



East Suffolk Council

Value for Money Interim Report

Year(s) ended 31 March 2022 and 31 March 2023

18 June 2024



Audit and Governance Committee
Members
East Suffolk Council
East Suffolk House
Station Road, Melton
IP12 1RT

18 June 2024

Dear Audit and Governance Committee Members

Interim Value for Money Report; 2021/22 and 2022/23

We are pleased to attach our interim commentary on the Value for Money (VFM) arrangements for East Suffolk Council. This commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit years 2021/22 and 2022/23.

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

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

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 8 July 2024.

Yours faithfully

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

Encl

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/auditquality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely Audit and Governance Committee of East Suffolk Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee of East Suffolk Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee of East Suffolk Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary



Executive Summary

Purpose

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

The purpose of this interim commentary is to explain the work we have undertaken during the periods 2021/22 and 2022/23 and highlight any significant weaknesses identified along with recommendations for improvement. As we have previously reported significant weaknesses in arrangements to you as part of our 2020/21 audit, this report also includes our views as to our assessment of the arrangements assessed as inadequate in 2020/21 and recommendations made as part of previous audit and whether they have been satisfactorily implemented. The commentary covers our interim findings for audit years 2021/22 and 2022/23. The NAO has confirmed that where VFM reporting is outstanding for more than one year, the auditor can issue one report covering all years.

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

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

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

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



Executive Summary (continued)

Risks of Significant Weakness

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

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

We completed our risk assessment procedures and we identified a risk of significant weaknesses in relation to the Council's governance arrangements to respond to a non-compliance with the rent standard between March 2020 and November 2021, which therefore impact on our assessment for 2021/22. This was the same risk identified in 2020/21

Having completed our procedures to respond to this risk, we have concluded that the failure to take timely action when the non-compliance was initially identified continues to represent a significant weakness in governance arrangements in 2021/22. We therefore plan to report by exception details of the significant weakness in our auditor's report, when issued. We will also update our interim reporting as part of issuing the final commentary in the Auditor's Annual Report later in the year. This weakness was also reported in the 2020/21 Auditor's Annual Report that was issued in December 2023 .



Executive Summary (continued)

Reporting

Our interim commentary for 2021/22 and 2022/23 is set out over pages 14 to 16. The interim commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2021/22 and 2022/23. We include within the VFM commentary below any associated recommendations we agree with the Council.

We have included detailed comment on the significant weaknesses identified in relation to governance in pages

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Auditor's Annual Report and have been updated for 2021/22 and 2022/23.

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

Executive Summary (continued)

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
<p>Financial sustainability: How the Authority plans and manages its resources to ensure it can continue to deliver its services</p>	<p>No significant risks identified</p>	<p>No significant weakness identified</p>
<p>Governance: How the Authority ensures that it makes informed decisions and properly manages its risks</p>	<p>We identified a significant risk in relation to the Council's failure to take timely action in relation to non-compliance with the rent standard between when it was initially identified and November 2021.</p> <p>This impacts on our assessment of arrangements for 2021/22 only and was also reported in 2020/21.</p>	<p>There were significant weaknesses in the governance arrangements within the Council, and in particular within the Housing Department, of East Suffolk Council during 2021/22.</p> <p>The weaknesses, relate to:</p> <ul style="list-style-type: none"> ▸ Lack of adequate controls to ensure compliance with laws and regulations - specifically in relation to housing services ▸ Lack of adequate governance and risk management procedures to ensure there was an adequate response when the non-compliance issue was identified ▸ Lack of adequate governance arrangements to ensure appropriate communication of the issue with senior management and members as well as internal and external audit on a timely basis
<p>Improving economy, efficiency and effectiveness: How the Authority uses information about its costs and performance to improve the way it manages and delivers its services</p>	<p>No significant risks identified</p>	<p>No significant weakness identified</p>



Significant weakness in governance arrangements (2021/22)

Significant weakness in governance arrangements - key findings:

In our 202/21 Auditor's Annual Report, we reported that there were significant weaknesses in the governance arrangements within the Council, and in particular within the Housing Department, of East Suffolk Council during 2020/21. These weaknesses continued through to November 2021 and therefore remain weaknesses in arrangements in 2021/22.

Our judgement on the nature of the weakness identified that:

- During 2019/20, the Council identified a possible breach of regulations relating to the conversion of rental charges on its social housing from social to affordable rents. The Council obtained legal advice on the matter, which it received in February 2020. This recommended that the Council self-referred to the Social Housing Regulator. At this point the Council wrote to the Ministry of Housing, Communities and Local Government (MHCLG). They did not receive a response from MHCLG and did not follow up on the issue until November 2021. Management did not inform internal or external audit of the issue until December 2021.
- No action was taken by the Council to progress the matter between March 2020 and November 2021.

We have concluded that there were significant weakness in the Council's governance arrangements, in particular within the housing department, in 2020/21. The weaknesses, in particular, relate to:

- Lack of adequate controls to ensure compliance with laws and regulations - specifically in relation to housing services
- Lack of adequate governance and risk management procedures to ensure there was an adequate response when the non-compliance issue was identified
- Lack of adequate governance arrangements to ensure appropriate communication of the issue with senior management and members as well as internal and external audit on a timely basis

The evidence on which our view is based includes:

- The legal advice obtained by the Council in February 2020 regarding the continued conversion of properties from social to affordable rents;
- The February 2022 report from external consultants on their review of the Council's approach to rent setting against the Regulator of Social Housing Rent Standard which was commissioned by the Council;
- Further legal advice obtained by the Council in March 2022 to provide a second opinion in relation to the regulatory compliance issues and also in relation to whether or not some of the charges that have been levied have been properly charged, whether as rent or service charges;
- The output from a forensic review of rent charges commissioned by the Council from external consultants to ensure that any overpayments were returned to affected tenants;
- The Council's calculation of the estimated provision required in relation to overcharged service charges included in the 2020/21 accounts based on the external consultants' forensic review; and
- The June 2023 report from the Governance Review of Housing Services which was commissioned by the Council.



Significant weakness in governance arrangements (2021/22)

Significant weakness in governance arrangements - key findings:

The impact on the Council is set out below:

- An independent review, concluded in February 2022, confirmed that by continuing to convert rents from social to affordable rents above the level permitted by regulation, the Council had breached housing regulations. At this point, the Council self-referred to the Social Housing Regulator.
- The external consultants also identified incorrect inclusion of heating service charges in rents and a failure to comply with home consumer standards, in particular fire safety.
- As a result of the conversion and rent setting issues, rent had been overcharged for several years. Following further legal advice that confirmed the Council had a legal obligation to repay these overcharges, the Council reengaged the external consultants to undertake a detailed review of all tenancies going back to 2010/11 to identify the level of overcharge for each individual tenant
- Following the completion of this work the Council has taken action to remedy the situation and has made tenants aware of the issue and their right to repayment. In early 2022, they put in place a new compliance dashboard which will provide real-time recording, as well as an HRA Asset Management and Compliance Strategy. They also commissioned an external Governance Review of Housing Services which reported in June 2023.
- The Council have included a provision of £3.8 million in the 2020/21 financial statements for the repayments due to housing tenants in relation to overcharging of services charges. Comparator figures in the accounts have also been restated to reflect a provision of £3.6 million as at 31 March 2020.
- In addition, the Council has concluded that it has a constructive obligation to repay overcharged rent as a result of incorrect conversion and has included a provision of £4.17 million in its 2022/23 financial statements, along with £4.50 million in relation to overcharged service charges.

The weakness in arrangements exposed the Council to financial losses as a result of overcharging of rent and service charges. In addition, the Council incurred costs of around £300,000 in investigating the issue and quantifying the sums due for repayment. The Council was also exposed to reputational damage due to the failure to take appropriate and timely action when the incorrect rent conversion was initially identified as a potential issue in 2019/20 and then in February 2020 when the legal advice confirmed the non-compliance with the rent standard due to the rent conversions. The failure to comply with home consumer standards is also a reputational risk for the Council and this also has financial implications.



Significant weakness in governance arrangements (2021/22)

Significant weakness in governance arrangements - Key findings;

We recommend that the Council:

- Implement the recommendations from the external review of the governance arrangements in the housing department as a priority
- Put appropriate governance arrangements in place to ensure that any suspected non-compliance with regulations in any department are reported to senior management and an appropriate Committee of the Council as well as internal and external audit on a timely basis
- Put appropriate governance arrangements in place to ensure any risks related to suspected non-compliance with regulations are included in the Service or Corporate risk register in a timely manner and that any action plans to address any non-compliance are progressed in a timely manner

Management response

When the Council identified it believed it was non-compliant with the RSH Rent Standard it immediately commissioned a significant forensic audit. This was to ensure a robust and in-depth review of every tenancy record held from 2010 to present day was checked for any overcharging or erroneous service charges, which may have been levied. A Rents Development Group was created in the Summer of 2022. The Group developed the first Rent and Service Charge Policy for the Council which was approved by Cabinet on 7 March 2023. The group will oversee the rent refund programme and will review the annual rent setting process, ensuring an annual sample audit is conducted by external specialists, who specialise in rent regulation.

With the Council's self-referral letter to the Regulator of Social Housing (RSH), the Council committed to an independent governance review which was reported to the Audit & Governance Committee on 10 July 2023, along with a management response to the review recommendations which have been accepted and actioned (or are in the process of being actioned) so that best practice and good governance arrangements are in place moving forward to support decision making and to help identify, manage, mitigate and monitor risks. The Council has taken significant steps to address the shortcomings identified in the review and to prevent recurrence. Corporate Leadership Team (CLT) meetings have agenda items with specific focus on key areas, which includes Governance and Risk. Minutes are taken of CLT meetings and actions are followed up. Where the work of internal audit identifies high level risks these are considered and incorporated into the Corporate Risk Register. The Chief Executive also convenes quarterly 'golden triangle' meetings of the Chief Executive, Section 151 Officer and Monitoring Officer. A Constitution Review Working Group was established in July 2023 and a review of the Constitution is in progress. Governance training will be prepared and delivered on the revised Constitution to elected Members, existing staff, with a focus on the Corporate Leadership Team.



Executive Summary (continued)

Independence

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

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

EY Transparency Report 2023

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

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

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



02

Value for Money Commentary

Value for Money Commentary

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

No significant weakness identified

The Council has adhered to its governance processes for setting a balanced budget and regularly updating its Medium Term Financial Strategy (MTFS). The budget and MTFS are underpinned by assumptions that we deemed reasonable and are well supported.

During 2021/22 and 2022/23 the Council continued to manage the impact of finances pressures such as inflation, pay increases and uncertainties in relation to the amount of funding to be received in the future.

At the 2022/23 year-end, the Council reported a surplus outturn position of £0.768 million. The Council received additional income from treasury management activities, which contributed over £1 million to the General Fund due to interest rate increases. As a result of the improved position, the Council was able to put the reported surplus into the In-Year Savings Reserves - the purpose of which is to provide funding to address future budget pressures. It was anticipated for this reserve to be used (£1.098 million) to balance the General Fund budget for the year. However, given the surplus position this was not required, placing the Council in a stronger than expected financial position going into 2023/24. A balanced budget was set for 2023/24 without the need to use general fund reserves.

During both 2021/22 and 2022/23, the Council have continued to revisit and monitor financial plans to ensure they have sufficient resources to deliver services through quarterly budget monitoring reports taken to cabinet meetings. The budget estimates have been produced on a prudent basis, with an emphasis on identifying the existing cost pressures the Council faces and a realistic level of savings and efficiencies. The budget has been constructed so that all known costs are budgeted for, and income budgets are based on realistic projections. The budget is therefore constructed on a prudent basis, and we are satisfied with the robustness of the estimates.

The February 2023 MTFS notes a cumulative budget gap of £15.9 million over the period of the MTFS to 2026/27. The MTFS includes saving of circa £2.3 million each year to help bridge this gap. In addition, the Council holds a number of risk based reserves totalling approximately £20 million which can be used to help manage short term budget pressures. The Council also maintains an unallocated general fund balance of between £4 million and £6 million (as recommended by the Section 151 Officer). This reserve is projected to be maintained at £6 million throughout the period of the MTFS. Although the Council therefore has adequate reserves, it is important to note that reserves can only be used once and it is therefore important that the Council continues its scenario assessment of the savings requirement and identification of relevant schemes to achieve the annual savings requirements to minimise the use of reserves.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Value for Money Commentary (continued)

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

Significant weakness identified

As noted earlier in this report, we have identified significant weaknesses in the governance arrangements within the Council, and in particular within the Housing Department, of East Suffolk Council during 2020/21. These weaknesses continued through to November 2021 and therefore remain weaknesses in arrangements in 2021/22. Our findings and commentary in relation to this issue are set out in our executive summary and are not repeated here. Our commentary here therefore focuses on the Council's overall arrangements, notwithstanding the weaknesses noted above.

The Council produces Budget Setting Reports and MTFS updates on an annual basis in February, with further quarterly tracking and updates during both 2021/22 and 2022/23. The budget and MTFS reports are taken to the Cabinet for approval, which ensures that all Members are kept well informed of the process.

The Council's Annual Governance Statement sets out the core governance arrangements for the year. This demonstrates how the Council's code of governance arrangements reflect the principles of good governance. The Head of Internal Audit provided a reasonable assurance opinion for both the 2021/22 and 2022/23 financial years in relation to the framework of governance, risk management and controls at the Council.

The risk register and risk management policy were also updated in 2021/22 and 2022/23 and focus on strategic, operational and project risks. Risks on the register are reviewed at every Audit Committee meeting, with elevation to full Council for significant risks or issues identified.

The Council published their draft statement of accounts for audit on 1 August 2022 for 2021/22 and 1 June 2023 for 2022/23, in line with the Audit and Accounts regulations for those financial years and advertised and held an inspection period for members of the public in line with these regulations. We confirm that the 2021/22 and 2022/23 draft financial statements were arithmetically correct, agreed to the data in the general ledger and were prepared in line with the content required by the CIPFA Code. The Council has carried out bank reconciliations during the year.

The Council has appropriate governance arrangements in place relating to partnership working and collaboration with other local authorities.

Conclusion:

Based on the work performed and our consideration of the impact of the Council's non-compliance with the rent standard on our reporting in relation to the Council's value for money arrangements, we have concluded that the non-compliance represents a significant weakness in governance arrangements in 2021/22. Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services

Value for Money Commentary (continued)

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

No significant weakness identified

The '*Strategic Plan*' for 2020 to 2024 has been introduced in recent years, which sets the vision, priorities, and strategic objectives for the Council. The Council prepares the Strategic Plan alongside the Medium-Term Financial Strategy over a 4-year period. The Strategic Plan is disaggregated into a Delivery Plan over rolling 2-year periods.

The 'Delivery Plan' for 2022-2024 integrates strategic priorities based on the 'Strategic Plan' which is agreed each year by the Council. Performance reporting is undertaken against the identified strategic priorities and delivery measures, with regular reporting on performance and finances taken to the Cabinet throughout the year to continuously monitor performance and take prompt action as needed.

The Council also has a procurement strategy and contract management process in place. There are also service level agreements for partnership and collaboration working arrangements, and formal protocols for entering into new funding arrangements.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 to enable it to use information about its costs and performance to improve the way it manages and delivers services.



03 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<p>The finance team works with service areas throughout the year to collate information on financial pressures for consideration in the annual budget and MTFS. Each year the Finance team prepares a budget for the budget year, and the Medium Term Financial Strategy (MTFS) which sets out indicative budgets for three further years. The MTFS includes assumptions about all known expenditure and income over that period. This is taken to Full Council in February each year for approval. The Council prepares a capital strategy alongside the revenue budget for the same time period, with the revenue implications of the capital strategy included within the revenue budget.</p> <p>The annual budget is reported to Council in February each year. All relevant reports to Council, Cabinet and other Committees have financial implications identified and the links to the Financial Sustainability theme of the East Suffolk Strategic Plan is outlined.</p>
How the body plans to bridge its funding gaps and identifies achievable savings	<p>Regular MTFS updates are prepared and presented to Cabinet and Council. These identify future budget gaps, and review of these shows that budget gap are reduced over the period of the MTFS. The Council's objective is always to have a balanced budget in each of the next two financial years when the budget is approved in the February of each year and has achieved this in 2021/22 and 2022/23</p> <p>The February 2023 MTFS notes a cumulative budget gap of £15.9 million over the period of the MTFS to 2026/27. The MTFS includes saving of circa £2.3 million each year to help bridge this gap. In addition, the Council holds a number of risk based reserves totalling approximately £20 million which can be used to help manage short term budget pressures. The Council also maintains an unallocated general fund balance of between £4 million and £6 million (as recommended by the Section 151 Officer). This reserve is projected to be maintained at £6 million throughout the period of the MTFS.</p>
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The finance team works with service areas throughout the year to collate information on financial pressures for consideration in the annual budget and MTFS. All relevant reports to Council, Cabinet, and Committees have their financial implications identified and the links to the Financial Sustainability theme of the East Suffolk Strategic Plan is outlined.</p>

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations

Arrangements in place

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The MTFS is updated in conjunction with the capital programme and the East Suffolk Strategic Plan. The finance team works with service areas throughout the year to collate information on financial pressures for consideration in the annual budget and MTFS. All relevant reports to Council, Cabinet and Committees have their financial implications identified and the links to the Financial Sustainability theme of the East Suffolk Strategic Plan is outlined. The Council has a Corporate Governance Group. Membership of the Corporate Governance Group is those officers that hold statutory roles within the Council, such as Monitoring Officer, Section 151 Officer and Head of Internal Audit. The group met regularly to discuss management of finances and issues related to governing business e.g. value for money / Medium Term Financial Strategy (MTFS) etc.

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

The Budget reports to the full Council identifies risk, their impact, probability and mitigating action. The budget to the Full Council in February also includes the CFO's report. This report includes a financial risk assessment of key areas and a sensitivity analysis of budget assumptions.

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations

Arrangements in place

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

Budget and MTFS are continuously monitored and updated. The Council has a Corporate Governance Group. Membership of the Corporate Governance Group is for those officers that hold statutory roles within the Council, such as Monitoring Officer, Section 151 Officer and Head of Internal Audit. The group met regularly to discuss management of finances and issues related to governing business e.g. value for money / Medium Term Financial Strategy (MTFS) etc. The East Suffolk Annual Report contains the KPI's reported and monitored internally on a quarterly basis. The annual report sets out performance against the Council's Strategic Plan.

We concluded that the failure to take timely and appropriate action in relation to the housing rent non-compliance, represents a significant weakness in governance arrangements, in particular within the Housing Department, during 2021/22. Specifically, we identified a weakness in relation to how the Council monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.

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

The Finance team works with service areas throughout the year. This information is collated and incorporated into the MTFS. A draft MTFS is reported to Cabinet and the Scrutiny Committee in the Autumn, providing Scrutiny with the opportunity to challenge assumptions. Following the reporting of the draft MTFS, the Budget Report for the following financial year is reported to Cabinet and Scrutiny (January/February) and then Full Council in February.

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

The council follows the Financial Procedure Rules as per the Constitution. Service area financial management reports are available on the Council's intranet which are updated daily. The Finance team have in place a detailed year end closedown plan for the year end closure of the Accounts. Year-end timetables are communicated to SMT and relevant Officers of the Council.

The Council has a Corporate Governance Group. Membership of the Corporate Governance Group is those officers that hold statutory roles within the Council, such as Monitoring Officer, Section 151 Officer and Head of Internal Audit. The group met regularly to discuss management of finances and issues related to governing business e.g. value for money / Medium Term Financial Strategy (MTFS).

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations

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

Arrangements in place

The Council has a Corporate Governance Group. Membership of the Corporate Governance Group is those officers that hold statutory roles within the Council, such as Head of Paid Service, Monitoring Officer, Section 151 Officer and Head of Internal Audit. The group met regularly to discuss management of:

- ▶ finances and governing business (value for money / Medium Term Financial Strategy (MTFS) and budget setting /risk management/internal audit/ ethical issues/ business continuity);
- ▶ resources (workforce planning / recruitment monitoring / absences / health & safety / asset management); and
- ▶ performance (inspections / business plan / service plans / partnerships / measuring performance / emerging issues).

We concluded that the failure to take timely and appropriate action in relation to the housing rent non compliance, represents a significant weakness in governance arrangements, in particular within the Housing Department, during 2021/22. Specifically, we identified a weakness in relation to how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

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

Protocols and Codes of Conduct reviewed as part of the new Constitution for ESC, and kept under review. Training about ethical standards is provided to Councillors at time of election, as part of induction programme, with follow up training as required, either as part of a regular update, or specifically following a complaint, if required. Councillor declarations of interest had been completed by new councillors and are updated annually. Regular reminders about standards are issued to staff within bulletins and team meetings.

Declarations of interests, gifts and hospitality are made and monitored by the Audit and Governance Committees.

We concluded that the failure to take timely and appropriate action in relation to the housing rent non compliance, represents a significant weakness in governance arrangements, in particular within the Housing Department, during 2021/22. Specifically, we identified a weakness in relation to how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How financial and performance information has been used to assess performance to identify areas for improvement	The East Suffolk Annual Report contains the KPI's reported and monitored internally on a quarterly basis. The annual report sets out performance against the Council's Strategic Plan.
How the body evaluates the services it provides to assess performance and identify areas for improvement	The East Suffolk Annual Report contains the KPI's reported and monitored internally on a quarterly basis. The annual report sets out performance against the Council's Strategic Plan.
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	The Council works in partnership wherever possible to gain synergies of working together with other organisations and local authorities. Full review of the leisure contract with Sentinel Leisure Trust and a procurement exercise was put in place to reduce the financial risk to the council of Leisure contracts. The contract with Sentinel Leisure Partnership ceased and a full procurement process has taken place. Everyone Active has been appointed as the successful bidder, and the contract term commenced in January 2021. A major review of the contract and services provided by Norse has been undertaken by the Council and plans to bring these services back in house are being progressed as a result. Norse Partnership Board meetings are held quarterly. In 2021/22 Governance Meetings with Norse were also established.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

Arrangements in place

Procurement process are set out in the Constitution. In the Summer of 2020, a motion was raised at a meeting of East Suffolk's Full Council regarding how the authority procures goods, works and services. A Task and Finish Group on Procurement was established. The recommendations of the Group was reported to Cabinet in July 2021. In July 2021, the Council commissioned work from the East of England LGA to carry out a review of procurement processes.

Appendix B – Summary of recommendations

Recommendations

The table below sets out the recommendations arising from the value for money work in the year(s) covered in this report, 2021/22 to 2022/23.

All recommendations have been agreed by management.

Issue	Recommendation	Management response
<p>We identified a significant risk in relation to the Council’s failure to take timely action in relation to non compliance with the rent standard between when it was initially identified and November 2021.</p>	<p>We recommend that the Council:</p> <ul style="list-style-type: none"> ▶ Implement the recommendations from the external review of the governance arrangements in the housing department as a priority. ▶ Put appropriate governance arrangements in place to ensure that any suspected non-compliance with regulations in any department are reported to senior management and an appropriate Committee of the Council as well as internal and external audit on a timely basis. ▶ Put appropriate governance arrangements in place to ensure any risks related to suspected non-compliance with regulations are included in the Service or Corporate risk register in a timely manner and that any action plans to address any non-compliance are progressed in a timely manner. 	<p>When the Council identified it believed it was non-compliant with the RSH Rent Standard it immediately commissioned a significant forensic audit. This was to ensure a robust and in-depth review of every tenancy record held from 2010 to present day was checked for any overcharging or erroneous service charges, which may have been levied. A Rents Development Group was created in the Summer of 2022. The Group developed the first Rent and Service Charge Policy for the Council which was approved by Cabinet on 7 March 2023. The group will oversee the rent refund programme and will review the annual rent setting process, ensuring an annual sample audit is conducted by external specialists, who specialise in rent regulation.</p> <p>With the Council’s self-referral letter to the Regulator of Social Housing (RSH), the Council committed to an independent governance review which was reported to the Audit & Governance Committee on 10 July 2023, along with a management response to the review recommendations which have been accepted and actioned (or are in the process of being actioned) so that best practice and good governance arrangements are in place moving forward to support decision making and to help identify, manage, mitigate and monitor risks. The Council has taken significant steps to address the shortcomings identified in the review and to prevent recurrence. Corporate Leadership Team (CLT) meetings have agenda items with specific focus on key areas, which includes Governance and Risk. Minutes are taken of CLT meetings and actions are followed up. Where the work of internal audit identifies high level risks these are considered and incorporated into the Corporate Risk Register. The Chief Executive also convenes quarterly 'golden triangle' meetings of the Chief Executive, Section 151 Officer and Monitoring Officer. A Constitution Review Working Group was established in July 2023 and a review of the Constitution is in progress. Governance training will be prepared and delivered on the revised Constitution to elected Members, existing staff, with a focus on the Corporate Leadership Team.</p>

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