

Reporting

We presented our risk assessment results in our Draft Audit Results Report dated 19 July 2023 and did not identify any significant weaknesses in the Council's VFM arrangements. Our risk assessment was based on a combination of our cumulative audit knowledge and experience, our review of Council committee reports, meetings with management and evaluation of associated documentation through our regular engagement with the finance team.

We have 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 9 to 20. 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 Annual Auditors 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



Value for Money (continued)

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

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement rests with management.

The Council has consistently managed its financial pressures over the last three years. The Council reported a favourable variance of £1.01m against the revenue budget for 2021/22, approved by Council in February 2021.

The Council set a 2021/22 balanced budget in February 2021 with budget gaps identified from years 2023/24 through to 2025/26. Progress on achieving in-year savings is reported in the quarterly monitoring reports to Cabinet. Considerations for closing the budget gap in the longer term will continue to focus on a multi strand approach of:

- ▶ Growth and development opportunities;
- ▶ Commercialisation - understanding what this means for the Council and what opportunities are there for income generation;
- ▶ Review of all services - are there efficiencies that can be achieved - with possible links to major transformation projects such as Digital and Smarter Ways of Working;
- ▶ Improved Asset Management;
- ▶ Review of central activities such as Treasury Management;
- ▶ Reviewing our policies around things such as Council Tax and use of Reserves; and
- ▶ Understanding our Capital Spend needs and how best to meet the cost of these.

A Priority Based Planning and Budgeting approach was taken in reviewing the Medium Term Financial Strategy ('MTFS') and developing budget proposals with the aim of aligning delivery of the Executive's key priorities within the Council. This aims to help the Council invest its limited resources in activities that have the greatest impact on the delivery of priority outcomes.

Going forward, the Council is focusing on the ability to deliver previously agreed savings following reduced government funding. In its MTFS, the Council has considered the increase in interest rates subsequent to 2021/22. High interest rates are increasing uncertainties over the economic outlook and it poses a risk that Council's income will be reduced in areas such as commercial rents, fees and charges and investments. However, increases in interest rates will result in greater investment income returns.

Conclusion: The Council has the arrangements we would expect to see 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

The Cabinet has the primary oversight of key decision making within the Council with some responsibilities (such as risk and financial management) delegated to the Audit and Accounts Committee, Council Committee and Scrutiny Committee.

The Council recognises the need to identify and understand its key business risks and is committed to ensuring that appropriate arrangements are in place to enable informed risk decision taking, recognising that effective risk management seeks to optimise the balance between risk and reward. An important part of the Council's decision making process is to ensure that risks are identified. A risk assessment is required of all decision making reports.

The Council has a range of monitoring controls in place including regular reviews of effectiveness of internal controls to prevent and detect fraud through the Internal Audit Function. The Chief Internal Auditor is required to provide the Chief Executive, Section 151 Officer and the Audit and Accounts Committee with an opinion on the effectiveness of the Council's risk management, control and governance processes. This is done on an annual basis through an annual internal audit report. In addition, quarterly internal audit progress reports are presented and discussed at the Audit and Accounts Committees taking place during the year.

The Council's members and officers are required to adhere to Codes of Conduct covered by the Council's Constitution. There are numerous internal polices that officers are required to understand and adhere to in carrying out their duties which are available on the Council's intranet and reviewed on a regular basis: e.g. Gifts and Hospitality Rules, Anti-Fraud, Bribery and Corruption, Capability and Staff Appraisal Processes, Whistleblowing and Disciplinary polices. The Council appoints a Monitoring Officer who has responsibility for ensuring compliance with established policies, procedures, laws and regulations and for reporting to Council and/or Cabinet potential breaches of the law or maladministration.

Conclusion: The Council has the arrangements we would expect to see 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 has a Partnership Governance Framework and each partnership is risk assessed to enhance partnership delivery on objectives, help secure value for money and improve stakeholder confidence and trust, whilst ensuring there are no conflicts of interest aspects to entering into the partnership. The Partnership Governance Framework is regularly reviewed to account for changes in regulations and environment.

The Council's most significant partnership relates to the property development joint venture with Hampshire County Council, Manydown, which has a full governance structure inherent in it. Regular governance and performance reports are presented to partner entities and Overview Committees.

The Council has a dedicated Change and Performance Manager, who is in charge of the Key Indicator Performance Management Report, and a Performance and Service Planning Officer. The Customer Service Charter on the Council's website encourages the public to make a complaint or compliment on Council's services and it provides access to the customer complaint form.

The performance measures and indicators are continually reviewed by service managers, senior officers, Performance Panel and Scrutiny Committee. Each service area being evaluated will have its own measures against the Council priorities and its performance reporting to the Senior Leadership Team, Cabinet, Performance Panel and Scrutiny Committee and various Boards: e.g. the Joint Services Partnership Board or the monthly Corporate Programme Board receives an update on major projects which is then reported in summary to Cabinet Members and the Performance Panel (from 2021/22).

Conclusion: The Council has the arrangements we would expect to see in 2021/22 to enable it to use information about its costs and performed to improve the way it manages and delivers services.

Appendices

Appendix A – Summary of arrangements

Financial Sustainability

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

The Council has a robust process that continually reviews local and national financial pressures and responds to these accordingly. Regular meetings are held with heads of services, the Senior Leadership Team and with Cabinet members. In 2021/22, each service area produced an annual service plan which set out priorities and challenges and links to the Council Plan – a document which sets out the Council’s vision for future years, including how it will deliver key priorities. Any significant financial pressures to deliver the Council Plan are raised and mitigated with identified savings, or, if an earmarked or risk reserve exists, then a draw from reserves may be considered in accordance with financial regulations, which is then reported in the quarterly monitoring reports to Cabinet. Future year pressures are considered as part of the Medium Term Financial Strategy (‘MTFS’) and reported to Cabinet and Council meetings as part of the budget setting process. This may lead to budget adjustments in some service areas or a risk reserve review.

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

The Council set a 2021/22 balanced budget in February 2021 with budget gaps identified from years 2023/24 through to 2025/26. Progress on achieving in-year savings is reported in the quarterly monitoring reports to Cabinet. Considerations for closing the budget gap in the longer term will continue to focus on a multi strand approach of:

- ▶ Growth and development opportunities;
- ▶ Commercialisation – understanding what this means for the Council and what opportunities are there for income generation;
- ▶ Review of all services – are there efficiencies that can be achieved – with possible links to major transformation projects such as Digital and Smarter Ways of Working;
- ▶ Improved Asset Management;
- ▶ Review of central activities such as Treasury Management;
- ▶ Reviewing our policies around things such as Council Tax and use of Reserves; and
- ▶ Understanding our Capital Spend needs and how best to meet the cost of these.

A Priority Based Planning and Budgeting approach was taken in reviewing the MTFS and developing budget proposals with the aim of aligning delivery of the Executive’s key priorities within the Council Plan 2020 to 2024. This aims to help the Council to invest its limited resources in activities that have the greatest impact on the delivery of priority outcomes.

Portfolio Holders, supported by Executive Directors and Heads of Service, identify options for efficiency savings, additional income, unavoidable service cost pressures and executive commitments for new strategic initiatives and a series of workshops are held with Cabinet to review and challenge options. Cabinet review options and agree a set of proposals to deliver a balanced budget which is reported in the November MTFS Update report to Cabinet before public consultation takes place leading up to Council setting a balanced budget for the next financial year in February.

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

Findings

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

Priority Based Planning and Budgeting workshops are held with officers and Cabinet members to align all services and budgets set by each service area to the Council Plan priorities. This encourages and allows discussions on how services could be provided more efficiently and effectively. A full set of detailed priority plans are produced to support the forward looking Council Plan.

The MTFS recognises the key role that financial resources play in the future delivery of outcomes and in enabling the effective planning, management and delivery of services that contribute to the priorities in the Council Plan. The MTFS sets out a stable and sustainable financial plan over the medium term to allow the Council to shape the way the borough grows whilst continuing to provide high-quality services.

By agreeing a four-year MTFS, the Council is identifying the financial pressures and opportunities that lie ahead at an early stage and is able to make better decisions as there is time to fully consider different options, engage with stakeholders, carry out risk assessments and develop contingency plans to manage future uncertainties.

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

The MTFS is central to the delivery of priority outcomes in the Council Plan in an affordable and sustainable way over a four year period. It aids robust and methodical planning as it forecasts the Council's financial position, taking into account known pressures, major issues affecting the Council's finances, including international, national, sub regional and the Borough's economic influences as well as local priorities and factors.

Other financial strategies (e.g. Treasury Management and Capital Investment Strategies) are produced at the same time as the MTFS review and budget work and are cross-checked for consistency in planning and reporting. Financial planning takes into account the strategic and operational aspects of the Council Plan and Priority Plans as well as Service Plans. Partnership working and funding, including shared projects with other local authorities (e.g. Hart District Council, Hampshire County Council) are reviewed in line with agreements in place and counterparties' finances, as this may impact future funding streams and service delivery (e.g. waste recycling credits and housing or bus routes service provision).

Appendix A - Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

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

Findings

The Council identified and manages financial resilience risks by undertaking a regular detailed review of risk reserves, including the General Fund balance. This supports Section 151 Officer's reserve review, which includes making provisions in the risk reserves for potential unplanned future events. For example, Hampshire County Council withdrawing funding for recycling credits. In 2021/22, there was a favourable variance of £1.01m lower than the budget approved in February 2021, though Cabinet notes the likely ongoing financial implications of Covid-19 and the current inflationary pressures, with the associated impact on costs of living, on the Medium-Term Financial Strategy in future years. Link to outturn report attached. .

The November MTFS report, which includes Cabinet's proposals on council tax increases and new savings and income, is subject to scrutiny and challenge through the Scrutiny Committee and a public consultation period before the final MTFS and Budget Report are approved by the Council in February of the following year. Comments from the Scrutiny Committee and the public are incorporated in the financial planning reports issued in February.

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

Findings

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

The Council recognises the need to identify and understand its key business risks and is committed to ensuring that appropriate arrangements are in place to enable informed risk decision taking, recognising that effective risk management seeks to optimise the balance between risk and reward. An important part of the Council's decision making process is to ensure that risks are identified. A risk assessment is required of all decision making reports.

Management use the Council's Risk Management Policy to identify, assess and monitor risks. Factors considered in identifying risks are: political, social, regulatory, financial, technological, people, reputation, information, environmental. Risks are assessed and monitored in the Corporate Risk Register (summarises the generic risks), the Directorate Service Risks (directorate specific risks) and the Project Risks (detailed risk assessment at project level).

Assurance over the effectiveness of internal controls and arrangements to prevent and detect fraud is gained through the Internal Audit function of the Council. The Chief Internal Auditor is required to provide the Chief Executive, Section 151 Officer and the Audit & Accounts Committee with an opinion on the effectiveness of the Council's risk management, control and governance processes. This is done on an annual basis through an annual internal audit report and, in addition, quarterly internal audit progress reports are presented and discussed at the Audit & Accounts Committees taking place during the year

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

The annual revenue budget is developed within the framework of the Council's MTFS agreed by Cabinet. The assumptions made in the MTFS are used in the detailed budget preparation.

In setting the annual budget and the MTFS, the Council ensures potential risks are assessed and managed so that their impact is minimised or accounted for either via Contingencies, Balances or Earmarked Reserves as is necessary.

In year, the Council monitors its revenue and capital budgets on a monthly basis and reports to Cabinet on a quarterly basis. All budget holders are responsible for ensuring external income is maximised for their service and for seeking out new opportunities to generate income.

If the budget holder cannot resolve issues within their own service area budgets, these are dealt with by Executive Directors. Where pressures are identified, action plans are required to be agreed and implemented in year, which look to address in year pressures and identify ongoing pressures that may need to be addressed as part of setting the budgets over the medium term.

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

Findings

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

Capital, financial and other monitoring reports are used by officers and members to make informed decisions. There is a planned approach to running monthly reports from the financial ledger, holding meetings with budget holders to discuss financial and non financial issues in respect of their service area, calculating forecasts of income/expenditure and producing monitoring reports which are timetabled and resourced by skilled and qualified staff in place in the accountancy team.

The process is underpinned by financial regulations and procedures. Any corrective action (e.g. unplanned demand leading to reduced income) is highlighted and mitigating actions discussed (e.g. identify savings, use reserves if earmarked or risk reserve exists or report financial pressure). This is raised and actioned in a timely fashion.

Quarterly financial monitoring reports for revenue and capital spend are presented to Cabinet (and Council if required under the financial regulations) and from July 2022 monthly dashboards of financial and non-financial information (for example HR information) will be reported internally to the Senior Leadership Team. Performance against the revenue budget is reported to Cabinet in the Revenue Outturn report. The Accountancy team provide and support budget holders through financial training, advice and knowledge sharing on financial procedures.

Last but not least, Internal Audit provide assurance on budgetary control and financial regulations and the outcomes are reported to management and the Audit & Accounts Committee.

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

There is a well established hierarchy of decision making process that goes through the senior leadership team, the Strategic Management Board, Cabinet and Council where necessary. Reports and briefing papers are prepared in advance based on appropriate evidence, reviewed by appropriate officers and members and published on the Council's website in advance of the decision being taken.

All reports follow a standard template which identifies why the decision is recommended and alternative options considered together with details of the consultation carried out. The template also includes separate sections for financial and legal risk management, fairness, climate change and human resources implications. The decision making process is followed as per the Council's Constitution, which includes the powers and functions that are delegated to named Officers through the Officer Scheme of Delegation.

A Forward Plan of "Key decisions" or major decisions (updated monthly) to be taken by Cabinet is published 28 days before the scheduled Cabinet meetings on a rolling basis; see <https://www.basingstoke.gov.uk/forwardplan> for transparency.

The Scrutiny Committee, usually held in public, is responsible for reviewing and scrutinising decisions made and can request a "call-in" of decisions as per section 18 of the Constitution. The Overview Committees are responsible for holding decision makers to account for improving outcomes and services. The Council rules allow public participation at Council meetings except where personal or confidential matters are disclosed (exempt information).

Appendix A - Summary of arrangements (continued)

Governance

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 (continued)

The Audit & Accounts Committee are responsible for providing independent assurance on the adequacy of the risk management and internal control frameworks and oversees financial reporting and annual governance processes as well as overseeing internal and external audit, helping to ensure efficient and effective assurance arrangements are in place. They do not "challenge" decisions as this is the role of the Scrutiny and Overview Committees.

The Council produces an Annual Governance Statement ('AGS') each year which sets out the governance roles and responsibilities and follows the adopted Local Code of Corporate Governance, which is reviewed and published annually. The Council is committed to openness and transparency and publishes as much Council data as it can to increase accountability and it complies with the Transparency Code.

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)

Members and officers are required to adhere to Codes of Conduct covered by the Council's Constitution. There are numerous internal polices that officers are required to understand and adhere to in carrying out their duties which are available on the Council's intranet and reviewed on a regular basis: e.g. Gifts and Hospitality Rules, Anti-Fraud, Bribery and Corruption, Capability and Staff Appraisal Processes, Whistleblowing and Disciplinary polices.

The Council appoints a Monitoring Officer who has responsibility for ensuring compliance with established policies, procedures, laws and regulations and for reporting to Council and/or Cabinet potential breaches of the law or maladministration.

There is a Standards Committee that deals with matters relating to Members' complaints. Complaints or concerns around staff conduct are raised through various routes, e.g. through the internal audit team or the whistleblowing path.

The Council's Constitution and The Local Code of Corporate Governance comprise an overarching guidance for compliance. For example, Members are required to declare interests (published on the Council's website) and complete the annual related parties declaration. All documents and policies on Members' conduct and interest can be found on the Council's website: <https://www.basingstoke.gov.uk/councillor-code-of-conduct>.

Officers and other staff are required to record in the HR system personal financial and non-financial interests that could conflict with the Council's business - any declared interests require head of service approval. Internal Audit regularly report their assessment of internal controls and risk management to management and the Audit & Accounts Committee, who would in turn take corrective actions.

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria

Findings

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

Performance monitoring is undertaken to understand if and how priorities identified in the Council Plan are being achieved with the desired outcomes. Performance is measured through service planning and identification of key performance indicators ('KPIs'). The Council has robust processes that continually review, collect data and report financial and non-financial performance to various committees. The Council's Performance Framework lays out what information is reported, the recipients/audience and the purpose of reporting/outcomes to be achieved.

A line by line budget review is conducted as part of the MTFS review and annual budgeting setting which looks at in-year spend and identifies areas for future pressures or savings. A Key Indicator and Performance Management Report is reported to the Senior Leadership Team, Cabinet, Performance Panel (quarterly) and Scrutiny Committee (half yearly). This encourages continuous improvement, recognises achievements and identifies any areas requiring further review or action and it informs the Narrative Statement in the Statement of Accounts. See <https://www.basingstoke.gov.uk/performance>.

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

The Council Plan is monitored by the Council's Performance Panel, appointed by the Scrutiny Committee, which reviews performance and financial monitoring information to support the delivery of the Council Plan and budget strategy. The Annual Statement of Accounts contains a review of key achievements and performance made against the local plan.

The Council has a dedicated Change and Performance Manager, who is in charge of the Key Indicator Performance Management Report, and a Performance and Service Planning Officer. The Customer Service Charter on the Council's website encourages the public to make a complaint or compliment on Council services and it provides access to the customer complaint form.

The performance measures and indicators are continually reviewed by service managers, senior officers, Performance Panel and Scrutiny Committee. Each service area being evaluated will have its own measures against Council Plan priorities as set out in the Statement of Accounts and performance reporting to the Senior Leadership Team, Cabinet, Performance Panel and Scrutiny Committee and various Boards: e.g. the Joint Services Partnership Board or the monthly Corporate Programme Board receives an update on major projects which is then reported in summary to Cabinet Members and the Performance Panel (from 2021/22).

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria

Findings

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

The Council has a Partnership Governance Framework and each partnership is risk assessed to enhance partnership delivery on objectives, help secure value for money and improve stakeholder confidence and trust, whilst ensuring there are no conflicts of interest aspects to entering into the partnership. The Partnership Governance Framework is regularly reviewed to account for changes in regulations and environment.

The Council's most significant partnership relates to the property development joint venture with Hampshire County Council, Manydown, which has a full governance structure inherent in it. Regular governance and performance reports are presented to partner entities and Overview Committees.

The Council has entered into shared service arrangements with Hart District Council and Winchester City Council, with the most significant one being the waste shared services contract. Monthly KPI measurement and reporting are managed via a Joint Governance Group and a Partnership Board. Direct discussions with the partners involved are held to find optimal solutions.

Other engagements with partners are less formally governed but performance monitoring against expectations is still undertaken on a regular basis through established networks. This includes local partnerships that come under the Basingstoke Area Strategic Partnership (BASP), such as the Housing Priority Action Group and Basingstoke Health and Wellbeing Partnership. Regular meetings take place with Council members and officer representations and minutes/actions are published on the BASP website.

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's Constitution sets out the legal and internal polices for procuring services under contracts and an internal contracts management handbook. The Council also has a dedicated procurement team who oversee all procurement and contracts working with spending departments. Financial regulations and procedures also set out the procedures to be followed once the contract has been awarded and are complied with alongside contract standing orders.

The Council is committed to effective and timely and compliant procurements and contract management to achieve best value. Regular review meetings are held with suppliers. A fundamental review of the procurement process started is undertaken with regularity to ensure that procedures remain effective and compliant.

The contracts' register is subject to monthly review by the Procurement Team and officers with proactive monitoring of contracts that are due to expire to allow timely re-procurement to ensure best value. Monitoring of key corporate projects is reported monthly to the Corporate Programme Board.

Appendix B - 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 directors and senior management and its affiliates, including all services provided by us and our network to the Council, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below. Further detail of all fees has been provided to the Audit and Accounts Committee with measurement against pre-approved limits.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

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

Appendix B – Fees

Fees

We carried out our audit of the Council 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 significant risks and certain areas of audit focus. As a result, we will discuss an associated additional fee with the Executive Director of Corporate Services and Assets (Section 151 Officer) and will submit the proposed fee for approval by PSAA Ltd.

Our fee for 2021/22 is in line with the audit fee agreed and reported in our 2021/22 Annual Results Report.

Description	Final Fee 2021/22	Planned Fee 2021/22	Final Fee 2020/21
	£	£	£
Scale fee	42,865	42,865	42,865
Scale fee variation agreed by PSAA	TBC	N/A	40,661
Total	TBC	42,865	83,526

The scale fee is set by PSAA as indicative and does not reflect the actual costs of undertaking the audit, to address all risks identified and to meet current regulatory standards. The audit team is in the process of calculating the scale fee variation for 2021/22, which will be discussed with management and with PSAA Ltd.

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

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