

Report to **Policy & Resources Committee**
Date **20 July 2023**
By **Grant Thornton – External Audit**
Title of Report **Value for Money – Auditor’s Annual Report 2021/22**
Note

Recommendation: The Committee is recommended to:

I. Receive and consider the Value for Money – Auditor’s Annual Report 2021/22

I. Value for Money – Auditor’s Annual Report 2021/22

- I.1 The Code of Audit Practice issued by the National Audit Office (NAO) requires the authority’s external auditor to provide a separate Value for Money (VfM) assessment from the main audit of the statement of accounts. We are required to consider whether the authority has in place proper arrangements to ensure economy, efficiency and effectiveness in the use of its resources.
- I.2 The report sets out the work that we have undertaken to assess the arrangements the Authority have in place to secure economy, efficiency and effectiveness in the use of its resources; with particular focus on risks in respect of financial sustainability, governance arrangements and improving economy, efficiency and effectiveness.
- I.3 No significant weaknesses in the Authority’s arrangements have been identified. In reporting this outcome, we have made 1 improvement recommendation which is advisory and not mandatory.

Andy Conlan

Senior Audit Manager, Grant Thornton

Contact Officer: Andy Conlan - Manager
Tel: 020 7728 2492
Email: Andy.n.conlan@uk.gt.com
Appendices I. Auditors Annual Report
SDNPA Consultees Chief Financial Officer
External Consultees None
Background Documents None

Auditor's Annual Report on South Downs National Park Authority

2021/22 – Finalised Report

March 2023



Contents

Section	Page
Executive summary	03
Opinion on the financial statements and use of auditor's powers	07
Key recommendations	08
Commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources	11
Financial sustainability	12
Improvement recommendations	15
Governance	16
Improvement recommendations	18
Improving economy, efficiency and effectiveness	19
Improvement recommendations	21
Follow-up of previous recommendations	22
Opinion on the financial statements	23
Appendices	
Appendix A – Responsibilities of the Authority	25
Appendix B – Risks of significant weaknesses, our procedures and findings	26
Appendix C – An explanatory note on recommendations	27
Appendix D – Sources of evidence	28
Appendix E - Key acronyms and abbreviations	29



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

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



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Authority's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our conclusions are summarised in the table below. We have not noted any significant weaknesses in arrangements and this represents a good outcome for the Authority.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Financial sustainability	No risks of significant weakness identified	 No significant weaknesses in arrangements identified	 No significant weaknesses in arrangements identified.	↔
Governance	No risks of significant weakness identified	 No significant weaknesses in arrangements identified	 No significant weaknesses in arrangements identified.	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	 No significant weaknesses in arrangements identified	 No significant weaknesses in arrangements identified.	↔

-  No significant weaknesses in arrangements identified or improvement recommendation made.
-  No significant weaknesses in arrangements identified, but improvement recommendations made.
-  Significant weaknesses in arrangements identified and key recommendations made.

Executive summary



Financial sustainability

The Authority continues to operate in a highly uncertain financial environment and like all local authorities, will need to continue to plan with little certainty over grant funding in the medium term.

Despite this uncertainty the Authority has taken appropriate action to secure and even strengthen its financial position in both the short and medium term. The Authority has made a significant investment through internal borrowing in the development of the assets in the Seven Sisters Country Park and the subsidiary company which will manage operations in the Park. We are satisfied that the arrangements and decision making around the Company set-up and agreement of the Business Plan have been robust, but it will be crucial that oversight over the financial management and performance of the Company operates correctly to ensure the investment returns are realised.

Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Authority.



Governance

We found no evidence of significant weaknesses in the Authority's arrangements for ensuring that it makes informed decisions and properly manages its risks. The setting up of the Teckal company and management of arrangements for the capital programme and then opening of sites at Seven Sisters Country Park has been complex and in terms of a project different from others managed thus far by the Authority. We have made an improvement recommendation that the Authority carry out a review once the Company has been operating for a year to collate any learnings and assess whether the arrangements are operating as intended.



Improving economy, efficiency and effectiveness

The Authority has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources.

Our work has not identified any significant weaknesses in arrangements in relation to delivering economy efficiency and effectiveness.



We have completed our audit of your financial statements and issued an unqualified audit opinion on 31 November 2022, following the Policy and Resources Committee meeting on 24 November 2022. Our findings are set out in further detail on pages 19.



Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Authority's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We have completed our audit of your financial statements and issued an unqualified audit opinion on 30 November 2022, following the Policy and Resources Committee meeting on 24 November 2022. Our findings are set out in further detail on page 19.

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We have not issued any statutory recommendations.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We have not issued any public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

No such applications have been made.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

No advisory notice has been made.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

No application has been made.

Securing economy, efficiency and effectiveness in the Authority's use of resources

All Authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Authority's responsibilities are set out in Appendix A.

Authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring the Authority can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



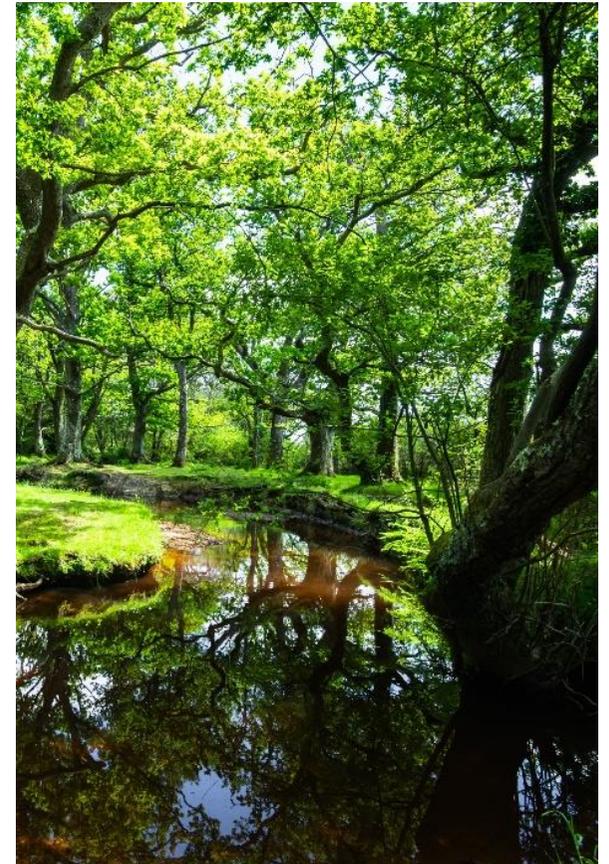
Governance

Arrangements for ensuring that the Authority makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Authority makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Authority delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on the Authority's arrangements in each of these three areas, is set out on pages 7 to 17. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Authority:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures 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
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Summary of the Authority's arrangements

During the first year of application of the newly implemented National Audit Office (NAO) Value for Money approach, we documented in detail the Authority's control environment and processes in place to ensure ongoing financial sustainability. These remain unchanged during the 2021/22 financial year.

The Authority has processes in place which detail the responsibility of Authority members and senior management for planning and managing the Authority's finances. These are documented in the Authority's Financial Procedures and Regulations. The operation of the Authority's finance and accounting function remains outsourced to Brighton and Hove City Council – a contract which has been retendered and extended from the 2022/23 financial year onwards, in an arrangement which will continue to ensure the Authority secures value for money in the provision of this service.

We have not identified any evidence of the Authority not complying with its Financial Procedures and Regulations during the 2021-22 year.

As part of the financial planning process, an annual budget (including revenue and capital) and a rolling 5-year Medium Term Financial Strategy is reported and agreed at the Authority Meeting. This was agreed for 2021/22 at the meeting on the 25 March 2021.

Financial performance was monitored and reported to the Policy and Resources Committee (P&RC) at the end of each quarter, in addition to monthly management reporting through the Operational Management Team (OMT) and Senior Management Team (SMT) reporting.

These reports set out key financial information, such as actual and forecast performance against budget. These reports are sent out in advance of the meetings, which enables questions to be formulated for discussion and scrutiny and challenge to take place.

2021/22 Revenue Outturn

The Authority set a balanced budget for 2021/22 on 25 March 2021. The budget was set for a balanced net departmental budget of £10.629m. The NPA grant allocation for 2021/22 was £10.486m, the same level of funding (flat cash basis) as the previous two financial years. This represents real term reduction in funding when inflation is taken into account. The balanced budget included a planned use of General Reserves of £0.183m, though we note this corresponds to the 2020/21 below budget variance which was contributed to reserves so did not represent a planned reduction in the General Reserve and more accurately was smoothing of reserves over the periods.

As reported to the National Park Authority (NPA) meeting on 5 July 2022, the outturn position for the year was more positive than budgeted, and resulted in a below budget variance (surplus) of £0.418m. This amount was transferred to earmarked reserves (the transition reserve) with the approval at the NPA meeting. The variance was due to several factors, but predominantly; some vacant posts; below budget costs due to home working during the pandemic; and some proactive management of staffing costs. The latter is planned to deliver ongoing efficiencies into the 2022/23 financial year to help manage anticipated financial challenges. In the 2021/22 financial year, plans were underway for a business reorganisation to take place in 2022/23.

Financial sustainability

2021/22 Capital Outturn

In the 2021/22 outturn reporting at the 5 July 2022 Authority meeting the Capital Outturn was reported as a Nil variance. However this is the outturn after agreed reprofiling of delayed capital expenditure to the 2022/23 financial year totalling £0.710m. This £0.710m is effectively an underspend on capital expenditure.

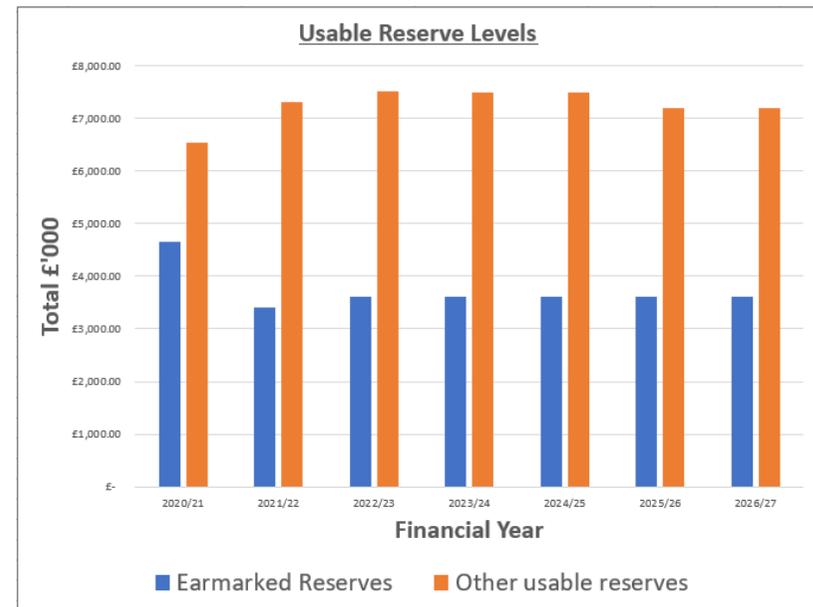
The reprofiling related predominantly to £0.584m of capital expenditure on assets in the Seven Sisters Country Park sites which had been delayed, mainly due to supply chain issues which management noted were being experienced widely across the UK. Our experience across other Authorities has shown that capital expenditure delays were common during the 2020/21 and 2021/22 financial years.

During our work on the 2020/21 Auditor’s Annual Report we noted that reporting on the capital programme at OMT and P&RC is very brief and high level, and does not give detailed description of progress or reasons for slippage, which given the sharp increase in the Authority’s capital programme ambitions during that year and 2021/22 could mean that members would not be given full oversight of variances on the plan. We recommended that the Authority should consider expanding the detail of reporting on the capital programme within regular budget reporting while there is a larger and more challenging programme being undertaken. We note that during the 2021/ 22 year the capital reporting was amended to give a more detailed project by project drilldown, with details of the reasons for variances/slippage recorded. We are satisfied this has addressed the improvement recommendation made.

2022-23 Financial Planning

At the end of 2021/22 the Authority had usable reserves of £10.7m (down from £11.2m 2020/21), with a general fund balance within this of £4.7m (down from £5.7m in 2020/21). The level of General Fund balance held is a subjective judgement which is initially made and recommended by the Chief Finance Officer based on a range of local considerations and circumstances considered holistically.

The Working Balance (within the General Fund) judgement is that it should be held at a minimum level of 5% of the expected DEFRA grant and planning income. The actual usable reserves for 3 years to 2020/21 are shown on the graph below, and the anticipated reserves including movements forecast in the most recent MTFS are further shown through the 5-year forecast to 2025/26. Noting that the MTFS is clearly based on assumptions and estimates which are subject to significant levels of uncertainty (see further discussion of assumptions/estimates underlying the MTFS below). The current position forecast within the MTFS anticipates that the Authority would maintain usable reserves of at least £9m through to 2025/26. This is considered to be a comparatively healthy reserve level within the context of uncertainty around the ongoing level of the National Park Grant and Other Grant/Contribution revenues and potential fluctuations in Planning revenues. The reserves policy along with associated reserves transfers and creations of new reserves, was approved in line with the Authority’s established governance framework. The new reserves approved included a transition reserve for managing the Authority’s expenditure profile in line with expected future funding constraints.



Financial sustainability

Useable Reserves total as a % of Gross Service Expenditure

Financial year	SDNPA reserves level	NPA 1 comparator	NPA 2 comparator	NPA 3 comparator	Average of 3 comparators
20/21	78.34%	23.21%	51.77%	37.57%	37.52%
21/22	59.18%	22.70%	50.62%	60.20%	44.50%

The anticipated reserves including movements forecast in the most recent MTFS are shown through the 5-year forecast to 2026/27. This shows that based on the MTFS forecasts at the outset of the 2022/23 financial year, the Authority forecast keeping the useable General Fund Balance reserves total (including earmarked reserves) at quite a constant level of between £3-4m in total. We have further considered the level of reserves held by the authority by comparing and benchmarking the useable reserves held as a % of the gross service expenditure in year against 3 other National Park Authority (NPA) comparators.

This benchmarking demonstrates that against the sample of 3 other NPAs, across the 2020/21 and 2022/23 years the Authority is holding useable reserves higher than the average of the others. This supports a conclusion that the Authority is erring on the prudent side of levels of reserves which are available to address any unexpected changes to the economic or other financial risks environment, and to address any funding gaps in future years.

The MTFS to the P&RC Committee on the 24 March 2022 reported a balanced budget for 2022/23, and a balanced MTFS through to 2025/26. This forward plan did not specifically require savings plans to achieve the balanced position, and instead contributions from the General Reserve are included in the budget where there is an anticipated gap based on the current estimates/assumptions. The medium term financial planning of the Authority has meant that despite an assumed zero increase in the DEFRA grant settlement, there have been funding and opportunities for continued investment in delivery of projects in pursuit of the Partnership Management Plan (PMP) objectives.

The Authority most recently refreshed the Medium Term Financial Strategy (MTFS) on 24 March 2022, alongside the process for setting the Revenue Budget 2022/23 at the same date.

We set out in our detailed commentary in the 2020/21 Auditor's Annual Report the Authority's arrangements around formulating and updating the MTFS – the Budget Framework continues to operate in the same way to ensure that the budget is clearly aligned with the Authority's priorities and objectives. The processes have not changed in any significant way during the 2021/22 financial year, and we still regard these arrangements as being robust in ensuring the Authority has a clearly set out medium term plan which is based on reasonable source information and assumptions. Longer term projections and any risks to the medium term position continue to be incorporated into the reports accompanying Budgetary information considered by P&RC quarterly, along with monitoring of the in year reserves movement. The Authority has again applied several key assumptions in developing its financial plans for 2021/22 to 2025/26. These assumptions were subject to question and challenge by the P&RC. The key assumptions made are:

- Flat cash national park grant per annum;
- Salary increments, a 1% per annum to fund cost of living payments, and National Insurance increases;
- 2.5% inflation applied to transport, premises, supply and services budgets from 2023/24 to 2026/27;
- Salary savings included from 2023/24 to 2026/27.

Financial sustainability

The assumptions in the 2022/23 budget and MTFS were reached in March 2022 with the information available at that date, and our view is that these were reasonable at the time, and reflective of reasonable arrangements around medium term financial planning at the Authority. The Ukraine war had started, along with signs of associated supply chain issues exacerbating existing economic issues following the pandemic, and it was anticipated that these could lead to inflationary pressures. The eventual impact, and resulting inflation at over 10% and full blown cost of living crisis in the UK could not have been anticipated by any authority at the date of producing the MTFS. We note that other local government bodies included similar inflationary assumptions in medium term projections at that date.

We have discussed the ongoing inflationary and other economic challenges during the 2022/23 financial year with the Authority finance team, and we have reviewed the budget monitoring during the 2022/23 year. As there are a number of vacancies in the overall staff headcount, the salary costs have been significantly below budget. This along with some other contractual savings have counteracted the current inflationary impacts, meaning that at Month 9 the forecast revenue outturn position was a £0.393m net favourable below budget variance against budget which if borne out would allow the Authority to make a further contribution to reserves at the 2022/23 year end. Making a decision several years ago to outsource corporate service, enter consortium insurance arrangements and set up delegated planning arrangements have been key factors in controlling support and overhead costs and maintaining financial stability as the level of national challenge has increased.

Seven Sisters Country Park

The Authority has taken on borrowing of £1.24m relating to capital investment in the assets in the Seven Sisters Country Park. This borrowing need was clearly set out in the 2021/22 Capital Strategy which was approved by the full Authority at their meeting on 25 March 2021. The Treasury Management Strategy was updated to reflect appropriate borrowing limits and prudential limits all within the established Authority financial procedures. The borrowing has initially been met from internal borrowing, using cash balances, reducing the amounts available for investment. This was assessed by the finance team as being more cost effective than external borrowing and cash-flow monitoring and forecasting continues to ensure cash balances are appropriate for the Authority's ongoing operations.

During the 2021/22 period the Authority set up a wholly owned subsidiary Teckel company which will manage and account for commercial activities in the Country

Park. We have discussed arrangements and decision making around the set-up of this Teckel Company in the Governance section of this report. The Company began trading on the 1 April 2022 assuming responsibility for all operations within the Park under an Operating Agreement. As such we will carry out further consideration of the ongoing management of the subsidiary and how it is performing against the plans made by the Authority in our 2022/23 Value for Money audit work once there is a year on performance data available. We note however that at Month 9 the Company position was £18k behind the original Business Plan with an operating loss for the full year forecast at £133k against the plan of £115k. There were however, clear operational reasons for this, being that some of the revenue generating components of the site opened later than planned as capital works on the site had overrun.

Identifying and assessing financial risks

The Authority is well managed financially, and there is a detailed understanding of its budgetary position and its budgetary pressures during the year. The reporting of the financial position to the Authority is of a high quality, and has sufficient, easily understandable information on the current and forward looking financial position to enable the Authority members to carry out their decision making role.

Financial performance was monitored and reported to the Policy and Resources Committee (P&RC) at the end of each quarter, in addition to monthly management reporting through the Operational Management Team (OMT) and Senior Management Team (SMT) reporting. These reports set out key financial information, such as actual and forecast performance against budget. These reports are sent out in advance of the meetings, which enables questions to be formulated for discussion and scrutiny and challenge to take place.

Conclusion

Overall, we are satisfied that the Authority has appropriate arrangements in place to ensure it manages risk to its financial sustainability. Prior year improvement recommendations have been implemented during the 2021/22 year, and based on our work carried out during this financial year we have not made any improvement recommendations.

Governance



We considered how the Authority:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- 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
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Leadership and committee effectiveness/decision making

Governance arrangements at the Authority operated during 2021/22 largely in an unchanged way from that documented in our 2020/21 commentary. Appropriate leadership is in place at the Authority. Key decision making primarily operates through the full Authority Meetings and the 3 key Committee; the Planning Committee, the Policy and Resources Committee and the Appointment Management & Standards Committee. The Policy and Resources Committee has delegated power to act as Those Charged with Governance (TCWG) and has continued to demonstrate a robust and detailed challenge of financial and non-financial information during the 2021/22 period.

The Committee contains a mix of elected and appointed Members with financial and non-financial experience, and during our attendance at this Committee we have noted and experienced the appropriate debate and challenge Members provide at each meeting. To ensure there is regular engagement and discussion between Members and Officers a monthly meeting is held between SMT and Members. This is a more informal meeting, which acts as an opportunity for Members to ask questions of Officers outside of formal Committee procedures, and is an example of good practice in encouraging Members to fully understand and oversee management activities. The P&RC has also appointed 2 Independent Members to the Committee to ensure robust oversight is carried out, given that the remit of this Committee is both decision making and scrutiny of decisions.

The Annual Governance Statement (read alongside the Local Code of Corporate Governance sets out how the Authority operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to its key stakeholders. We found during our work for the Auditor's Annual Report 2020/21 that key Committees including the Policy and Resources Committee do not conduct annual effectiveness self-assessments, and we made an improvement recommendation that the Authority look to address this point. In our discussions with management, we were informed that a Committee Annual Away Day would be taking place in April 2023 and this would include a review of the effectiveness of Committees in order to address this finding.

During 2021-22, the Authority carried out a Member survey to obtain feedback on the Governance processes, meeting formats and training provided, and from this to make recommendations for change and improvement as necessary. The conclusion of this process was that Members felt well engaged and supported in allowing them to discharge their duties within the Authority and as TCWG. A Member Task and Finish Group was also set up in January 2022 which considered the outcomes of the Member Survey and proposed 12 recommendations for change. We note that these recommendations were communicated to the Authority on 19 May 2022 and as such have been taken forwards during the 2022/23 year. We will consider the impact of these in our Auditor's Annual Report 2022/23. The Survey and Task and Finish Group processes are however, clearly evidence of an engaged Membership within the Authority who are committed to continuous improvement.

Governance

New members receive an induction that includes information on the Authority operations and National Park Authority operations/arrangements in general, along with full briefings on governance matters, and training on planning matters given the importance of the large planning operations that are operated by the South Downs NPA.

The Authority has an established anti-fraud culture through its Anti-Fraud and Corruption Policy, Whistleblowing Policy, and its Officer Code of Conduct. No disciplinary or capability issues arose during 2021/22. Members' interests are recorded on an individual basis on the Authority's website and a central register of gifts and hospitality is maintained.

Monitoring and Assessing Risk

Risk Management processes remain unchanged during the 2021/22 year, under the guidance contained in the Risk Management Policy and Guidance 2019-23 document which was approved in September 2019 at the Policy and Resources Committee. The key high level document showing the Authority's assessment of the key risks to its Corporate Plan is the Corporate Risk Register. This is updated regularly when risks change/risks are escalated and de-escalated from the Register, and at least ahead of each Policy and Resources Committee (P&RC) where it is reported and discussed at each meeting.

The Corporate Risk Register covers the core requirements of a corporate risk register, including setting out clearly an owner for the risk and the nature and potential service impact of the risk. Mitigations being undertaken against each risk are reported, along with a section showing any updates. A graphic against each risk shows in grid format the probability of occurrence and the impact of each risk with symbols showing how the risk has moved. The risk score pre and post mitigations is also shown on this grid. The introduction paper to the register also highlights any significant changes to the register since it was last presented to the P&RC.

Under the Corporate Risk Register there are Directorate Risk Registers; significant risks from these registers can be escalated to the Corporate Risk Register. Further Risk Registers can also be developed for specific services or projects. The Risk Management Policy and Guidance 2019-23 clearly defines a scoring process using impact and probability scores, and how this score sets how a risk should be managed, by which team/individuals and what risk register it should be reported on.

Detailed consideration of the Corporate Risk Register is delegated to the P&RC and we are satisfied that the risk management process was being effectively managed at that level, and the reporting of the Corporate Risk Register provides adequate assurances on the management of risks through reporting of mitigations and movements of these key risks. Senior Management Team (SMT) review and update the Corporate Risk Register monthly, and Operational Management Team (OMT) also review and update Directorate Risk Registers monthly.

We have reviewed the ongoing operation of the Authority risk management, monitoring and reporting arrangements during the 2021/22 year and we were satisfied that these have continued to be strong and effective. There continues to be a good quality audit function operating at the Authority which is delivered under contract by Brighton and Hove City Council, and we are satisfied with the standard of work being carried out by Internal Audit.

Budgetary Setting Process

The budget-setting process is thorough. The draft 2021/22 budget was presented to and approved by the full Authority meeting on 25 March 2021. There is quarterly review of budget to outturn position by the P&RC each quarter along with ongoing monthly reviews by SMT and OMT.

The annual budget and MTFS are considered concurrently with both being built from the "bottom up" based on service level detail provided by operational budget holders. There is a separate, stand alone MTFS, and the longer-term projections and any risks to the medium term position are incorporated into the reports accompanying the budgetary information considered by P&RC quarterly. Monitoring of in year reserves movement also goes through the P&RC quarterly.

This high level of scrutiny together with the Authority's track record of achieving its planned budget and continuing to balance its budget confirm the strength and validity of the budget setting processes in place.

Governance

Seven Sisters Country Park – Teckal Company

The Business Plan for acquiring Seven Sisters Country Park was considered by the Authority at its meeting on 16 May 2019. Management had taken detailed professional advice which had concluded on the need to establish a commercial vehicle Teckal company which would undertake the commercial activities associated with the Country Park. This Company was set up during the 2021/22 financial year in preparation for taking over management of the site from April 2022. Ownership of the land site continues to be under the Authority, with the subsidiary contracted to deliver commercial activities through the Park asset in the pursuance of the agreed Company Business Plan.

We have reviewed and discussed with management the decision making processes during the year. We are satisfied that appropriate legal and professional advice was sought by the Authority in the setting up the Teckal company and in establishing the Operating Agreement. We note that as part of the 2021/22 Internal Audit plan the financial arrangements for Seven Sisters were reviewed by Internal Audit. Arrangements were assessed as providing 'Reasonable Assurance' and Internal Audit concluded that:

- Suitable consideration has been given to the type of trading company selected with legal advice and support provided to the authority;
- The expectations and outcomes for the traded company are clearly documented and understood within the Authority.
- The authority are using CIPFA guidance to inform the reasonable charges for payments between the national park and the traded company.
- There is a plan to cost all elements of delivery to ensure that there is full cost recovery on optional items and the authority are mindful of costs for other fees.

The arrangements to reach the point of the company becoming operational in April 2022 onwards have been complex and relatively resource demanding on Authority senior management. We would recommend that once the Teckal Company has been operational for a year at the end of 2022/23 that a brief review is undertaken of whether the Company arrangements are operating as intended and any learnings from the initial full year of operating can be taken forwards in helping the Authority with future projects and change management. **(Improvement Recommendation 1)**

Conclusion

Overall, we found no evidence of significant weaknesses in the Authority's arrangements for ensuring that it makes informed decisions and properly manages its risks. As outlined above, we have raised one improvement recommendation as detailed on the next page.

Improvement recommendations



Governance

Recommendation 1

Once the Teckal Company has been operational for a year at the end of 2022/23, a brief review is undertaken to assess whether the Company arrangements are operating as intended and to identify any learnings from the initial full year of operating that can be taken forwards in helping the Authority with future projects and change management.

Summary findings

The setup of the Teckal Company has been challenging and complex, and there are learnings from this process that could be taken forwards. It is also important to assess whether the arrangements are operating fully as intended and recognising all planned benefits for the Authority.

Management Comments

Management has tightly monitored the activities and financial performance of South Downs Commercial Operations Limited throughout its first year of operation. The Authority and the Company will be undertaking a thorough review of operating arrangements, culminating in a report to be considered by the National Park Authority in July 2024.



The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness



We considered how the Authority:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance Review Monitoring, Assessment and Partnership Working

During the work on the Auditor's Annual Report we reviewed in detail the Authority's key arrangements around performance review, monitoring and Assessment. The key Performance Management Framework remained the same during the 2021/22 year. The Partnership Management Plan (PMP) sets out the overarching five-year strategy for the management of the South Downs National Park. This is cited as the most important policy document for the Authority and sets out the vision, 3 strategic themes and 10 outcomes which the Authority aims to achieve.

The Corporate Plan 2020-25 Year 2 Action Plan for 2021/22 was reviewed and approved at the Policy and Resources Committee on 25 February 2021. This plan sets out how the Authority will deliver those elements of the South Downs National Park Partnership Management Plan (PMP) for which they are responsible. The 2020/21 year was the first year of the 5-year Corporate Plan. The Authority communicated that although the pandemic had put much of the first years Action Plan on hold, and those priorities to carry over to the 2021/22 year were identified and agreed.

The Plan contains 35 indicators developed to allow measurement and reporting of progress in delivering the 10 outcomes in the Plan, with these being linked to DEFRA national indicators wherever possible. The Authority reports annually on progress against the PMP. The priorities and objectives which are identified in the Corporate Plan are all related back to the 10 outcomes in the PMP to ensure

alignment of the 5 year Corporate Plan with the overall PMP vision.

On a quarterly basis progress on priorities is reported with RAG rating and commentary on any issues/highlights in the Corporate Performance and Project Performance report to the Policy and Resources Committee for oversight by Members. Projects in the Corporate Plan or approved since are also reported here with RAG rating for the current quarter and previous quarter. We have again reviewed the monitoring and reporting against outcomes and projects during the 2021/22 year. While the reporting is of a good and very detailed quality, our discussions with officers is that in the more challenging post-pandemic environment with ever increasing financial pressures, suggest that 35 indicators across the 10 outcomes, alongside reporting on progress on specific projects could be leading to quite diluted conversations on progress against these as the reporting and discussions is spread thinly. Our discussions with management suggest that given that certain elements of the Action Plan were pared down and/or put on hold due to the impacts of the pandemic, that they are cognisant of the impact of reporting on too many indicators/projects, and the fact many of these do not have clear quantifiable reporting parameters, could have on ensuring that the monitoring and oversight is of a high quality. There are therefore discussions being taken forwards during the 2022/23 year on reducing the number of indicators and project that the Authority reports its progress against, so that this reporting really drives performance in the key Action Plan areas that do feed into the 3 strategic themes.

Improving economy, efficiency and effectiveness

We have not made an improvement recommendation in this area as this is already an area being progressed by the Authority to ensure monitoring and oversight on performance aligns clearly with the Action Plan.

The Authority consistently discusses performance and best practice with other National Park Authorities, as well as looking towards DEFRA and National Parks England for data and guidance which would indicate areas where the Authority is out-performing or under-performing against expectations.

It should be noted in the context of the Authority discussing what indicators and projects would continue to be reported on, that there is also a new set of Key Performance Indicators (KPIs) being developed at a national level by DEFRA. These will be applicable to all National Park Authorities, though these will not be exhaustive or fully applicable to each individual Authority as each National Park is unique and will have its own specific indicators/measure of success based on the landscape, farming/industry present, locality and community living and using the Park. The DEFRA priorities are being simplified and focussing on Nature, Climate and People. The Authority's Partnership Management Plan has many more areas of focus than this. Management are aware that once DEFRA issue more guidance on focus areas and likely detailed guidance that aim to make National Park Authority Plans more consistent and comparable, that the PMP will likely need to be revisited and updated.

There are several significant overarching targets which the Authority has set and is monitoring itself on delivery; these include:

- 30 by 30; a 33% increase in nature recovery by 2030;
- Working towards the South Downs National Park becoming 'Net-Zero with Nature' by 2040.

The Authority works closely with the other 14 National Park Authorities in comparing, benchmarking and sharing best practice and also works with National Parks England in sharing information. The Authority also participates in a number of sub-groups, for instance Team Nature, where wider national themes and targets are discussed and further information sharing/collaboration happens.

The South Downs Partnership (SDP) was re-launched at the end of the 2020/21 year to work alongside the Authority in deliver of the PMP. This operates as a high level meeting of individuals from various sectors representing informally their areas to discuss the future direction of the National Park. This is not a formal meeting, but is a chance for individuals to champion or represent specific causes/direction which might not yet have been explored, or may need a higher profile. The group has now met about 6 times and acts well as a complimentary group to the Authority membership, as the members of the SDP can be specifically sought from industries or areas of expertise which may not yet be represented within the Authority.

The Authority has also engaged with Heritage Insider to:

- conduct a review of Volunteering, generating comparative data and recommendations for the Authority to take forwards;
- mount a Theory of Change workshop series of workshops to around engagement.

Planning Performance

Planning is not only a key financial component for the Authority, but it is also an important level by which the Authority can make/influence decisions about how the National Park land is used and developed. The Authority operates delegated planning arrangements and is one of the top 20 planning services by volumes of applications in the country. We met with officers from the service to document an understanding of the processes and arrangements in the Authority planning service; particularly in how income is forecast and how associated expenditure is controlled where there are variations in income as there was during the pandemic and more recently when there are significant variances in economic activity which would lead to planning applications. A significant proportion (83%) of applications are processed under hosted arrangements and these have tightly controlled contract management in place to ensure that the cost to the Authority is on a "per transaction" model. The contractual management also allows the Authority to hold contract partners to account

Improving economy, efficiency and effectiveness

on performance indicators defined in the contracts. The Authority also meets with the bodies where there are hosted arrangements to discuss performance management 3 times per year. As a result planning performance metrics have improved during 2021/22.

The Authority is obliged to report to government on certain planning metrics and also reports quarterly on planning service performance against defined indicators. The service is a key source of income for the Authority which has contributed significantly to its resilience as the grant and other sources of income have reduced.

Procurement

The Authority's procurement processes are currently carried out in accordance with the Contract Standing Orders (CSOs). Contracts are procured via national frameworks or via the In-tend e-sourcing system. The CSOs set clear thresholds for procurement processes required at different contractual values. The Authority enters into certain procurement activities with other authorities to harness group buying power and value for money, for example the HR and Learning platform.

The Authority does not cite contract management as being an area of significant organisational risk – for instance delegated arrangements are regularly renegotiated to allow the Authority sufficient oversight of the performance of those arrangements against specified indicators and to obtain value for money.

The arrangements around Procurement remained the same during 2021/22 and no significant issues with procurement value for money or contract management have been highlighted during our work in this review. During the 2020/21 work we observed that procurement and contract management practices are based on the Contract Standing Orders and while considered sufficient to guide officers through an effective procurement process, the detail on standardised ongoing contract management practice could be improved. We therefore made a recommendation that the Authority should establish a more detailed Procurement Policy with increased coverage of how officers should carry out contract management in a standardised framework. Management provided a response and were of the view that the existing governance arrangements and

operational management framework (for example; contract standing orders) provide sufficient reassurance that procurement of services and management of contracts is robust across the Authority. We note also that Internal Audit provided a Reasonable Assurance opinion based on testing the operation of contract management during the 2020/21 year and that the arrangements tested are those in place during the 2021/22 year. As such, given that we have not been made aware of any issues/value for money failures around contract management in the 2021/22 year, we are satisfied that for a small local government entity such as this Authority that the guidance in the Contract Standing Orders and the processes in place are providing a suitable control environment for procurement and contract management that is in practice ensuring the Authority does obtain value for money. We have not made any further recommendation on this point.

Conclusion

Overall, we found no evidence of significant weaknesses in the Authority's arrangements for ensuring it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
1	Consider expanding the detail of reporting on the capital programme within regular budget reporting while there is a larger and more challenging programme being undertaken.	Improvement	May 2022	During the 2021/ 22 year the capital reporting was amended to give a more detailed project by project drilldown, and details of the reasons for variances/slippage, and we were satisfied that this had addressed the improvement recommendation made.	Yes	No
2	Introduce annual self-assessment effectiveness reviews for the Policy and Resources Committee.	Improvement	May 2022	A Committee Annual Away Day will be taking place in April 2023 and this would include a review of the effectiveness of Committees in order to address this finding.	Yes	No
3	Establish a more detailed Procurement Policy with increased coverage of how officers should carry out contract management in a standardised framework.	Improvement	May 2022	The Authority believes that the existing governance arrangements and operational management framework (for example; contract standing orders) provide sufficient reassurance that procurement of services and management of contracts is robust across the Authority. Given that we have not been made aware of any issues/value for money failures around contract management in the 2021/22 year, we are satisfied that for a small local government entity such as this Authority that the guidance in the Contract Standing Orders and the processes in place are providing a suitable control environment for procurement and contract management that is in practice ensuring the Authority does obtain value for money. We have not made any further recommendation on this point.	Yes	No

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion or we qualified the opinion on the Authority's financial statements on 31 November 2022.

Audit Findings Report

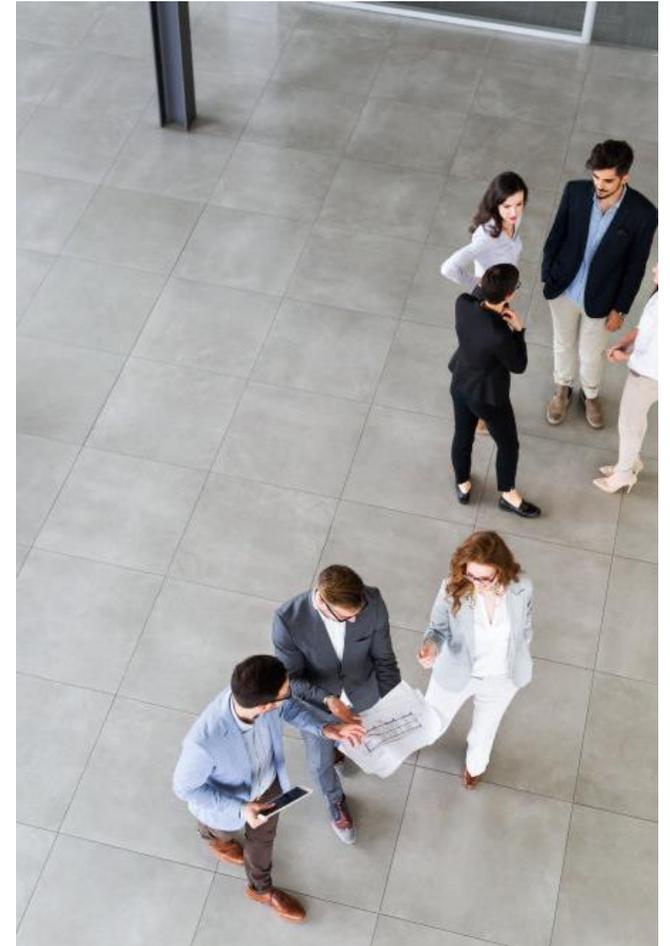
More detailed findings can be found in our AFR, which was published and reported to the Authority's Policy and Resources Committee in November 2022.

Preparation of the accounts

The Authority provided draft accounts in line with the national deadline and provided a good set of working papers to support it. There were delays in provision of sample documentation that meant fieldwork testing required more audit team resources and time than were originally planned and budgeted for.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



Appendices

Appendix A – Responsibilities of the Authority

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

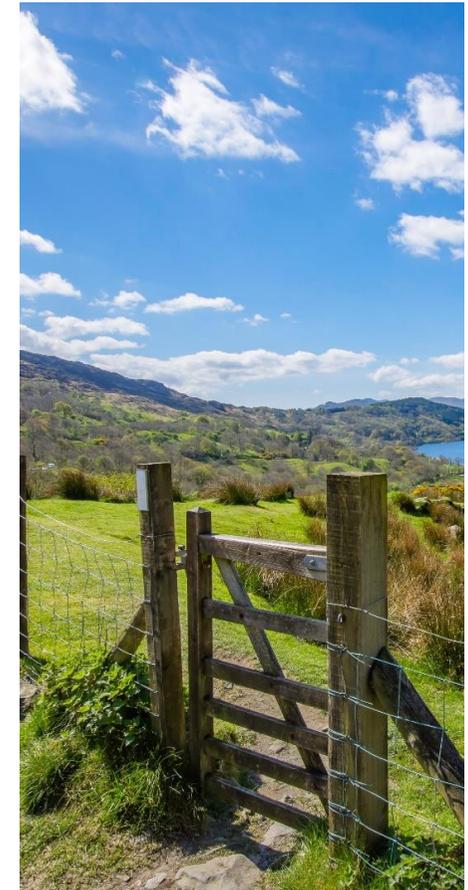
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Authority's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

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



Appendix B – An explanatory note on recommendations

A range of different recommendations can be raised by the Authority’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Authority. We have defined these recommendations as ‘key recommendations’.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Authority, but are not a result of identifying significant weaknesses in the Authority’s arrangements.	Yes	14



