

Report to **Policy & Resources Committee**  
Date **29 February 2024**  
By **Grant Thornton – External Audit**  
Title of Report **Value for Money – Auditor’s Annual Report 2022/23**  
**Note**

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**Recommendation: The Committee is recommended to:**

**I. Receive and consider the Value for Money – Auditor’s Annual Report 2022/23**

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**I. Value for Money – Auditor’s Annual Report 2022/23**

- 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 and no recommendations have been made.

**GRANT THORNTON**

**External Auditor**

**South Downs National Park Authority**

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Appendices I. Auditors Annual VfM Report  
SDNPA Consultees Chief Financial Officer  
SDNPA Consultees Chief Financial Officer  
External Consultees None  
Background Documents None





# Interim Auditor's Annual Report on South Downs National Park Authority

2022/23

Interim Report

February 2024



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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.

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# 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 2022/2023 is the third 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.

Criteria	2022/23 Risk assessment	2022/23 Auditor Judgement	2021/22 Auditor Judgement	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, but one improvement recommendation made	↑
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 South Downs National Park Authority (the Authority) is facing a challenging financial position with core funding frozen and “flat cash” settlements expected to continue for the foreseeable future while facing macro-economic challenges such as high inflation. The Authority has a Medium-Term Financial Strategy to provide a roadmap to deal with these challenges and has set targets to increase earned income and external funding to allow the park to develop over the coming years. The introduction of new income streams has also helped to bolster the Authority’s financial position.

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



## Governance

We have reviewed the Authority’s governance arrangements in relation to managing risk, internal control, culture, decision making and standards.

Our work has not identified any evidence which leads us to conclude that there are weaknesses present which require recommendations to be raised.



## Improving economy, efficiency and effectiveness

The Authority has appropriate arrangements in place to secure economy, efficiency and effectiveness. The arrangements to measure and monitor performance have been enhanced in 2022/23 and there are reasonable arrangements in place for managing procurement and partnerships given the size of the organisation. We believe the Authority works well with key partners to work toward delivering the outcomes of the Park Management Plan.

Our work has not identified any evidence which leads us to conclude that there are weaknesses present which require recommendations to be raised.



We have substantially completed our audit of your financial statements and we anticipate that we will issue an unqualified audit opinion following the Policy and Resources Committee meeting on 29 February 2024. Our Audit Findings Report contains the detailed findings from the audit and is presented to this meeting.



# 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 substantially completed our audit of your financial statements and we anticipate that we will issue an unqualified audit opinion following the Policy and Resources Committee meeting on 29 February 2024. Our Audit Findings Report contains the detailed findings from the audit and is presented to this meeting.

## 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 did not issue 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 did not issue a 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.

We did not make any application to the Court.

## 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.

We did not issue any advisory notice.

## 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.

We have not made any such application.

# 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).



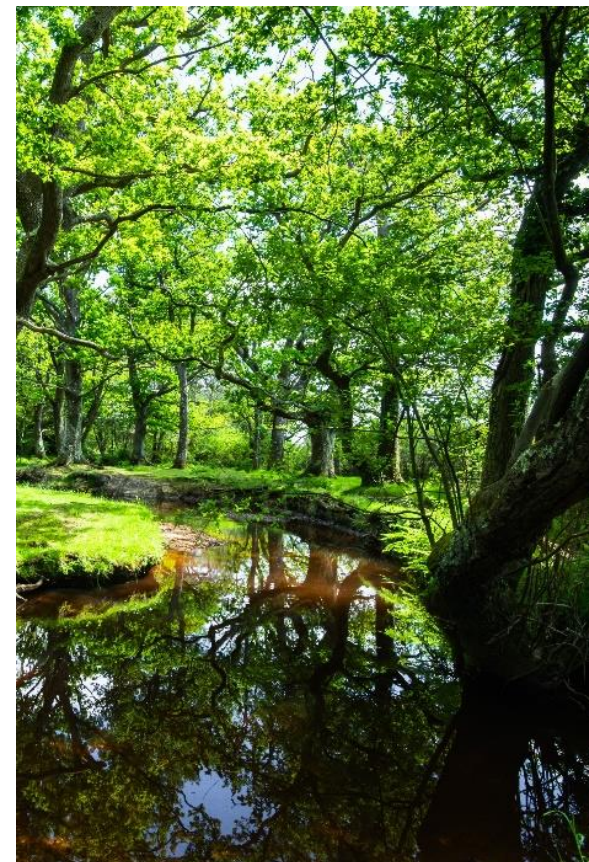
## Governance

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 18. 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.

## Short and medium term financial planning

As a non-local government body, South Downs National Park Authority (SDNPA) does not have an annual funding settlement. Funding is derived from four key sources: external project funding, earned income, S106 funding / Community Infrastructure Levy (CIL) and the core government grant, which has been a flat cash grant for several years now and there is no indication this is going to increase in the foreseeable future. There is sufficient evidence to suggest that annual funding mechanisms for the body have been adequately addressed in its financial planning, mainly via the annual budget 2022/23 which was agreed by the Authority in March 2022, and which sets the estimated income and expenditure for the coming year with detailed breakdowns and assumptions.

The Department for Environment, Food and Rural Affairs (DEFRA), who allocates government funding for the National Park Authority through National Park Grant, did not commit any additional grant funding for 2022/23. The National Park Grant allocation for 2022/23 was £10.486m, the same level of funding as the previous three financial years. This represents real term reduction in funding when inflation is taken into account.

In accordance with the Authority's Financial Regulations, the Section 151 Officer is responsible for preparing annually a detailed revenue and capital budget, and medium-term financial projections, taking account of known and estimated resources, for consideration and approval by the Authority. In terms of financial planning, the key elements of this are:

- The Revenue Budget
- The Capital Strategy
- The Treasury Management Strategy
- The Medium-Term Financial Strategy (MTFS)

The Budget is developed in accordance with the Authority's agreed Budget Framework alongside the Corporate Plan and the Partnership Management Plan (PMP) to ensure that the budget aligns with the Authority's priorities and objectives. A balanced budget was presented in 2022/23.

The Authority is exploring new external funding opportunities including Local Enterprise Partnership funding and developing commercial income opportunities, as well as continuing to support the South Downs National Park Trust, an independent charitable trust within the national park.

The Authority also receive income from planning fees in relation to development control. The Authority has been innovative previously in setting up delegated planning arrangements which are not common in other National Park Authorities, which kept planning arrangements in-house. It means some of the more uncertain and costly parts of the planning processes are delegated to the district/borough/unitary councils that overlap the national park's geography, and the Authority is responsible at a higher level. This means some more administrative parts of the process is outsourced and has meant that when income has been reduced, the costs have also proportionately reduced as the Authority only pays on the completion by the other party of processes/work done. There was significant movement in fees within the Planning Service in 2022/23, with a £309,000 underspend on Delegated Agreements, due to lower development control activity. This demonstrates that this mechanism enables the Authority to effectively manage its risk exposure to fluctuating planning activity which, if provided in-house, would otherwise require regular increases or decreases of staffing resources which carries many risks including recruitment risks, severance cost risks, performance risks and so on.

# Financial sustainability (continued)

## Short and medium term financial planning (continued)

There is no evidence that the Authority's financial plans are based on key assumptions that are unrealistic, such as being over-reliant on uncertain income streams that are significant to the delivery of the plans, or not backed by appropriate supporting evidence. The financial plans have key income and expenditure assumptions. The original 2022-23 budget was adjusted in year to forecast a surplus of £393k at Month 9. At the end of financial year 2022-23, there was a surplus of £492k. The main reason for the improvement was £440k of additional DEFRA grant and additional retained planning income. This meant that, rather than using reserves to balance the budget, the Authority contributed to its reserves.

The budget and MTFs clearly identifies employee costs, other expenditure and income by service areas, with further commentary describing how the budget aligns to the Authority's priorities as established in the Corporate Plan and Partnership Management Plan.

The Authority's financial plans adequately reflect the impact of key expenditure drivers, demand for services as applicable and other potential pressures such as pay implications. The budget paper presented to the Authority each year highlights risk factors and the challenging economic environment for setting the MTFs. The Authority's performance against key financial metrics is set out in the Table opposite.

	2022/23	2021/22
Planned revenue expenditure	£11.28million	£ 12.17 million
Actual revenue expenditure	£11.21 million	£11.75 million
Planned capital spend	£1.36 million	£1.7 million
Actual capital spend	£1.25 million	£ 1.7 million
Year-end cash position	£8.8 million	£ 8.5 million

# Financial sustainability (continued)

## Identifying savings

The Authority does not currently consider that funding pressures are such that formally agreed and monitored savings targets need to be allocated as part of budget setting, and instead cost pressures are considered and managed proactively to ensure costs do not increase at a rate which are out of line with overall anticipated funding.

Budget gap and savings are not a current concern for the Authority. The Authority set a balanced budget for 2022/23 with a contribution to reserves. There were efficiencies included as part of the 2022/23 budget, but these were not savings targets rather operational efficiencies identified as a matter of ongoing service development.

For the remaining four years of the MTFS, to 2026/27 the Authority has set out plans to balance the budget through small contributions from reserves of about £10k per annum.

The Authority has subsequently set a balanced budget for 2023/24 with a net contribution to reserves of £325k over the period 2023 to 2028

## Financial Planning and Strategic Priorities

The functions of a National Park Authority are quite different to a local authority which has a wide range of statutory services. There is very little which could be deemed to be core statutory spend for a National Park Authority. The statutory purposes of a National Park Authority is to:

(a) conserve and enhance the natural beauty, wildlife and cultural heritage of the National Park;

(b) promote opportunities for the public understanding and enjoyment of the special qualities of the Park.

The Authority is the local planning authority for the Park's geographical area. The Authority must also maintain the statutory roles of Chief Executive, Monitoring Officer and Section 151 Officer to ensure it continues to deliver its statutory purpose. The related costs are included in regular reporting to the Policy and Resources Committee.

The Authority does not deliver discretionary services, only core statutory services and the Authority attempts to deliver these services to the widest amount of the population in promoting the park - they have revenues outside of the grant which are used to help deliver and improve the overall services of the Authority, but still fall within the statutory purpose of the Authority.

## Financial planning and strategic priorities

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 Policy and Resources Committee quarterly. Monitoring of in year reserves movement also goes through the Policy and Resources Committee quarterly.

The budget and MTFS clearly reference the Corporate Plan and the Partnership Management Plan. The Section 151 Officer is key in agreeing the Corporate Plan alongside the budget and MTFS to agree it is affordable and this provides the coherent link from strategic priorities to the budget, particularly in regard to investment and disinvestment in services, and the approach to financial sustainability.

Long-term financial plans are not dependent on the reduction or removal of any services currently being provided. New investment is managed through the Corporate Plan and Partnership Management Plan. These plans are only approved when costed and agreed to be deliverable within budget and are then incorporated into the budget.

The Prudential Framework requires the Authority to produce a Capital Strategy which must be presented to, and approved by, the Authority each year. The purpose of the Capital Strategy is to provide a single place for transparency and accountability of the Authority's non-financial investments and capital investment programme, including any commercial investments or loans to third parties.

We have reviewed the capital budget and are satisfied it does support corporate strategic priorities and makes sense in the overall financial context. The key priorities for capital expenditure over the medium term include the investment in the Seven Sisters Country Park, Phase 2 of the National Park Signage Project and the ongoing vehicle replacement programme but capital expenditure is not a key focus of the Authority.

# Financial sustainability (continued)

## Financial planning and other operational plans

The Authority is a small organisation and we have been advised that because of this they do not require a detailed workforce plan, which is reasonable.

The Authority has established budget setting arrangements in place. Each year the budget is set in-line with the Strategy and Business Plan which is derived from the Park Management Plan. Budgets are set and then owned by budget managers but facilitated by the finance team to ensure overall financial sustainability and affordability of programmes of work. Prioritisation of delivery where there are financial pressures is decided by the Senior Management Team and approved by Members of the Authority as part of budget approval.

Staff establishment is developed centrally which reflects permanent staffing arrangements but allows some flexibility for temporary staffing. This establishment is reviewed and approved by the Section 151 Officer and other executive officers to confirm they are satisfied that it aligns with the employee cost budget and will also deliver corporate priorities in the Corporate Plan and Partnership Management Plan. We note there was a business reorganisation in 2022/23 which aimed to save in the region of £1 million per annum from 2023/24 onwards. This target was achieved through rationalisation of the establishment including the closure of the Brinsbury Office with net annual savings identified of £1.14 million, Reductions in staff were achieved mainly through a voluntary redundancy exercise and two compulsory redundancies. All staff left the organisation by the end of March 2023. We will look to review this further in our 2023/24 work to ensure that the agreed savings can be demonstrated.

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.

Overall, the Authority's financial plan is consistent with other plans including the Management Plan which drives the key services and priorities of the Authority. There is no formal independent inspection regime due to the nature of the Authority's responsibilities.

## Managing risks to financial resilience

The Authority identifies key risks to its revenue position and how it is managing risks to financial resilience. New reserves / contingency funds are created where there is such anticipated risk.

Financial performance was monitored and reported to the Policy and Resources Committee at the end of each quarter during 2022/23, in addition to monthly management reporting through the Operational Management Team and Senior Management Team. 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.

As part of the MTFs process, sensitivity analysis and scenario modelling has been undertaken, including income and expenditure assumptions. This is clearly reported within the MTFs against "Risks associated with the proposed decision" which sets out specifically those assumptions with a high level of uncertainty, an assessment of the impact of a reasonable variation in the assumption outcome and possible mitigations of the risk. This is considered a transparent and clear way of reporting the sensitivity of the MTFs estimates to those variable assumptions. As such, we are satisfied the Authority identifies and manages risks to financial resilience and challenges the assumptions underlying its plans.

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. Making a decision several years ago to outsource corporate services, 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.

Reserves are created for specific risks. The Authority also has a high level of reserves. The Authority had reserves of £11.55m (up from £10.7m in 2021/22) which included reserves for CIL and Section 106 funds of £7.0m which are not usable reserves.

# Financial governance

## Annual budget setting

Budget setting arrangements are not complex because the Authority is a small organisation and only has 14 budget holders. The process starts with deciding the assumptions for the year and these are then assimilated into the five-year plan. They then look to ensure project funding is in place. The process runs from September to March each year when the budget is agreed by Members at Authority. The report to Authority includes the Capital and Treasury Management Strategies.

The Authority has processes in place which detail the responsibilities of its members and senior management for planning and managing the Authority's finances. These are set out in the Authority's Financial Procedures and Regulations, which were most recently reviewed and updated on the 15 October 2020 by the Authority.

The assumptions in the 2022/23 budget and MTFS were reported in March 2022 with the information available at that date, and our view is that these were reasonable at the time, and reflective of appropriate 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 significant 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.



## Budgetary control

Financial performance was monitored and reported to the Policy and Resources Committee at the end of each quarter, in addition to monthly management reporting through the Operational Management Team and Senior Management Team reporting. The provisional outturn was reported to Authority in July 2023.

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.

Financial plans for the year are reviewed and approved by budget holders and by the senior leadership team. Review of Authority and Committee minutes and discussions with officers indicate ownership and involvement of senior officers and Authority members in the development of the body's financial plans.

At Policy and Resources Committee and Executive meetings, executive officers are held to account against performance on their financial budget. Review of committee papers indicate that financial performance is a key objective for senior managers, forming part of the body's performance management processes to ensure formal and effective accountability for the delivery of budgets.

There are appropriate systems in place for oversight of the budget. The Finance Team engages at least monthly with budget holders, Senior Management Team and Operational Management Team and produces quarterly budget reports to the Policy and Resources Committee.

Through regular monthly engagement with budget-holders the Finance Team are made aware of any risks to the plan and any potential variances in outturn and the reason for these. If any variance was so significant it was no longer considered a simple variance on outturn, a budget variance would be considered. This type of change would be considered by management and then approved in budget monitoring reports at the Policy and Resources Committee meetings.

# 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.

## Risk management and internal controls

The Authority has in place a Risk Management Policy and Guidance 2019-23 document which was approved in September 2019 at the Policy and Resources Committee. This sets out the Authority's approach to risk management. We reviewed the document and were satisfied it would be clear and useful to existing employees needing refreshing on the approach, and to new employees who are new to the process. 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 or risks are escalated and de-escalated from the Register, and as a minimum consideration ahead of each Policy and Resources Committee where it is reported and discussed at each meeting. In July 2023 the Corporate Risk Register contained 11 key risks which we feel is a suitable number to allow for adequate scrutiny. These included risks around health and safety, finance, staffing and project delivery.

The Corporate Risk Register covers the core requirements of such a document, 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. An introduction paper to the register also highlights any significant changes to the register since it was last presented to the Policy and Resources Committee.

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.

The Authority considers risks as part of its decision-making role on corporate policies, including the annual budget setting processes, major policy decisions and major projects. Detailed consideration of the Corporate Risk Register is delegated to the Policy and Resources Committee, 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 review and update the Corporate Risk Register monthly, and Operational Management Team also review and update Directorate Risk Registers monthly.

There is an adequate and effective internal audit function. The Authority contracts out its internal audit service to Brighton and Hove City Council (BHCC) via a service provider arrangement for financial services and then BHCC provide an internal audit service via the Orbis shared service arrangements. An internal audit work plan is agreed each year with the Authority, and then reports from internal audit are presented to the Policy and Resources Committee. Changes can be made to the Plan throughout the year to recognise any new risks that may arise.

# Governance (continued)

## Risk management and internal controls (cont'd)

Internal Audit track the status of recommendations made from their work and report this status in each progress report to the Policy and Resources Committee thereby providing assurance to members that any control deficiencies and associated recommendations are being addressed in an effective and timely way.

Internal audit issues an Annual Report summarising their work each year along with the Head of Internal Audit Opinion - which provided "Reasonable assurance" for the 2022-23 financial year. In year, Orbis issued five internal audit reports and one follow up report. Two reports offered "Substantial Assurance" and four provided "Reasonable Assurance". There were no adverse internal audit opinions.

The most recent external assessment of Orbis' internal audit working practices against public sector internal audit standards (PSIAS) was undertaken in 2022. This concluded that Orbis' internal audit activity conforms to the PSIAS. The assessment was undertaken by the Institute of Internal Auditors.

We are not aware of any gaps in controls or significant weaknesses in controls from the work done by internal audit from our findings as part of our VFM work.

## Informed decision making

The Authority has 27 Members, 14 Councillors from local authorities within the South Downs National Park. There are 15 local authorities within the Park, and each is entitled to a seat on the Authority. Two councils have decided to share a seat. Six Councillors are from Town and Parish Councils within the South Downs National Park, two Councillors each are appointed from East Sussex, West Sussex and Hampshire County Councils. The appointments follow elections organised by the relevant Associations of Town and Parish Councils. Seven Members are appointed by the Secretary of State following a national, open competition.

Decision making at the Authority is prescribed by the Standing Orders, Scheme of Delegation, Financial Regulations, Contract Standing Orders and other accompanying policies and procedures. Appropriate leadership is in place, and key decision making primarily operates through the full Authority Meetings and the three key Committees; the Planning Committee, the Policy and Resources Committee and the Appointment Management and Standards Committee.

The Standing Orders are regularly reviewed at least annually. The last review was reported to the Authority in July 2023. Standing Orders and all other key policy/procedure documents are made available to officers at induction. The Annual Governance Statement 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.

Papers are provided in advance of member meetings to allow decision makers the opportunity to read and reflect in advance. Minute reviews and our attendance at Policy and Resources Committee meetings show evidence of challenge and questioning by Members. The Authority has the Policy and Resources Committee (which acts as an audit committee) and Planning Committee to deliver its objectives and provide an appropriate level of assurance and scrutiny.

There is consistent high attendance at the Policy and Resources Committee. The membership is large as is prescribed for Authority committees and therefore low attendance is not an issue.

We attend the Committee and we are satisfied the Committee members provide appropriate challenge and are effective.

	2022/23	2021/22
Annual Governance Statement (control deficiencies)	No significant governance issues have been identified	No significant governance issues have been identified
Head of Internal Audit opinion	Reasonable Assurance	Reasonable Assurance

The Authority's performance against key governance metrics is set out in the table above.

# Governance (continued)

## Standards and behaviours

As a public organisation, the Authority aims to maintain the highest standards of conduct and integrity. The Authority expects the highest standards of corporate behaviour and responsibility from all Authority members and all staff. The Authority has in place a range of policies and procedures designed to ensure compliance with legislative and regulatory standards including:

- Codes of Conduct for Members and Staff;
- Code of Corporate Governance;
- HR Policies and Procedures;
- Grievance Procedure and Whistle-Blowing Policy;
- Anti-Fraud and Corruption.

The Authority has approved a Local Code of Corporate Governance, and annually publishes the Annual Governance Statement which, considered together with the Code of Corporate Governance, constitute transparent reporting to members and other stakeholders of the assessment of the effectiveness of the governance framework and the criteria against which it has been assessed. An appropriate level of care is taken to ensure the Authority's policies and procedures comply with all relevant codes and legislative frameworks. This sets out the controls framework as to how the Authority establish a system to prevent and detect fraud.

The annual governance statement is compliant with the CIPFA code. The Authority's Local Code of Corporate Governance states that it has adopted the CIPFA/SOLACE framework Delivering Good Governance in Local Government.

The Authority has an established anti-fraud culture through its Anti-Fraud and Corruption Policy, Whistleblowing Policy and its Officer Code of Conduct. No significant disciplinary or capability issues arose during 2022/23. Members' interests are recorded on an individual basis on the Authority's website and a central register of gifts and hospitality is maintained by the Monitoring Officer.

An Officer Code of Conduct and Declaration of Interest Code has been put in place which sets out responsibilities including ethical standards for staff of the Authority. This includes that staff must be aware of policies and procedures relating to this Code that apply to them – for example, finance & procurement rules, e-mail/internet policies, equalities policies, Whistleblowing Policy, Anti-fraud and Corruption Policy, GDPR compliance policy and IT user policies. If staff follow this, they will be aware of all policies around the prevention and detection of fraud.

The Whistleblowing Policy sets out clearly how a staff member can whistle blow if necessary.

Although Internal Audit are alert to fraud and corruption in their work, and would investigate any instances of this, the management of the risk of fraud and corruption is the responsibility of management. We have not been made aware of any instances of fraud, and we are satisfied that management have established an appropriate culture along with controls/systems to deter and detect fraud and corruption should it arise.

There is no evidence of any fraudulent activity at the Authority supported by our review of the Head of Internal Audit opinion reporting and Annual Governance Statement for 2022-23.

From review of committee papers and discussions with the Monitoring Officer and Section 151 officer, there is no evidence of significant non-compliance with the body's constitution. There have not been any breaches of legislation or regulatory standards during the year that has led to an investigation by any legal or regulatory body.





# 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.

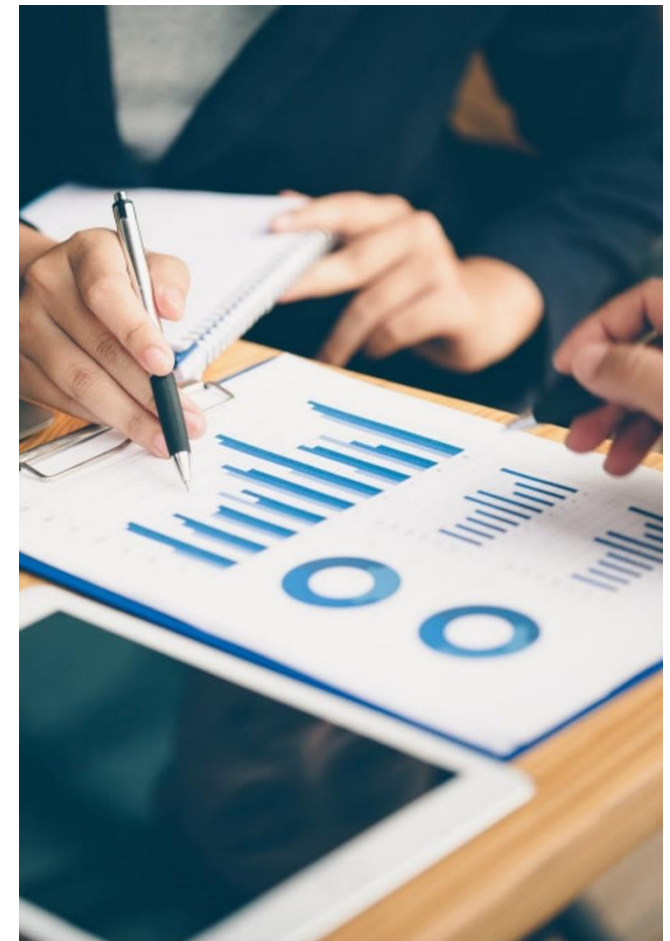
## Use of financial and performance information

There is a Performance Management Framework in place. 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, three strategic themes and ten outcomes which the Authority aims to achieve. The Plan brings together the aspirations of the many different partners working within and around the park.

35 indicators have been developed to allow measurement and reporting of progress in delivering the ten outcomes, with these being linked to DEFRA national indicators wherever possible. The Authority reports annually on progress against the PMP.

The Authority's Corporate Plan sits under the PMP and sets out how the Authority will deliver those elements of PMP for which they are responsible. The priorities and objectives which are identified in the Corporate Plan are all related back to the ten outcomes in the PMP to ensure alignment of the five-year Corporate Plan with the overall PMP vision. Measures of success with targets are also defined within the Plan. Progress against the Corporate Plan is reported annually in the Annual Review. During the five-year Corporate Plan cycle the Authority also allows width for additional projects which may not have been part of the initial Plan but which have been identified and approved since.

Progress against the Corporate Plan is also monitored by the SMT and OMT, and on a quarterly basis progress is reported in the Corporate Performance and Project Performance report to the Policy and Resources Committee for oversight by members.



# Improving economy, efficiency and effectiveness (continued)

## Assessing performance and identifying improvement (continued)

This report gives information to Members on the RAG rating of the priorities in the Corporate Plan. Those which are amber or red rated are reported in further detail with the priority description, what the aim was within the year, and what the reason is for the priority being rated amber or red. This allows Members to understand and scrutinise the status of those priorities falling behind schedule/not performing. The full detail of all priorities and description of progress is provided as a full Appendix to the report. The cover report provides a helpful, visual/tabular and concise summary of those projects which have issues to report/discuss. We note that at Q4 of 2022/23, no performance indicator was rated as Red. Projects in the Corporate Plan or approved since are also reported here with RAG rating for the current quarter and previous quarter.

Our view from reviewing the Corporate Performance and Project Performance Report was that the performance information produced for scrutiny is appropriate enabling challenge and questioning. A red, amber, green rating is used to clearly show the status of each priority. The commentary on milestones and progress of each priority was of a good quality, and a responsible officer is assigned to each priority to ensure accountability.

The Authority 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. This is because each National Park is unique and will have its own specific indicators/measure of success based on the landscape, farming and industry present, locality and community living and visitors to 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, and management are aware that once DEFRA issue more guidance on focus areas, and likely detailed guidance that would aim to make National Park Authority Plans more consistent and comparable, that the PMP will likely need to be revisited and updated.

## Partnership working

Partnership working is considered as a key part of the Authority's arrangements to generate funding. For example, through the National Lottery, as well as to encourage and promote volunteering to support the various projects across the Park. Key partners are the partners linked in to delivering the management plan, organisations like DEFRA, Local Councils, Natural England, the National Trust. So, this is not around delivery of partners but joint delivery of management plan objectives. It is also about networking and influencing partners. Regular meetings are held to bring partners together to discuss issues.

The Authority provides a wide range of opportunities for volunteers to explore and experience the South Downs throughout the year. The Authority supports over 300 registered volunteers who deliver practical conservation tasks, biodiversity monitoring, event support, administrative support and project volunteering.

Volunteer activity is mentioned throughout the quarterly performance report and a Volunteering Audit is due to take place in summer 2024. There is no evidence of the Authority failing to monitor partnership working and associated projects appropriately and not keep members informed.



# Improving economy, efficiency and effectiveness (continued)

## Commissioning and 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. No significant issues with procurement value for money or contract management have been highlighted during our work in this review. An internal audit review in 2021/22 concluded that there were effective arrangements in place for the procurement of contracts and subsequent contract management. Internal audit recommendations have subsequently been implemented and this has included the establishment of a high-level Procurement Strategy which was created in September 2021, and this sets out the Authority's vision for procurement aims, the methods that will deliver this vision and how this will achieve best value over the period to 2026.

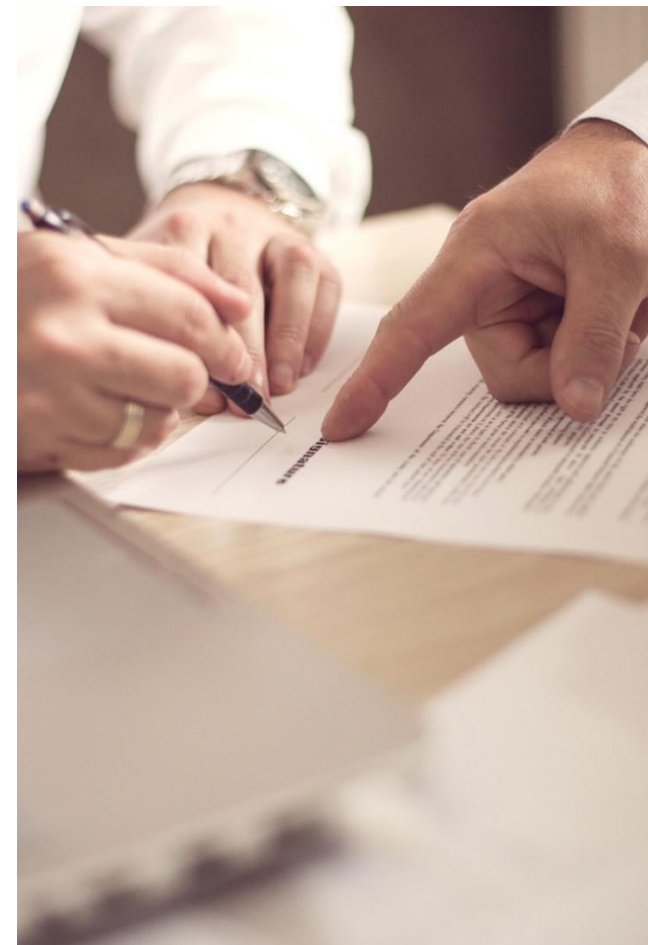
We note that during our 2020/21 work, we observed that procurement and contract management practices are based on the Contract Standing Orders and while considered sufficient to guide officers through an effective procurement process, the detail on standardised ongoing contract management practice could be improved. We therefore made a recommendation in 2020/21 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 have therefore not made further recommendations in this area. 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 found no evidence of weakness or significant risk here and we have not done further detailed work.

Contract Standing Orders are due to be reviewed as a consequence of recent procurement legislation once procurement officers have received appropriate training from the Government Commercial College. This training is not yet available.

Contract Standing Orders require three quotes between £2k and £25k and tenders over £25k. Procurement staff provide support to managers on tendering processes.

The Authority has few major contracts. There are contracts for IT and shared service arrangements for legal and financial services. Planning is also outsourced to local councils. Internal Audit reviewed arrangements for the management of IT services in 2022/23 and provided "reasonable assurance". We note that working with finance and legal services from large local councils gives a wealth of experience for the Authority to draw on and we commend this practice.

A procurement strategy and action plan are in place with all actions to be completed by 2026. An up-to-date contract register is in place.



# Improving economy, efficiency and effectiveness (continued)

## South Downs Commercial Operations Limited

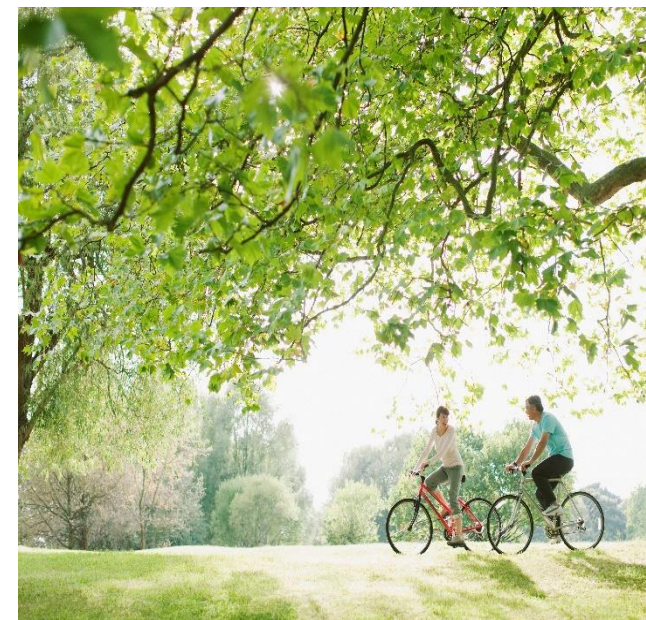
During the 2020/21 year the transfer of the Seven Sisters Country Park to be managed by the Authority was confirmed and a Teckal company (South Downs Commercial Operations Limited) was set up as a fully owned subsidiary of the Authority to undertake some of the commercial activities in the park. We satisfied ourselves in our work in 2020/21 that the decision to set up the company was well informed and that commercial and legal risks had been properly considered.

The Company took over operation of Seven Sisters Country Park on 1 April 2022 whilst the Phase 1 construction project, a programme of capital works aiming to enhance the built facilities was still ongoing. The visitor centre and new toilet block opened to the public on the Easter weekend 2022. The grab and go facility at the Visitor Centre opened to the public in late May 2022. The original 2022/23 business plan approved by the members budgeted for an operational loss in 2022/23 of £115,748. Due to later than budgeted openings of some of the components alongside an improved understanding of the site's operations, the Authority undertook a reforecasting exercise in July 2022 which predicted finishing the year with a loss of £133,814, £18,067 behind the original business plan. The final outturn figure was a loss of £243,396. Management are currently reviewing options to rationalise expenditure and bring South Downs Commercial Operations Limited to break even as soon as practicable.

As reported to the Authority in December 2022, the first eight months of operation were an indicator of the sensitivity to the weather of mainly outdoor operations such as the Seven Sisters County Park. July 2022 was fine with no rain, and income was higher than anticipated, whilst poor weather in September and November 2022 which saw far above average rainfall, resulted in lower than expected levels of income.

The service quality and performance of the Authority's Teckal Company in its management of Seven Sisters Country Park against the agreed Operating Agreement and Business Plan is monitored by Policy and Resources Committee through a quarterly performance report. The first of these reports was presented in February 2023.

We note that in November 2023, it was reported to Policy and Resources Committee. that as at September 2023, South Downs Commercial Operations Limited were reporting to a greater deficit than expected for 2023/24 of £45k against an expected loss of £33k. The budgeted annual loss for the whole of 2022/23 is £65k. There is an expectation that break-even will be achieved in 2024/25. We understand that South Downs Commercial Operations Limited will be reviewing financial performance with a view to managing costs, particularly overheads and plans to increase income from retail outlets through a review of goods offered and profit margins with a view to bringing 2023/24 outturn in line with budget.



# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
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.	Improvement	March 2023	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.	In progress	Report to be presented in July 2024.

# Opinion on the financial statements



## Grant Thornton provides an independent opinion on whether the Authority's financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 and of its expenditure and income for the year then ended; and;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23.

We conducted our audit in accordance with:

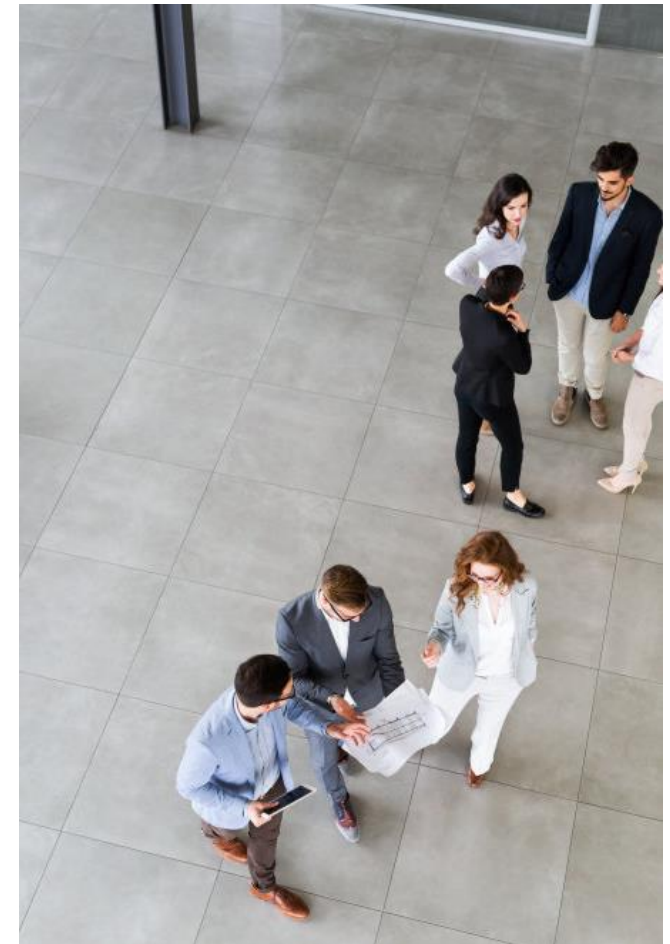
- International Standards on Auditing (UK);
- the Code of Audit Practice (2020) published by the National Audit Office; and
- applicable law.

We are independent of the Authority in accordance with applicable ethical requirements, including the Financial Reporting Authority's Ethical Standard.

## Audit opinion on the financial statements

The audit of the financial statements began in December 2023 and is currently in progress.

Further information on our audit of the financial statements is set out overleaf.



# Opinion on the financial statements



## Timescale for the audit of the financial statements

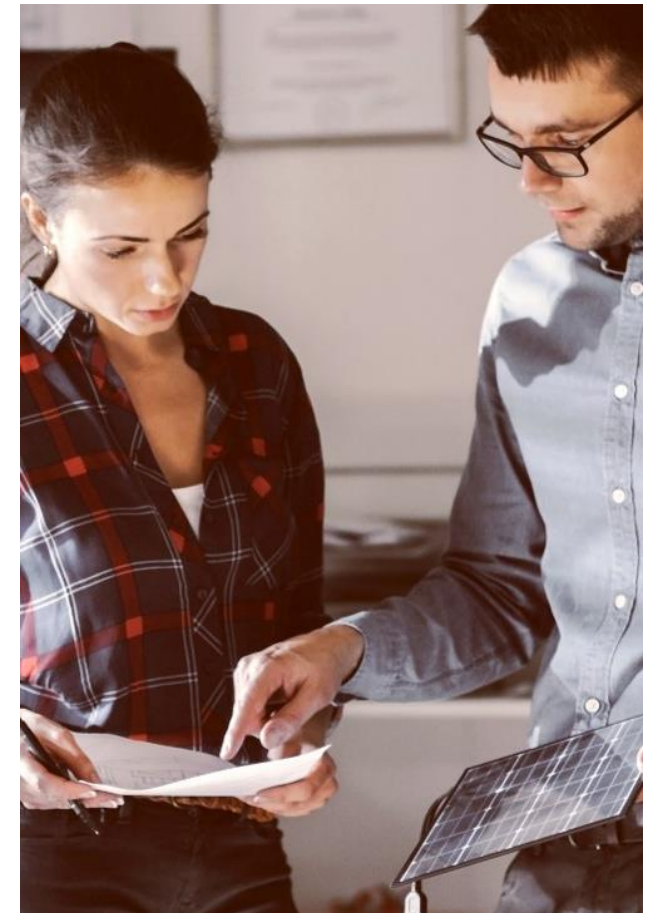
The Audit Plan was presented to Those Charged with Governance in July 2023.

The audit fieldwork was started in December 2023 and continued into January.

The Authority provided draft statement of accounts in line with the national timetable.

## Findings from the audit of the financial statements

The financial statements audit is nearing completion. An Audit Findings Report setting out the outcome of the audit will be presented to Those Charged with Governance in February 2024.



# 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) 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	
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	
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.	No	



