



# Audit and Governance Committee

Members are invited to a **Meeting of the Audit and Governance Committee** to be held in the Deben Conference Room, East Suffolk House, Melton on **Monday, 10 July 2023 at 6.30pm**

This meeting will be broadcast to the public via the East Suffolk YouTube Channel at <https://youtube.com/live/gewJKkassQU?feature=share>

## Members:

Councillor Owen Grey (Chair), Councillor Stephen Molyneux (Vice-Chair), Councillor Edward Back, Councillor Tess Gandy, Councillor George King, Councillor Geoff Lynch, Councillor Anthony Specca, Councillor Ed Thompson, Councillor Sarah Whitelock.

An Agenda is set out below.

<b>Part One – Open to the Public</b>		<b>Pages</b>
<b>1</b>	<b>Apologies for Absence and Substitutions</b> To receive apologies for absence and any substitutions.	
<b>2</b>	<b>Declarations of Interest</b> Members and Officers are invited to make any declarations of interests, and the nature of that interest, that they may have in relation to items on the Agenda and are also reminded to make any declarations at any stage during the Meeting if it becomes apparent that this may be required when a particular item or issue is considered.	
<b>3</b>	<b>Minutes</b> To confirm as a correct record the minutes of the meeting held on 13 March 2023	<b>1 - 5</b>
<b>4</b>	<b>Draft Statement of Accounts 2022/23 ES/1581</b> Report of the Cabinet Member with Responsibility for Resources and Value for Money	<b>6 - 142</b>
<b>5</b>	<b>Annual Governance Statement 2022/23 ES/1578</b> Report of the Cabinet Member with Responsibility for Resources and Value for Money	<b>143 - 191</b>
<b>6</b>	<b>Treasury Management 2022/23 Outturn &amp; 2023/24 Quarter 1 Report ES/1583</b> Report of the Cabinet Member with Responsibility for Resources and Value for Money	<b>192 - 209</b>

<b>Part One – Open to the Public</b>		<b>Pages</b>
<b>7</b>	<b>Annual Internal Audit Opinion 2022/23 ES/1584</b> Report of the Cabinet Member with Responsibility for Resources and Value for Money	<b>210 - 228</b>
<b>8</b>	<b>Corporate Fraud Annual Report 2022/23 ES/1585</b> Report of the Cabinet Member with Responsibility for Resources and Value for Money	<b>229 - 246</b>
<b>9</b>	<b>Data Protection Status Update ES/1586</b> Report of the Cabinet Member with Responsibility for Corporate Services - Digital, Customer Services, HR and Assets	<b>247 - 258</b>
<b>10</b>	<b>Internal Audit Reports Recently Issued ES/1587</b> Report of the Cabinet Member with Responsibility for Resources and Value for Money	<b>259 - 282</b>
<b>11</b>	<b>Housing Governance Review ES/1593</b> Report of the Deputy Leader and Cabinet Member with Responsibility for Housing	<b>283 - 352</b>
<b>12</b>	<b>Forward Work Programme</b> To discuss the Audit and Governance Committee's Forward Work Programme	<b>353 - 354</b>
<b>13</b>	<b>Exempt/Confidential Items</b> It is recommended that under Section 100A(4) of the Local Government Act 1972 (as amended) the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act.	

<b>Part Two – Exempt/Confidential</b>		<b>Pages</b>
<b>14</b>	<b>Exempt Minutes</b> <ul style="list-style-type: none"> <li>• Information relating to any individual.</li> <li>• Information that is likely to reveal the identity of an individual.</li> <li>• Information relating to the financial or business affairs of any particular person (including the authority holding that information).</li> </ul>	
<b>15</b>	<b>Internal Audit Status of Actions</b> <ul style="list-style-type: none"> <li>• Information relating to the financial or business affairs of any particular person (including the authority holding that information).</li> </ul>	
<b>16</b>	<b>Internal Audit Reports Recently Issued</b> <ul style="list-style-type: none"> <li>• Information relating to the financial or business affairs of any particular person (including the authority holding that information).</li> </ul>	

**Close**



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[www.local.gov.uk/Community-Leadership](http://www.local.gov.uk/Community-Leadership)

**Unconfirmed**



Minutes of a Meeting of the **Audit and Governance Committee** held in the Deben Conference Room, East Suffolk House, on **Monday, 13 March 2023 at 6:30 PM**

**Members of the Committee present:**

Councillor Judy Cloke, Councillor Linda Coulam, Councillor Tess Gandy, Councillor Geoff Lynch, Councillor Mick Richardson, Councillor Rachel Smith-Lyte, Councillor Ed Thompson

**Other Members present:**

Councillor Edward Back, Councillor Maurice Cook

**Officers present:** Chris Bing (Head of Legal and Democratic Services), Sarah Davis (Democratic Services Officer), Siobhan Martin (Head of Internal Audit Services), Marie McKissock (Finance Manager Compliance), Brian Mew (Chief Finance Officer & Section 151 Officer), Sheila Mills-James (Corporate Fraud Manager), Alli Stone (Democratic Services Officer), Julian Sturman (Specialist Accountant – Capital and Treasury Management)

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**1 Apologies for Absence and Substitutions**

Apologies were received from Councillor Cooper.

**2 Declarations of Interest**

There were no declarations of interest.

**3a Minutes - 12 December 2022**

On the proposition of Councillor Gandy, seconded by Councillor Richardson it was by a unanimous vote

**RESOLVED**

That the minutes of the meeting of 12 December 2022 be agreed as a correct record and signed by the Chairman.

**3b Minutes - 23 January 2023**

On the proposition of Councillor Gandy, seconded by Councillor Smith-Lyte n it was by a unanimous vote

## **RESOLVED**

That the minutes of the meeting of 23 February 2023 be agreed as a correct record and signed by the Chairman.

### **4 Treasury Management 2022/23 Quarter 3 Report**

The Committee received report **ES/1494** of Councillor Cook, Cabinet Member with responsibility for Resources. Councillor Cook introduced the report and summarised the treasury management position for quarter 3. Total investments were at £131.34 million, which could be split into £91 million short-term investments, £20.34 million long-term investments, and £20 million liquidity investments.

Councillor Cook commented that interest on investments totalled £938.5k which was greater than expected largely as a result of the changes in the Bank of England base rate. Councillor Cook confirmed no new borrowing had been undertaken in quarter 3.

The Chairman commented on the increased base rate, which in this respect was benefitting the Council through increased returns.

On the proposition of Councillor Gandy, seconded by Councillor Richardson it was unanimously

## **RESOLVED**

That the quarter 3 report on the Council's Treasury Management activity for 2022/23 be noted.

### **5 Corporate Fraud Plan 2023/24**

The Committee received report **ES/1495** of Councillor Cook, Cabinet Member with responsibility for Resources and Councillor Back, Assistant Cabinet Member for Resources. Councillor Back introduced the report which provided the Committee with an overview of planned corporate anti-fraud work to be carried out during the 2023/24 year. Councillor Back thanked the corporate fraud team for their hard work in this area.

The Head of Internal Audit summarised the report and highlighted the areas which the team would be investigating. The Head of Internal Audit reassured the Committee that the service was not limited to these areas and would investigate any issues which were raised.

Councillor Gandy referred to previous discussions in the Committee concerning recruitment and asked if this was a concern for corporate fraud. The Head of Internal

Audit confirmed all vacancies in the team were filled, and that they were hoping to take on a trainee Corporate Fraud Investigator in the near future.

On the proposition of Councillor Richardson, seconded by Councillor Coulam it was by a unanimous vote

**RESOLVED**

That having reviewed its contents, the Audit and Governance Committee approves the Corporate Fraud Business Plan 2023/2024.

**6 Annual Data Protection Plan 2023/2024**

The Committee received report **ES/1496** of Councillor Cook, Cabinet Member with responsibility for Resources and Councillor Back, Assistant Cabinet Member for Resources. Councillor Back introduced the report which provided an overview of planned work by data protection services in 2023/24. The plan was based on annual core activities and projects identified as part of a self-assessment process.

The Head of Internal Audit highlighted the areas the team would be working on. The Council dealt with a large amount of confidential data, and the Head of Internal Audit confirmed that officers across the Council often consulted the data protection team for information and advice.

The Chairman asked that a robust programme be put in place for new Councillors to ensure they understood their responsibilities with regards to data protection. The Head of Internal Audit confirmed that the very first induction sessions for Councillors would include information on data protection, and more in depth training sessions would follow.

On the proposition of Councillor Coulam, seconded by Councillor Richardson it was

**RESOLVED**

That having reviewed and commented upon the Annual Data Protection Plan 2023/24, the Audit and Governance Committee notes its contents.

**7 Annual Internal Audit Plan 2023/2024**

The Committee received report **ES/1497** of Councillor Cook, Cabinet Member with responsibility for Resources and Councillor Back, Assistant Cabinet Member for Resources. Councillor Back introduced the report which presented the Internal Audit Plan for 2023/24.

The Head of Internal Audit highlighted the service areas which the internal audit team would be auditing, which covered all areas of the Council's work. Following Covid when a great deal of work had to be done by the internal audit team, the audit plan was split so that 'Essential' audits were prioritised, with other audits ranked and completed according to need.

The Head of Internal Audit confirmed that some work was being done on auditing IT with the assistance of an external consultant but there was still a vacancy for an auditor who specialised in IT.

Following a question from Councillor Gandy, the Head of Internal Audit confirmed that there was not an issue with retention in the team, but there were difficulties in attracting new members of staff and this was a widespread issue.

The Chairman stated that he agreed with the essential audit areas identified in the plan and asked that the team continue to be flexible. The lack of resource for IT was concerning as this was an important area which needed to be tested. The Chairman asked that the Committee were kept up to date on this issue.

On the proposition of Councillor Gandy, seconded by Councillor Coulam, it was by a unanimous vote

### **RESOLVED**

That having reviewed its contents, the Audit and Governance Committee approves Annual Internal Audit Plan 2023/24.

## **8 Covert Investigation Policy**

The Committee received report **ES/1500** of Councillor Cook, Cabinet Member with responsibility for Resources and Councillor Back, Assistant Cabinet Member for Resources. Councillor Back introduced the report which presented the updated Covert Investigation Policy. The Council's current policy had last been updated in June 2021. The policy had not been changed a great deal and had mainly been refreshed to provide additional clarity. Councillor Back thanked the internal audit team for their work on this and all areas they were involved in.

The Head of Internal Audit confirmed that very little had changed in the policy, the largest changes concerned authorisation timescales for officers who applied to carry out covert investigations. The Head of Internal Audit confirmed training was taking place to ensure officers understood what was required of them, and officers would not be able to carry out any investigation until they had completed the training.

The Chairman thanked both the internal audit and finance teams for their work which ensured the Council had not been unduly exposed to risk.

On the proposition of Councillor Coulam, seconded by Councillor Richardson it was by a unanimous vote

### **RESOLVED**

That the Audit and Governance Committee approve the refreshed Covert Investigation Policy.

## **9 Forward Work Programme 2023-24**

The Committee considered the Forward Work Programme for the 2023/24 year.

The Chairman noted that there may have to be an extraordinary committee meeting in April to consider loans to one of the Council's Local Authority Trading Companies.

**10 Exempt/Confidential Items**

On the proposition of Councillor Richardson, seconded by Councillor Coulam it was

**RESOLVED**

That as recommended that under Section 100A(4) of the Local Government Act 1972 (as amended) the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraphs 1, 2 and 3 of Part 1 of Schedule 12A of the Act.

**11a Exempt minutes - 12 December 2022**

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

**11b Exempt minutes - 23 January 2023**

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

**12 Update on the use of Purchase Orders**

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

**13 Internal Audit Status of Actions**

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

**14 Report on the Outcome of an Investigation of a Complaint**

- Information relating to any individual.
- Information that is likely to reveal the identity of an individual.

The meeting concluded at 8.32pm

.....  
Chairman



**AUDIT & GOVERNANCE COMMITTEE**  
**Monday, 10 July 2023**

<b>Subject</b>	2022/23 DRAFT STATEMENT OF ACCOUNTS
<b>Report by</b>	Councillor Vince Langdon-Morris Cabinet Member with Responsibility for Resources and Value for Money
<b>Supporting Officer</b>	Lorraine Rogers Acting Chief Finance Officer & Section 151 Officer <a href="mailto:lorraine.rogers@eastsoffolk.gov.uk">lorraine.rogers@eastsoffolk.gov.uk</a>  Chris Bally Chief Executive <a href="mailto:Chris.bally@eastsoffolk.gov.uk">Chris.bally@eastsoffolk.gov.uk</a>

Is the report Open or Exempt?	OPEN
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Category of Exempt Information and reason why it is <b>NOT</b> in the public interest to disclose the exempt information.	N/A
<b>Wards Affected:</b>	All Wards

## Purpose and high-level overview

**Purpose of Report:**

To present the 2022/23 Draft Statement of Accounts to the Committee for approval.

**Options:**

There is no requirement for the draft Statement of Accounts to be presented to the Committee, but this is a useful opportunity for the Committee to review and comment on the Council's accounts.

**Recommendation/s:**

That having reviewed the contents, the Audit and Governance Committee note the Draft Statement of Accounts for 2022/23

## Corporate Impact Assessment

**Governance:**

The publication of the Statement of Accounts is a statutory requirement under the Accounts and Audit Regulations 2015 and the Local Audit and Accountability Act 2014. The Statement of Accounts demonstrates the Council's governance and value for money, helping to achieve the critical success factors and planned actions set out in the Strategic Plan.

**ESC policies and strategies that directly apply to the proposal:**

East Suffolk Council Strategic Plan

**Environmental:**

No impacts.

**Equalities and Diversity:**

No impacts.

**Financial:**

The financial impacts of the Council's outturn position for 2022/23 are detailed in the Statement of Accounts attached as Appendix A. Particular attention is drawn to the Narrative Report in the Statement which provides a commentary on the Council's financial and non-financial performance in 2022/23.

On 11<sup>th</sup> July 2023 Cabinet will receive the 2022/23 Outturn Report, providing an overview of the Council's financial performance for the past year in respect of the General Fund, the Housing Revenue Account (HRA), Reserves, the Capital Programme and the Collection Fund.

**Human Resources:**

No impacts.

**ICT:**

No impacts.
<b>Legal:</b> As referred to under Governance impact.
<b>Risk:</b> No risks identified specifically in respect of this report, but a high-level summary of the Council's Corporate Risk Register is included in the Narrative Report, and key financial risks are referred to in the Statement of Accounts.

<b>External Consultees:</b>	None.
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## Strategic Plan Priorities

Select the priorities of the <a href="#">Strategic Plan</a> which are supported by this proposal: (Select only one primary and as many secondary as appropriate)		Primary priority	Secondary priorities
<b>T01</b>	<b>Growing our Economy</b>		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>T02</b>	<b>Enabling our Communities</b>		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input type="checkbox"/>
P08	Maximising health, well-being and safety in our District	<input type="checkbox"/>	<input type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
<b>T03</b>	<b>Maintaining Financial Sustainability</b>		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input type="checkbox"/>
<b>T04</b>	<b>Delivering Digital Transformation</b>		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T05</b>	<b>Caring for our Environment</b>		
P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education and influence	<input type="checkbox"/>	<input type="checkbox"/>

XXX	<b>Governance</b>		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>How does this proposal support the priorities selected?</b>			
<p>Production and publication of the Statement of Accounts is a statutory requirement demonstrating the Council’s governance and value for money and helping to achieve the critical success factors and planned actions set out in the Strategic Plan. Providing an opportunity for the Committee to review the draft Statement enhances effective governance.</p>			

## Background and Justification for Recommendation

<b>1 Background facts</b>	
1.1	The publication of the Statement of Accounts (the Accounts) is a statutory requirement under the Accounts and Audit Regulations 2015 and the Local Audit and Accountability Act 2014. The Council has a duty to ensure that public money is safeguarded and properly accounted for, and is used economically, efficiently, and effectively.
<b>2 Current position</b>	
2.1	The Council’s Accounts for the financial year ended 31 March 2023, are written in accordance with The Chartered institute of Public Finance and Accountancy (CIPFA) code of practice. The Accounts inform readers as to the financial performance of the Council during the financial year and are an important element of demonstrating sound financial stewardship of taxpayers’ money.
2.2	The draft Accounts for 2022/23 were published on the Councils website by the Statutory deadline of 31 <sup>st</sup> May 2023. They have been made available for public inspection from 1 <sup>st</sup> June 2023 for 30 working days in accordance with the Local Audit and Accountability Act 2014. This inspection period will end at 5pm on 12 <sup>th</sup> July 2023.
<b>3 How to address current situation</b>	
3.1	The Council’s Draft Statement of Accounts for 2022/23 are attached as Appendix A for review by the Committee. Following the public inspection period mentioned above, the audit of the Accounts by Ernst & Young can commence. The deadline for publishing the audited 2022/23 Accounts is 30 <sup>th</sup> September 2023. However, it is unlikely this date will be attained due to timescales for the audit currently being unknown. Due to the volume of audits currently outstanding both for East Suffolk Council and other local authorities, it is unlikely to commence before the end of 2023.
<b>4 Reason/s for recommendation</b>	
4.1	To provide an opportunity for the Committee to review and comment on the draft Statement of Accounts prior to publication.

## Appendices

Appendices:	
<b>Appendix A</b>	East Suffolk Council Draft Statement of Accounts 2022/23

Background Papers:	
None	



# Statement of Accounts 2022/23



INTRODUCTION TO THE 2022/23 STATEMENT OF ACCOUNTS	1	26. External Audit costs	93
NARRATIVE REPORT	2	27. Related Parties	93
STATEMENT OF RESPONSIBILITIES	21	28. Officer's remuneration and exit packages	95
COMPREHENSIVE INCOME & EXPENDITURE STATEMENT	22	29. Capital expenditure and capital financing	98
MOVEMENT IN RESERVES STATEMENT (MIRS)	24	30. Leases	99
BALANCE SHEET	26	31. Pensions	101
CASH FLOW STATEMENT	28	32. Contingent Assets & Liabilities	108
NOTES TO THE CORE FINANCIAL STATEMENTS	30	33. Interests in companies and other entities	108
1. Accounting Policies	30	34. Long term Borrowing	114
2. Accounting Standards that have been issued but not yet been adopted	45	35. Long term investments	114
3. Critical judgements in applying accounting policies	45	36. Interest and Investment income	115
4. Assumptions made about the future and other major sources of estimation uncertainty	47	37. Prior period adjustments	115
5. Material items of income and expenditure	50	HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT	116
6. Events after the Balance Sheet date	50	MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT	117
7. Expenditure and Funding Analysis	51	NOTES TO THE HOUSING REVENUE ACCOUNT	118
8. Expenditure and Income analysed by nature	53	1. Dwelling Rents and Charges for Services and Facilities	118
9. Adjustments between accounting & funding basis under regulation	54	2. Major Repairs Reserve (MRR)	118
10. Transfers to/ from Earmarked Reserves	59	3. Capital Receipts – Disposal of Council Dwellings	119
11. CIES - Other operating expenditure	64	4. Capital Related Charges	119
12. CIES - Financing and investment income	64	5. Housing Stock	120
13. CIES - Taxation and non-specific grants	65	6. Capital Expenditure	120
14. Property, Plant & Equipment	66	7. Non-Current Assets	121
15. Assets held for sale	70	8. Depreciation	122
16. Heritage Assets	70	9. Revaluation and Impairment Charges	122
17. Intangible Assets	71	COLLECTION FUND INCOME & EXPENDITURE STATEMENT	123
18. Investment Properties	72	NOTES TO THE COLLECTION FUND	124
19. Financial Instruments	73	1. Income from council tax	124
20. Debtors	82	2. Business Rates	125
21. Creditors	83	3. Collection Fund Balances	126
22. Provisions	84	INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF EAST SUFFOLK	
23. Grant Income	86	COUNCIL	127
24. Unusable Reserves	88	GLOSSARY OF FINANCIAL TERMS	128
25. Members Allowances	92		

## Introduction to the 2022/23 Statement of Accounts

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Enclosed are the Council's Statement of Accounts (the Accounts) for the financial year ended 31 March 2023. These Accounts inform readers as to the financial performance of the Council during the financial year and are an important element of demonstrating sound financial stewardship of taxpayers' money.

These accounts have been published within the deadline of 31 May 2023. The Accounts and Audit (amendment) Regulations 2022 came into force on 22nd July 2022 and revised the statutory deadline for publishing the audited financial statements to 30 September for 2022/23 accounts and the subsequent 5 years.

Prior to approval, the draft Accounts are subject to a single period of 30 working days for the exercise of public rights, where any objection, inspection and questioning of the local auditor must be undertaken. The unaudited Accounts will be available to the public on the Council's website from 1 June 2023, so the inspection period will commence on 1 June 2023 and finish on 12 July 2023.

The principles adopted in compiling the Accounts are those recommended by The Chartered Institute of Public Finance and Accountancy (CIPFA) namely:

- The Code of Practice on Local Authority Accounting in the United Kingdom (the Code); and
- International Financial Reporting Standards (IFRS).



**Lorraine Rogers**

Acting Chief Finance Officer and Section 151 Officer

# Narrative Report

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## 1. Introduction

This document presents the statutory financial statements (the “Statement of Accounts”) for East Suffolk Council for the period 1 April 2022 to 31 March 2023 and provides a comprehensive summary of the overall financial position of the Council.

The Statement of Accounts is presented in the format recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA), as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code).

The Narrative Report, which is not formally part of the Statement of Accounts, follows the reporting principles established by the International Integrated Reporting Council (IIRC) and provides information on the Council, its main objectives and strategies and the principal risks that it faces, as well as providing a commentary on how the Council has used its resources to achieve its desired outcomes in line with its objectives and strategies.

## 2. Introducing East Suffolk Council

Suffolk has a two-tier system of local government, comprising Suffolk County Council and five district councils. The County Council administers services such as education, waste disposal and social services across the whole of Suffolk, whereas locally, East Suffolk Council operates a range of services including building regulation, burials/cremations, community safety, the administration of council tax and business rates, environmental health, electoral administration, licensing, sports facilities, housing, street cleaning and refuse collection.

East Suffolk has a population of 246,058 (ONS, 2021) and covers an area of 125,979 hectares (1,260km<sup>2</sup>), has 79km of coastline and comprises a mix of urban and rural areas with Lowestoft and Felixstowe being the largest towns. There are also a number of historic towns and a large number of villages. In total, the district has 175 town and parish councils.

East Suffolk is an attractive place to live and work, attracting tourism and visitors and combining a strong economy with a natural and built environment. However, nine neighbourhoods in Lowestoft are within the 10% most deprived in the country and unemployment levels in two wards are double the regional average.

The district also includes the Port of Felixstowe, which is a major gateway for Britain to Europe and the world and increasingly important post Brexit. The district is also increasingly becoming a major energy supplier to the whole of Britain. The expansion of the long-established Sizewell Nuclear Power Station, which sits within the district boundary, continues and is being joined by major offshore developments (driving onshore infrastructure developments) in the fields of energy generation from wind, wave and gas.

## Political Leadership

The Council was governed by 55 councillors, covering 29 wards. The makeup of the Council for 2022/23 was:

Conservative Party	Labour Party	Green Party	Liberal Democrat Party	Independent
39	7	5	3	1

## Executive Leadership

The senior management team work closely with Councillors to ensure that the Council delivers its corporate priorities, and comprises a Chief Executive, two Strategic Directors and eleven Heads of Service, collectively known as the “Corporate Management Team” (CMT). Separately, the Chief Executive and Strategic Directors make up the Strategic Management Team (SMT). SMT is led by the Chief Executive and takes responsibility for the whole workforce, providing strategic direction and leadership. Heads of Service support SMT in the overall management of the Council and provide direct management of their individual service areas.

## East Suffolk Strategic Plan

In 2020 the Council launched the first East Suffolk Strategic Plan. Our aim is to deliver the highest quality of life possible for everyone who lives in, works in and visits East Suffolk. To help us achieve this, we will use this strategic plan as a compass to guide all our decision making. Within the compass, our five key themes show the direction we will take. All themes are interconnected and complement each other. The Council’s achievements over the last 12 months are presented in the Council’s Annual Report.



**GROWING OUR ECONOMY** - Let's build a strong sustainable economy for our future; we want our district to achieve its maximum potential, for the good of everyone in the area.

**ENABLING OUR COMMUNITIES** - Working together, we will enable our communities to identify opportunities and challenges, we will empower them to make a difference; we will support our communities to enhance the places we live and work for the well-being of all.

**REMAINING FINANCIALLY SUSTAINABLE** - We will grow and prosper as a council; we will ensure we are well-run; provide value for money and strive for excellence.

**DELIVERING DIGITAL TRANSFORMATION** - Digital technology can transform the way we work and live; we will use technology to make services efficient and easily accessible to all and assist our communities to embrace and access new technologies.

**CARING FOR OUR ENVIRONMENT** - We know you are concerned about our environment; we are too, so we will put the environment at the heart of everything we do.

## Service Delivery

A tailored approach is adopted with directly delivered services operating alongside services delivered through third parties and joint arrangements. Examples include:

- **Direct Services** – Community Development, Customer and Support Services, Economic Development, Environmental Services, Housing, Licensing and Planning.
- **Third Party Services** – Car Parks, Facilities Management, Refuse Collection, Grounds Maintenance (all through Suffolk Coastal Norse Limited and Waveney Norse Limited until 30 June 2023) and Leisure (through Everyone Active and Places Leisure); and
- **Joint Arrangements** – Building Control and Internal Audit (both in partnership with Ipswich Borough Council), Coastal Management (through the Coastal Partnership East), and Revenues and Benefits (through the Anglia Revenues Partnership).

## 3. Operating Model

The way in which the Council operates, deploying and consuming available resources – both human and financial – ultimately determines the outcomes achieved for residents through the services it provides. It is a dynamic model that changes over time, and adapting to changes in the supply of, and demand for, resources is a major challenge at the time of unprecedented increases to the cost of living.

### Human Resources

As at 31 March 2023, there were 872 full-time equivalent staff employed by East Suffolk; a wide range of professional teams, delivering a diverse range of services.

### Corporate Values: ‘how’ the work is done.

Each staff member is expected to demonstrate a set of core behaviours which define ‘how’ – as employees – they should approach their work. The behaviours sit alongside ‘what’ they do and are designed to encourage every member of staff to reach their potential, reflecting our five corporate values below.



## Performance and Development

The Council recognises that developing the capability of its People, its Leaders and its Culture is vital to the achievement of organisational priorities.

To this end, the East Suffolk People Strategy includes a new approach to managing performance and personal development called “My Conversation”. My Conversation allows the Council to constantly gauge progress against Service Plans and the Strategic Plans, ensuring that staff can develop the skills and behaviours required to undertake their roles and successfully meet future challenges. The approach can be distinguished from the traditional annual appraisal system and is about continuous and ongoing performance management, providing regular feedback, recognition and personal development.

The system is supported by real investment in training and development whereby a number of options are offered ranging from on the job coaching (including an in-house apprenticeship scheme) through to external courses.

The breadth of the Council services means that training and development has to be carefully tailored. Professionals from many different fields are employed, for example Accountancy, Legal, Human Resources, Environmental Services and Planning. Professional staff are required to complete continuous professional development, which needs to be factored in alongside personal and organisational development. The workforce also includes large teams of customer facing staff including Customer Service Advisors and with our service delivery partners, Leisure Assistants and Refuse Workers.

## 4. Council’s Performance

The five themes of the Strategic Plan contain a number of priorities, steering the organisation to deliver to the needs of the district. All services, tasks and projects link through to priorities outlined in the Plan. The Council has an action plan to deliver against each theme and established methods to measure performance.

The Council's Annual Report presents the outcomes and key achievements in the financial year, and for 2022/23 this will be reported to Cabinet in early 2023/24. Leading into 2022/23 a core programme was established for each theme of the Strategic Plan, presenting the projects and initiatives being undertaking. A new set of Key Performance Indicators (KPIs) was established over the course of the year, culminating in the publication of live dashboards for each theme in March 2023, to monitor and measure how the Council is performing. Development of all KPIs is ongoing.

The live dashboards are available at any given time, via the Council's website, providing up-to-date performance information in a transparent way. Achievements to highlight in 2022/23:

- **Growing our Economy**

- 813 (provisional) net dwellings were completed for the year including 156 affordable homes. There are also 1,219 (provisional) dwellings under construction as at the end of the year, indicating that the supply of housing will continue to be delivered.
- East Suffolk Towns Initiative Fund awarded £0.120m to 22 place making projects, and the UKSPF High Street grants and Events and Cultural grants Round 1 awarded £0.148m to 15 projects.
- Enabling Self Employment project was completed. 205 vulnerable and hard to reach individuals were supported to access information on self-employment and employment opportunities.
- The second First Light Festival was successfully delivered in 2022, and the First Light Festival CIC(Community Interest Company) was awarded Arts Council National Portfolio Organisation (NPO), securing funding for the next three years to grow the festival and wider cultural programme.
- Performance for all planning applications determined consistency exceeded targets through 2022/23 with overall performance at:
  - Non-Major planning applications – 79.14% determined in 8 weeks, above the national target of 70%
  - Major planning applications – 87.50% determined in 13 weeks, exceeding the national target of 60%

- **Enabling our Communities**

- Food Hygiene Rating - (percentage at 3-5 rating i.e., rated 'generally satisfactory' or 'better') exceeded its target of 95% with performance achieving 98.52% for the year.
- The Council's Ease the Squeeze campaign under the Cost of Living programme identified almost £1m of funding and delivered on-the-ground support including Warm Rooms, food-related projects and help with financial matters such as budgeting, access to benefits and grants.
- More than 140 projects were funded as part of the Council's Community Grant Schemes.
- 2,567 people were engaged with through community safety events and more than 90 people were supported by the Family Intervention Team.

- **Caring for our Environment**

- Refuse vehicles have been using Hydrotreated Vegetable Oil (HVO) fuel since June 2022 and Port Health electrical pool cars are in use.
- Clean Hydrogen Conference took place in February 2022 and a Hydrogen Strategy has been approved. A workshop is being scheduled to discuss the delivery.

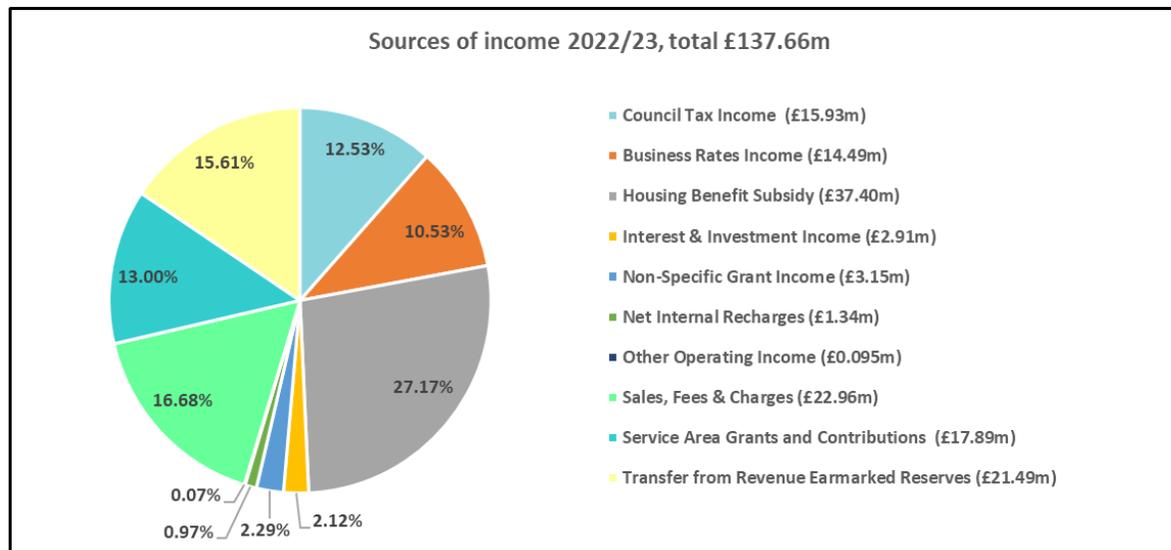
- **Digital Transformation**

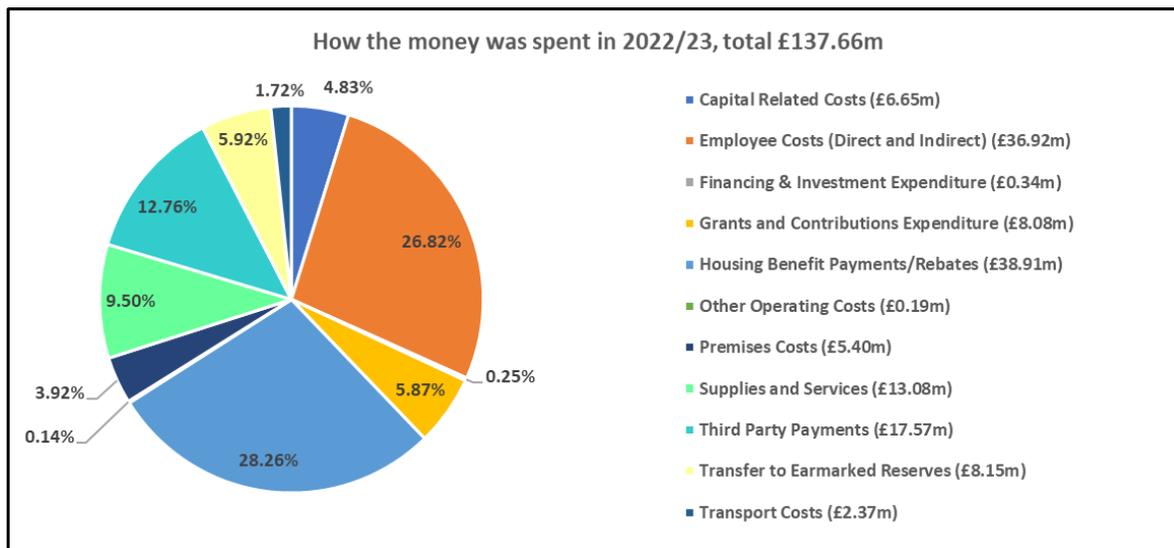
- The Digital Town Technology installation is complete in eleven towns and over 20,000 people have registered.
- In 2022/23 there were no cyber security breaches. A number of measures are in place to monitor and ensure systems are resilient to deal with cyber incidents and maintain security.

## 5. Financial Performance

### 5.1. General Fund Revenue Income and Expenditure

The following two charts show the sources of income to the Council during the year and how the income has been spent (excluding accounting adjustments required by Internal Financial Reporting Standards).





## 5.2 General Fund Revenue Outturn

Within the Net Cost of Service, the total by Service Area will differ to those shown in the EFA in Note 7 of the Financial Statement. This is due to The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which defines proper accounting practices for local authorities, and some transactions must be analysed differently in the Financial Statement than when they are reported in the budget and for the purpose of internal financial management reporting.

At the 2022/23 year-end, the Council achieved a surplus outturn position of £0.768m. The Council received additional income from treasury management activities, contributing over £1m of additional income to the General Fund due to interest rate increases.

While building control income proved better than anticipated, planning income slowed in 2022/23. Baseline income from car parking has been revised downwards by £0.5m as this has not returned to pre-pandemic levels. The Council also received grant income which funded additional services and community support efforts during the year. The council received additional funding from Department for Levelling Up, Housing & Communities (DLUHC) to support our communities through the energy and cost of living crisis. Notably, ESC also collaborated with Suffolk County Council to disburse funding for school holiday programmes, and personalised wellbeing services in the community.

The Council's employment costs were close to anticipated budget and expected vacancy levels. Staffing shortages in some specialist areas continues such as planning, environmental health and asset management, which contributed to some of the underspend; therefore, officers managed service levels by employing short term contractors where possible. Ongoing recruitment challenges have increased our cost of recruiting as the Council needing to advertise certain roles and engage specialist recruitment organisations.

The favourable year end position placed the Council in a stronger than expected position going into 2023/24. It was therefore considered an opportunity to set aside funds in reserves for projects and initiatives to support the delivery of the Strategic Plan:

- £0.200m to the Transformation Reserve – Environment Theme
- £0.100m to the Transformation Reserve – Digital Theme
- £0.200m to the Revenues & Benefits Administration Reserve
- £0.268m to the in year-savings reserve for general use to fund future budget pressures

Further analysis of the outturn position for 2022/23 will be reported to Cabinet on 11 July 2023.

### **5.3 Housing Revenue Account (HRA)**

The HRA is a ring-fenced account, containing solely the costs arising from the provision and management of the Council's housing stock, offset by tenant rents, service charges and other income.

The self-financing regime was introduced in April 2012 and the Council had to take on a significant amount of debt (£68m) in exchange for not paying future Housing Subsidy. During 2021/22 the HRA repaid £10.8m of the self-financing debt, which was scheduled for repayment, leaving £60.4m still to be repaid. (£58m from the self-financing settlement and £2.4m non-self-financing). This is a significant amount to be repaid due to careful management of the HRA finances and reserves and was funded from the HRA's Major Repairs Reserve. The next significant repayment is due in 2026/27 when a further £10m will be repaid.

As shown in the Notes to the HRA Statement of Accounts (p117), the in-year movement on the HRA working balance was a surplus position of £5.012m, increasing the HRA working balance to £4.363m as of 31 March 2023.

Total Rent arrears as of 31 March 2023 was £1.41m (£1.17m as of 31 March 2022) and represented 6.8% of the HRA's gross collectable income, a 1% increase from the previous year. Income to the HRA from rents and service charges remains stable at £20.7m per annum.

The HRA also holds Earmarked Reserves which are set out in Note 10 to the Statement of Accounts. As of 31 March 2023, the total balance on the HRA Earmarked Reserves was £18.56m, which included £13.0m in the HRA Debt Repayment Reserve. This reserve is to provide funding for future liabilities for repaying the self-financing debt.

The Council's housing stock totalled 4,418 dwellings as of 31 March 2023 (4,451 as of 31 March 2022). During 2022/23 the Council added one property to its housing stock, sold 32 properties through the Right to Buy Scheme and lost two properties through conversion and reclassification.

The HRA capital programme consists of capital budgets for Asset Investment and the Acquisition and Housing Development Programme. In 2022/23 the HRA capital spend totalled £3.74m, which consisted of £1.68m investment in existing housing stock and £2.06m for the Acquisition and Housing Development Programme. The development programme has seen some delays in the delivery of new housing, however 2023/24 will see much larger

numbers of new housing being added to the stock. For 2022/23 the HRA capital programme overall was £2.90m less than the revised budget. The HRA spending plans, including its capital investment programme, are currently fully funded from existing resources, with no requirement for additional borrowing during 2022/23.

<b>SUMMARY -HRA CAPITAL PROGRAMME</b>	<b>2022/23 Original Budget £000</b>	<b>2022/23 Revised Budget £000</b>	<b>2022/23 Outturn £000</b>	<b>2022/23 Variance £000</b>
<b>Capital Expenditure</b>				
Asset Investment	9,100	4,369	1,681	-2,688
Acquisition & Development	15,543	2,270	2,063	-207
<b>Total Capital Expenditure</b>	<b>24,643</b>	<b>6,639</b>	<b>3,744</b>	<b>-2,895</b>
<b>Financed By: -</b>				
HRA DRF	5,863	1,186	901	-285
Capital Receipt	0	0	759	759
Contributions	0	0	403	403
Grants	1,248	0		0
Reserves	17,532	5,453	1,681	-3,772
<b>Total Financing</b>	<b>24,643</b>	<b>6,639</b>	<b>3,744</b>	<b>-2,895</b>

The Outturn Report to Cabinet on 11 July 2023 will provide more information on the HRA performance for the year.

#### **5.4 General Fund Capital Programme**

The successful delivery of many of the Council services also relies on the acquisition and maintenance of fixed assets such as land, buildings, and equipment. Acquisitions and expenditure which enhance the value of assets is funded through capital expenditure, whereas maintenance (which maintains, rather than adds value) is funded through (General Fund) revenue expenditure.

Capital budgets are approved for the life of the project which can span more than one financial year. Any capital budgets for a project that remain unspent at the end of the financial year are carried forward to the following year. Similarly, with projects that are ahead of the original profile, budgets can be brought forward.

The revised General Fund Capital Programme for 2022/23 was £39.94m compared to an original budget of £43.15m. The revision was primarily due to programme slippage and projects being rephased to 2023/24. Some projects have faced delays due to inflationary impacts necessitating project redesign and/or project complexity and collaboration with partner organisation on certain projects. At the end of the year the total spend on the capital programme was £25.11m, an underspend of £14.83m against the revised budget. This is illustrated in the table below.

Service Area	2022/23	2022/23	2022/23	2022/23
	Original Budget	Revised Budget	Outturn	Variance
	£000	£000	£000	£000
<b>Capital Expenditure</b>				
Economic Development & Regeneration	5,586	1,725	632	-1,093
Environmental Services & Port Health	406	647	658	11
Financial Services	400	400	12	-388
ICT - Digital & Programme Management	927	927	480	-447
Operations	13,901	13,455	6,764	-6,691
Planning & Coastal Management	19,432	19,632	12,918	-6,714
General Fund Housing	1,000	1,000	1,742	742
Long Term Debtors	1,500	1,900	1,900	0
Central Government Grant (Freeport East via ESC as Accountable Body)	0	250	0	-250
<b>Total Capital Expenditure</b>	<b>43,152</b>	<b>39,936</b>	<b>25,106</b>	<b>-14,830</b>
<b>Financed By: -</b>				
Borrowing	8,595	12,397	12,453	56
Capital Receipt	1,000	0	0	0
Contributions	0	0	0	0
Grants	25,534	21,819	7,719	-14,100
Reserves	8,023	5,720	4,934	-786
<b>Total Financing</b>	<b>43,152</b>	<b>39,936</b>	<b>25,106</b>	<b>-14,830</b>

The outturn report to Cabinet on 11 July 2023 will provide further information on the Capital Programme performance in 2022/23.

## 5.5 Reserves and Balances

The careful management of reserves and balances sits at the heart of the Council's strategic financial planning process. The Council has a policy of maintaining the level of General Fund balance at around 3% to 5% of its budgeted gross expenditure and has determined in the Medium-Term Financial Strategy to maintain this balance at £6m, taking account of the strategic, operational, and financial risks facing the Council.

The Council holds several Earmarked Revenue Reserves which have been established to meet known or predicted liabilities and to hold balances of grants and external funding which is committed to future year spend. The Council reviews these reserves to ensure the levels continue to be appropriate and if no longer required, are returned to the General Fund. As of 31 March 2023, the total balance on the General Fund Earmarked Reserves stood at £48.54m. This is a decrease of £13.34m on the 31 March 2022 position. This is mainly due to the release of Covid funding held in the Covid reserve at March 2022, in particular relating to Business Rates Reliefs, and use of Capital Reserves to fund the capital programme. The General Fund balance as at 31 March 2023 is £6m and remains unchanged from the previous year end. Reserve balances are summarised below and are set out in detail in Note 10 to the Statement of Accounts.

General Fund Earmarked Reserves	31 March 2023 £'000
Grants/Funding Carried Forward	6,251
Planned Future Capital Spending	1,309
Planned Future Revenue Spending	15,943
Risk Based	20,199
Port Health	3,670
Covid Reserve	1,166
<b>Total General Fund Earmarked Reserves</b>	<b>48,538</b>

Earmarked Reserves to highlight include:

- **COVID-19 Response Reserve (£1,166m)** – Consisting of Section 31 Grants to fund Covid related Business Rate Reliefs and the remaining balance will be utilised in 2023/24 to deal with accounting timing differences related to the pandemic in respect of Business Rates Reliefs.
- **Business Rates Equalisation Reserve (£15.21m)** – This is income from Business Rates which is set aside to equalise the fluctuations in recognising Business Rate income due to timing differences, e.g. Business Rates appeals and for year-end surpluses/deficits.
- **In-Year Savings Reserve (£3.71m)** – This is in-year savings set-aside to support future year budget pressures.

- **Business Rate Pilot Reserve (£0.91m)** – In 2018/19, Suffolk was successful with its bid to pilot 100% Business Rates Retention Scheme. This income has been transferred to this reserve and is used to provide funding for agreed projects. Use of the reserve is made when the project spend is incurred, and £0.472m was drawn down in 2022/23. Examples include, supporting the First Light Festival and the Heritage Action Zone project.
- **New Homes Bonus Reserve (£5.44m)** – This reserve established from New Homes Bonus (NHB) income is used to support community initiatives, which are detailed in the February 2023 budget report. The Council received £1.790m of NHB income in the year and £1.649m was used to fund projects.
- **Port Health (£3.67m)** – This reserve provides a source of finance to support the future investment and development of the authority’s infrastructure at the Port of Felixstowe.
- **Transformation Reserve (£3.39m)** – This reserve has been established to support the delivery of the Council’s Strategic Plan, with £0.47m used during the year to fund projects. £0.3m was added to the reserve from outturn to provide additional funding to support the delivery of the Strategic Plan, in particular the themes of Digital Transformation and Caring for the Environment.

## 5.6 Interests in Companies and Other Entities

In 2008/09 Waveney District Council entered an arrangement with Norse Commercial Services Limited (NCS) for the provision of a package of services including refuse, cleansing and maintenance. East Suffolk Council holds a 19.9% share of Waveney Norse Limited. Payments made to Waveney Norse Ltd in respect of the services provided are included within the Cost of Services in the Comprehensive Income and Expenditure Statement of the Council’s Statement of Accounts. Total payments to Waveney Norse Ltd were £8.13m in 2022/23 (£8.22m in 2021/22).

East Suffolk holds a 20% share of Suffolk Coastal Norse Limited. Suffolk Coastal Norse Ltd provides a package of services including refuse, cleansing and maintenance. Payments made to Suffolk Coastal Norse Ltd in respect of the services provided are included within the Cost of Services in the Comprehensive Income and Expenditure Statement of the Council’s Statement of Accounts. Total payments to Suffolk Coastal Norse Ltd were £9.04m in 2022/23 (£9.80m in 2021/22).

East Suffolk Holdings Limited is wholly owned by the Council and was incorporated on 24 October 2019. East Suffolk Holdings is the sole shareholder of East Suffolk Construction Services Limited, East Suffolk Property Developments Limited, and East Suffolk Property Investments Limited, all of which were incorporated on 26 November 2019. In September 2022, Cabinet approved the business case for East Suffolk Holdings Limited to enable the company to become active and thereby undertake its monitoring and governance role of its Group companies. Cabinet approved the business cases for East Suffolk Property Investments Limited in November 2022, and East Suffolk Property Developments Limited in December 2022. This was to enable the companies to operate/trade. However, no projects for investment/development have yet been activated in the companies.

East Suffolk Services Limited (ESSL) is also wholly owned by East Suffolk Holdings Limited and was incorporated on 25 March 2022. The company became active during 2022/23 in preparation for the company to take over the operations of the Norse Joint Venture from 1 July 2023.

In September 2022, Cabinet approved governance arrangements in relation to its role as ultimate owner of its group companies. This ensures that the Council has appropriate controls in place for the good governance of ESSL and its other companies. The Council will enter into a shareholder agreement with each of the companies in the Group, as each company becomes “live”; and a committee of Cabinet, has been established, known as the Shareholder Reference Group (SRG). The SRG will exercise certain rights and controls of the Council in relation to its companies. The SRG held its first meeting on 4 October 2022.

## **5.7 Pension Liabilities**

The Council participates in the Local Government Pension Scheme, administered locally by Suffolk County Council - this is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The zero balance on the Balance Sheet reflects a surplus, in the benefits earned by past and current employees and the resources the Council has set aside to meet them, which has been limited by the asset ceiling (the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan) as directed by IAS 19.

The latest triennial actuarial valuation of the assets and liabilities of the Suffolk County Pension Fund was completed on 31 March 2022. The Council has been advised that its share of the pension fund was 107% fully funded at this date.

## **5.8 Provisions and Contingencies**

### **5.8.1 National Non-Domestic Rates**

Through the National Non-Domestic Rates (NNDR1) return, the Council has to estimate the business rates income expected to be received in the coming year based on a number of assumptions. The most significant assumption is in relation to the provision for appeals. The Council has reviewed the methodology for appeals in relation to the new check, challenge, appeal process, which has seen a significant reduction in appeals. As a result, the provision significantly decreased for both predecessor authorities in 2018/19. As a result of the pandemic, the national business rates revaluation planned to take effect in April 2021 has been postponed, and the 2017 valuation list applied until the end of March 2023. Outstanding checks and challenges will continue to be potentially made against this list limiting the scope for further reductions to the provision. However, the Government introduced legislation to restrict appeals arising from the pandemic itself and has compensated businesses through a Covid Additional Relief Fund rate relief scheme instead. Relief was partly granted in 2021/22 with the remainder granted in the first six months of 2022/23. A large hereditament had an outstanding appeal which was agreed in early 2022/23 and so the provision was adjusted to reflect this appeal settlement. The provision for Business Rates appeals is shown in the Collection Fund Note to the Financial Statements.

The economic impact of the Covid-19 pandemic and the potential ability for debts to be recovered has also been reflected in increased provisions for doubtful debts in respect of council tax, housing benefit overpayments, and sundry debtors.

## 5.8.2 Housing Revenue Account (HRA) Provision

Following an HRA compliance review it was identified that some HRA tenants appeared to have been overcharged due to previous rent conversions and combined service charges. A forensic audit has been carried out by external consultants, and every tenancy dating back to 2010 (the earliest data held) has been reviewed. A provision of £8.7m has been made in 2022/23 and is based on the forensic auditor's findings of repayments that are required. It is anticipated that these will all be repaid in 2023/24.

## 6. Risks and Opportunities

The Council's approach to risk management is to embed risk management into the organisation so that it is the responsibility of all managers and teams. The Corporate Management Team undertakes a detailed review of corporate risks to manage, monitor and consider risks, including management of the risk process. All corporate risks, significant for the Council, are reported to Audit and Governance Committee. The high-level details as at 31 March 2023 are:

Corporate Risks	Current Rating	Target Rating	Trend
Incident management - flood risk due to flooding and tidal surges	Red	Amber	→
New Target Operating Model (TOM) import checks	Red	Amber	→
Non-delivery of the East Suffolk Strategic Plan due to capacity	Red	Amber	↑
Major coastal erosion or coastal incident	Red	Amber	→
Inflation – impact on Council's finances	Red	Green	→
Cost of living crisis - increasing demand to support all those in need	Amber	Amber	↓
Breach of the Rent Standard and the 'Home' Consumer Standard	Amber	Green	→
Recruitment of staff to key positions	Amber	Green	→
Delivery of the Capital Programme within timescales and affordability	Amber	Green	↑

Corporate Risks	Current Rating	Target Rating	Trend
Cost of living crisis - Council's income streams	Amber	Amber	↓
Sizewell C construction - impact on Council services	Amber	Green	↓
St Peter's Court Tower Block, Lowestoft - fire safety	Amber	Green	↑
Maintaining and promoting Ethical Standards – loss of public confidence	Amber	Green	↑
Meeting Health and Safety legal requirements - employees and others	Amber	Green	→
Sustainable Medium Term financial overview	Amber	Green	↓
Cyber-attacks including failure of ICT (cyber security/resilience)	Amber	Amber	→
Failing to safeguard the most vulnerable in the community	Amber	Green	↑
Flooding/tidal surges ( <i>Lowestoft ONLY</i> )	Amber	Green	→
Non-delivery of 2030 Carbon Neutral target	Amber	Green	→
Oil deposits on Gunton Beach	Amber	Green	→
Covid-19 impact on service delivery	Green	Green	→
Physical and mental health and wellbeing of staff	Green	Green	↑
Not implementing and exploiting opportunities from creating LATCOs	Green	Green	↑
Frontline services not delivered if significant contracts/partnerships fail	Green	Green	↑

## Opportunities

East Suffolk is well placed to take advantage of a range of opportunities and ensure sustainable economic recovery – ensuring value for money for residents and become more financially resilient.

East Suffolk is recognised by many as an economic powerhouse area, with many major sites located in the district such as Felixstowe Port, BT's global Research and Development Head Quarters, offshore wind sector and nuclear energy (Sizewell Power Plant). Developments likely to bring significant economic and employment opportunities for the district include:

- The Port of Felixstowe, which is now the largest container port in the UK, will form part of Freeport East and further expansion (especially in supporting infrastructure) is planned; and
- Sizewell Power Plant major expansion – development of 'Sizewell C', a third Nuclear Power Station on the site.

Lowestoft, along with neighbouring Great Yarmouth Borough Council, is one of only six locations in England that have been designated as a Centre of Offshore Renewable Engineering (CORE) status by the Government. CORE status is awarded through recognising the existing port infrastructure, skills, supply chain and Local Government support to enable rapid growth within the offshore wind sector.

Tourism is an important part of the Council's economy. Visitors are attracted by the character, culture, festivals, music, art, food, drink, clean beaches and spectacular coastline, with areas of the district designated as Areas of Outstanding Natural Beauty (AONB).

The Council will also be able to increase its ability to extend social housing, with the Housing Revenue Account now being able to operate in the whole East Suffolk district.

## 7. Forward Look

### 7.1 General Fund Revenue

The financial impact of Covid-19 was taken into consideration for updating the MTFS and 2023/24 budgets approved by Full Council in February 2023 respectively. The Business Rate Retention and Fair Funding reforms have now been delayed further until 2025/26 at the earliest. East Suffolk is in an advantageous position under the current Business Rates Retention system and deferral of the reforms will enable the Council to benefit from another year of the current regime. This is estimated to constitute an annual financial benefit in the region of £5m to the Council.

The Council has an average underlying budget gap in the region of £5.3m that needs to be addressed and is now faced with pressures and uncertainties from rising inflation and staff pay which did not exist at the time of updating the MTFS and the budget for 2022/23. The Government's announcement that Councils will receive a two-year funding settlement from 2023/24, will assist with providing some certainty, but it is important that the Council's

policy towards its reserves and balances seeks to provide some contingency against these pressures beyond 2022/23, whilst continuing valuable community programmes and initiatives - particularly those currently funded from NHB.

The ambitions of the Council's Strategic Plan, involves projects that go beyond the usual medium term financial planning, so longer term planning will become an increasingly important tool for the Council to balance the delivery of its Strategic Plan and Council services, and to maintain financial sustainability. The table below shows the MTFS projected budget gap as at February 2023. However, it should be noted that the Council achieved an improved year end position for 2022/23, enabling the Council to sustain a robust reserve position going forward.

<b>MTFS Budget Gap</b>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>
As at February 2023	0	3,511	6,007	6,404

A summary of the Earmarked Reserves position for the Council over the MTFS period to 2026/27 (Forecast as at February 2023) is set out below.

	<b>MTFS April 2024 £'000</b>	<b>MTFS April 2025 £'000</b>	<b>MTFS April 2026 £'000</b>	<b>MTFS April 2027 £'000</b>
<b>General Fund</b>	<b>6,000</b>	<b>6,000</b>	<b>6,000</b>	<b>6,000</b>
<b>General Fund Earmarked Reserves</b>				
General Fund Earmarked Reserves	36,417	33,973	32,574	31,589
General Fund Earmarked Reserve (Covid)	32	0	0	0
<b>Total Earmarked Reserves</b>	<b>36,449</b>	<b>33,973</b>	<b>32,574</b>	<b>31,589</b>

## 7.2 General Fund Capital Programme

The economic climate and the circumstances surrounding a number of major schemes changed significantly during 2022/23 and a mid-year review and updated of the programme was approved by Full Council in September. This included £3.2m for new projects, and £12.14m rephasing of 2022/23 budgets to later years. Project teams reviewed commitments, rephased projects bringing some forward and delaying others to reflect circumstances across our communities. The Capital Programme was compiled taking account of the following main principles, to:

- maintain an affordable four-year rolling capital programme;
- ensure capital resources are aligned with the Council's Strategic Plan;
- maximise available resources by actively seeking external funding and disposal of surplus assets; and
- not to anticipate receipts from disposals until they are realised.

In February 2023, a General Fund capital programme of £410.4m was approved for East Suffolk Council for the period 2022/23 to 2026/27. The key capital projects in 2023/24 are:

- **Lowestoft Flood Risk Management, Tidal Wall, and Gate (£14.8m)** - a vital project to future proof Lowestoft Sea front and town centre. The project has also benefited from significant external grant funding.
- **Coastal Defences works (£16.3m)**
- **Towns Funds Grant Investment, Project Investments in Lowestoft (£9.8m)** - key projects in the Cultural, Station, Port Gateway, and Historic Quarters to regenerate the town, driving economic growth and acting as a catalyst for future investment.
- **Former Deben High School Felixstowe (£2.7m)** - development of sustainable housing in the old school premises.
- **Newcombe Road Lowestoft (£1.9m)** – Redevelopment of site to provide start up units.
- **Southwold Caravan Site Redevelopment (£1.4m)** – Refurbishment of existing site.
- **Southwold Harbour South Pier (£6.0m)** – Enhance to the pier structure.
- **Operational vehicles, equipment replacement (£5.3m)**
- **Felixstowe North, Garden Neighbourhood Regeneration Project (Infrastructure) (£6.00m)** – Infrastructure development to enable housing development.
- **Barnards Way, Lowestoft (£2.8m)** – Undeveloped ESC land. Develop site for small industrial units.

The HRA capital programme totals £82.6m over the period 2022/23 to 2026/27 and includes £40.5m allocated to the new build programme.

### **7.3 Cost of Living Crisis, Rising Inflation, and Interest Rates**

Following the pandemic, the UK economy is being impacted by a series of other events, including rising inflation, the Russian invasion of Ukraine, a labour shortage, and UK fiscal policy and financial market turbulence.

The Council has been significantly impacted by inflation during the year, in the region of £1m. This is particularly evident with utility costs. The trajectory for utility costs over the MTFS period is difficult to forecast, but it has been assumed that costs will remain high, with no significant fall from the current level. The total estimated impact of rising utility costs over the MTFS period is £3.1m. Inflation is also feeding through to insurance premiums and these are forecast to rise by around £0.150m per annum, with a total impact over the MTFS of £0.670m. The Council's Operations service has also been significantly impacted by inflation through rising fuel costs and national and local pay settlements.

The cost to the General Fund of the 2022/23 pay award is in the region of £1.4m. The pay award assumption for 2023/24 and 2024/25 has also been increased from 2% to 4% and 3% respectively. A 1% pay award represents an increase of approximately £0.330m to the General Fund.

Inflationary pressures on projects within the Capital Programme, indirectly impacts on revenue, through revenue costs to support projects and the revenue financing of capital. Existing loans held by the Council are all fixed rate and are therefore not susceptible to the current market increases. However, going forward, the higher rates of borrowing will impact on any future borrowing needs for the capital programme and will need to be factored into updated business cases.

Whilst the Council faced significant cost pressures during the year, rising interest rates has been positive for the Council's investment income. Over the MTFS period this income has been increased by £4.2m to £7.4m, based on the current investment portfolio of short and long-term investments.

The cost-of-living crisis is placing additional demand on Council services to support those most in need, and the Council is delivering its Ease the Squeeze Campaign to deliver those initiatives which are currently funded.

# Statement of Responsibilities

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## The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Finance Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

## Councillor Owen Grey

Chairman of Audit & Governance Committee, East Suffolk Council

## The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code). In preparing this Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent; and
- compiled with the local authority Code. The Chief Finance Officer has also:
  - kept proper accounting records which were up to date; and
  - taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate by the Chief Finance Officer

I certify that this Statement of Accounts has been prepared in accordance with proper accounting practices and presents a true and fair view of the financial position of the Council at 31 March 2023 and its income and expenditure for the year ending on that date.

**Lorraine Rogers** (ACCA) Interim Chief Finance Officer and S151 Officer, East Suffolk Council – 31<sup>st</sup> May 2023

# Comprehensive Income & Expenditure Statement

	Authority						Group	
	2022/23			2021/22			2022/23	2021/22
	Gross Expenditure	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Net Expenditure £'000	Net Expenditure £'000
<b>Cost of Services</b>								
Communities	4,965	(2,080)	2,885	4,473	(1,489)	2,984	2,885	2,984
Customer Services	1,872	-	1,872	1,781	(5)	1,776	1,872	1,776
Economic Development and Regeneration	5,544	(1,059)	4,485	6,473	(3,748)	2,725	4,485	2,725
Environmental Services and Port Health	11,300	(8,064)	3,236	11,069	(8,406)	2,663	3,236	2,663
Financial Services, Corporate Performance and Risk Management	1,810	(612)	1,198	1,914	(912)	1,002	1,198	1,002
Housing Operations and Landlord Services	9,416	(7,802)	1,614	6,879	(7,415)	(536)	1,614	(536)
Housing Revenue Account	14,639	(20,524)	(5,885)	12,930	(17,063)	(4,133)	(5,885)	(4,133)
ICT Services	3,609	(262)	3,347	3,685	(155)	3,530	3,347	3,530
Internal Audit	723	(174)	549	653	(154)	499	549	499
Legal and Democratic Services	2,617	(522)	2,095	2,429	(545)	1,884	2,095	1,884
Operations	33,450	(12,640)	20,810	30,387	(12,870)	17,517	20,810	17,517
Planning and Coastal Management	11,804	(4,669)	7,135	12,920	(6,346)	6,574	7,135	6,574
Revenue and Benefits	43,425	(41,473)	1,952	45,853	(43,328)	2,525	1,952	2,525
Senior and Corporate Management	5,766	(1,585)	4,181	5,105	(1,394)	3,711	4,181	3,711
<b>Total Cost of Services</b>	<b>150,940</b>	<b>(101,466)</b>	<b>49,474</b>	<b>146,551</b>	<b>(103,830)</b>	<b>42,721</b>	<b>49,474</b>	<b>42,721</b>
<b>Other Operating Expenditure (note 11)</b>			<b>6,384</b>			<b>7,198</b>	<b>6,384</b>	<b>7,198</b>
<b>Financing and Investment Income and Expenditure (note 12)</b>			<b>3,517</b>			<b>1,145</b>	<b>3,517</b>	<b>1,145</b>
<b>Taxation and Non-Specific Grant Income (note 13)</b>			<b>(62,856)</b>			<b>(49,805)</b>	<b>(62,856)</b>	<b>(49,805)</b>
<b>(Surplus) or Deficit on Provision of Services</b>			<b>(3,481)</b>			<b>1,259</b>	<b>(3,481)</b>	<b>1,259</b>
Share of (Surplus)/Deficit on the Provision of services by Associate (note 33)			-			-	(103)	(143)
Tax expenses of Associate (note 33)			-			-	15	17
<b>(Surplus)/Deficit</b>			<b>(3,481)</b>			<b>1,259</b>	<b>(3,570)</b>	<b>1,133</b>
Surplus or deficit on revaluation of non-current assets (note 24)			(24,644)			(13,285)	(24,644)	(13,285)
Remeasurement of the net defined benefit liability / (asset) (note 31)			(55,210)			(41,520)	(55,210)	(41,520)
<b>Other Comprehensive Income and Expenditure</b>			<b>(79,854)</b>			<b>(54,805)</b>	<b>(79,854)</b>	<b>(54,805)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(83,335)</b>			<b>(53,546)</b>	<b>(83,424)</b>	<b>(53,672)</b>

## Comprehensive Income & Expenditure Statement (Continued)

The Comprehensive Income and Expenditure statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory regulations; this may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis and the Movement in Reserves Statement.

The Group includes the Council's share of the Suffolk Coastal Norse Ltd and Waveney Norse Ltd profits and tax expenses.

The 2021/22 Cost of Service amounts have been amended to reflect changes to Service area responsibilities by Senior Managers in 2022/23. This is to ensure direct comparison between service area income and expenditure between the two years. The total cost of services hasn't changed. The changes are shown in the table below:

	Original 2021/22			Revised 2021/22			Change in Net Expenditure
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	
	£'000	£'000	£'000	£'000	£'000	£'000	
Customer Services	2,013	(5)	<b>2,008</b>	1,781	(5)	<b>1,776</b>	232
Environmental Services and Port Health	11,138	(8,406)	<b>2,732</b>	11,069	(8,406)	<b>2,663</b>	69
Legal and Democratic Services	2,946	(571)	<b>2,375</b>	2,429	(545)	<b>1,884</b>	491
Operations	29,975	(12,870)	<b>17,105</b>	30,387	(12,870)	<b>17,517</b>	(412)
Senior and Corporate Management	4,699	(1,368)	<b>3,331</b>	5,105	(1,394)	<b>3,711</b>	(380)
<b>Total</b>	<b>50,771</b>	<b>(23,220)</b>	<b>27,551</b>	<b>50,771</b>	<b>(23,220)</b>	<b>27,551</b>	-

## Movement in Reserves Statement (MIRS)

This statement shows the movement in the year on the different reserves held by the Council and the Group (i.e., including Suffolk Coastal Norse Ltd and Waveney Norse Ltd), analysed into 'usable reserves' (i.e., those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net (Increase)/ Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance	Earmarked General Fund Reserves	Earmarked Housing Revenue Account	Earmarked Housing Revenue Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Council's share of Reserves of Associate	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1st April 2022</b>	<b>(6,000)</b>	<b>(61,882)</b>	<b>(4,104)</b>	<b>(17,803)</b>	<b>(13,754)</b>	<b>(7,541)</b>	<b>(30,634)</b>	<b>(141,718)</b>	<b>(233,174)</b>	<b>(374,892)</b>	<b>(961)</b>	<b>(375,853)</b>
<b><u>Movement in reserves during 2022/23</u></b>												
(Surplus) or deficit on provision of services	1,531	-	(5,012)	-	-	-	-	(3,481)	-	<b>(3,481)</b>	-	<b>(3,481)</b>
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(79,854)	<b>(79,854)</b>	-	<b>(79,854)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>1,531</b>	<b>-</b>	<b>(5,012)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,481)</b>	<b>(79,854)</b>	<b>(83,335)</b>	<b>-</b>	<b>(83,335)</b>
Adjustment between Group and Authority Accounts:												
- Purchase of Goods and Services from Associate (note 33)											(89)	(89)
- Share of Actuarial (Gains)/Losses (note 33)	-	-	-	-	-	-	-	-	-	-	(1,290)	(1,290)
<b>Net (Increase) / Decrease before Transfers</b>	<b>1,531</b>	<b>-</b>	<b>(5,012)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,481)</b>	<b>(79,854)</b>	<b>(83,335)</b>	<b>(1,379)</b>	<b>(84,714)</b>
Adjustments between accounting basis and funding basis under regulations (note 9)	11,813	-	3,996	-	(2,026)	(7,726)	(9,569)	(3,512)	3,512	-	-	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>13,344</b>	<b>-</b>	<b>(1,016)</b>	<b>-</b>	<b>(2,026)</b>	<b>(7,726)</b>	<b>(9,569)</b>	<b>(6,993)</b>	<b>(76,342)</b>	<b>(83,335)</b>	<b>(1,379)</b>	<b>(84,714)</b>
Transfer to / from Earmarked Reserves (note 10)	(13,344)	13,344	757	(757)	-	-	-	-	-	-	-	-
<b>(Increase) / Decrease in Year</b>	<b>-</b>	<b>13,344</b>	<b>(259)</b>	<b>(757)</b>	<b>(2,026)</b>	<b>(7,726)</b>	<b>(9,569)</b>	<b>(6,993)</b>	<b>(76,342)</b>	<b>(83,335)</b>	<b>(1,379)</b>	<b>(84,714)</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>(6,000)</b>	<b>(48,538)</b>	<b>(4,363)</b>	<b>(18,560)</b>	<b>(15,780)</b>	<b>(15,267)</b>	<b>(40,203)</b>	<b>(148,711)</b>	<b>(309,516)</b>	<b>(458,227)</b>	<b>(2,340)</b>	<b>(460,567)</b>

## Movement in Reserves (Continued)

	General Fund Balance	Earmarked General Fund Reserves	Earmarked Housing Revenue Account	Earmarked Housing Revenue Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Capital Grants Total Usable Reserves	Capital Grants Unusable Reserves	Total Authority Reserves	Council's share of Reserves of Associate	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1st April 2021</b>	<b>(6,000)</b>	<b>(73,645)</b>	<b>(4,576)</b>	<b>(17,303)</b>	<b>(22,444)</b>	<b>(6,419)</b>	<b>(29,585)</b>	<b>(159,972)</b>	<b>(161,374)</b>	<b>(321,346)</b>	<b>(255)</b>	<b>(321,601)</b>
<b><u>Movement in reserves during 2021/22</u></b>												
(Surplus) or deficit on provision of services	3,596	-	(2,337)	-	-	-	-	1,259	-	1,259	-	1,259
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(54,805)	(54,805)	-	(54,805)
<b>Total Comprehensive Income and Expenditure</b>	<b>3,596</b>	<b>-</b>	<b>(2,337)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,259</b>	<b>(54,805)</b>	<b>(53,546)</b>	<b>-</b>	<b>(53,546)</b>
Adjustment between Group and Authority Accounts:												
- Purchase of Goods and Services from Associate (note 33)	-	-	-	-	-	-	-	-	-	-	(126)	(126)
- Share of Actuarial (Gains)/Losses (note 33)											(580)	(580)
<b>Net (Increase) / Decrease before Transfers</b>	<b>3,596</b>	<b>-</b>	<b>(2,337)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,259</b>	<b>(54,805)</b>	<b>(53,546)</b>	<b>(706)</b>	<b>(53,672)</b>
Adjustments between accounting basis and funding basis under regulations (note 9)	8,167	-	2,309	-	8,690	(1,122)	(1,049)	16,995	(16,995)	-	-	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>11,763</b>	<b>-</b>	<b>(28)</b>	<b>-</b>	<b>8,690</b>	<b>(1,122)</b>	<b>(1,049)</b>	<b>18,254</b>	<b>(71,800)</b>	<b>(53,546)</b>	<b>(706)</b>	<b>(53,672)</b>
Transfer to / from Earmarked Reserves (note 10)	(11,763)	11,763	500	(500)	-	-	-	-	-	-	-	-
<b>(Increase) / Decrease in Year</b>	<b>-</b>	<b>11,763</b>	<b>472</b>	<b>(500)</b>	<b>8,690</b>	<b>(1,122)</b>	<b>(1,049)</b>	<b>18,254</b>	<b>(71,800)</b>	<b>(53,546)</b>	<b>(706)</b>	<b>(54,252)</b>
<b>Balance at 31 March 2022 carry forward</b>	<b>(6,000)</b>	<b>(61,882)</b>	<b>(4,104)</b>	<b>(17,803)</b>	<b>(13,754)</b>	<b>(7,541)</b>	<b>(30,634)</b>	<b>(141,718)</b>	<b>(233,174)</b>	<b>(374,892)</b>	<b>(961)</b>	<b>(375,853)</b>
<b>Balance at 1st April 2022</b>	<b>(6,000)</b>	<b>(61,882)</b>	<b>(4,104)</b>	<b>(17,803)</b>	<b>(13,754)</b>	<b>(7,541)</b>	<b>(30,634)</b>	<b>(141,718)</b>	<b>(233,174)</b>	<b>(374,892)</b>	<b>(961)</b>	<b>(375,853)</b>

## Balance Sheet

The Balance Sheet below shows the value of the assets and liabilities recognised by the Council and the Group at the Balance Sheet date, which is 31 March each year. The net assets (assets less liabilities) are matched by the Group's reserves, reported in two categories. Details of the Usable Reserves can be found at the bottom of this Balance Sheet and Unusable Reserves held by the Group are contained within Note 22 to the Council's Core Financial Statements.

	Note	Authority		Group	
		2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000
Property, Plant and Equipment	14	431,507	395,289	431,507	395,289
Investment Property	18	4,847	5,289	4,847	5,289
Heritage Assets	16	1,655	1,081	1,655	1,081
Intangible Assets	17	1,255	633	1,255	633
Long Term Investments	19 + 35	24,900	40,781	24,900	40,781
Investment in Associate	33	-	-	2,340	961
Long Term Debtors	20	3,227	1,984	3,227	1,984
<b>Long Term Assets</b>		<b>467,391</b>	<b>445,057</b>	<b>469,731</b>	<b>446,018</b>
Short Term Investments	19	73,709	87,575	73,709	87,575
Current Assets held for sale	15	539	5,004	539	5,004
Inventories		230	119	230	119
Short Term Debtors	20	24,195	21,894	24,195	21,894
Cash and Cash Equivalents	Cash Flow	24,689	17,271	24,689	17,271
<b>Current Assets</b>		<b>123,362</b>	<b>131,863</b>	<b>123,362</b>	<b>131,863</b>
Short Term Borrowing	19	-	-	-	-
Short Term Creditors	21	(45,903)	(63,710)	(45,903)	(63,710)
Short Term Provisions	22	(8,667)	-	(8,667)	-
Short Term Capital Grants Receipts in Advance	23	(91)	(91)	(91)	(91)
<b>Current Liabilities</b>		<b>(54,661)</b>	<b>(63,801)</b>	<b>(54,661)</b>	<b>(63,801)</b>
Long Term Creditors	21	(6,330)	(6,538)	(6,330)	(6,538)
Long Term Provisions	22	(1,000)	(11,302)	(1,000)	(11,302)
Long Term Borrowing	34	(65,645)	(65,806)	(65,645)	(65,806)
Long Term Capital Grants Receipts in Advance	23	(4,890)	(4,615)	(4,890)	(4,615)
Other Long Term Liabilities - Pension Liability	31	-	(49,966)	-	(49,966)
<b>Long Term Liabilities</b>		<b>(77,865)</b>	<b>(138,227)</b>	<b>(77,865)</b>	<b>(138,227)</b>
<b>Net Assets</b>		<b>458,227</b>	<b>374,892</b>	<b>460,567</b>	<b>375,853</b>

Balance Sheet (Continued)

	Note	Authority		Group	
		2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000
<u>Capital Reserves</u>					
Capital Receipts Reserve		(15,267)	(7,541)	(15,267)	(7,541)
Capital Grants Unapplied		(40,203)	(30,634)	(40,203)	(30,634)
Major Repairs Reserve		(15,780)	(13,754)	(15,780)	(13,754)
Share of Reserves of Associate	33	-	-	(2,340)	(961)
<u>Revenue Reserves</u>					
General Fund					
- Fund Balance		(6,000)	(6,000)	(6,000)	(6,000)
- Earmarked Reserves		(48,538)	(61,882)	(48,538)	(61,882)
Housing Revenue Account					
- Fund Balance		(4,363)	(4,104)	(4,363)	(4,104)
- Earmarked Reserves		(18,560)	(17,803)	(18,560)	(17,803)
<b>Usable reserves</b>		<b>(148,711)</b>	<b>(141,718)</b>	<b>(151,051)</b>	<b>(142,679)</b>
Unusable reserves	24	(309,516)	(233,174)	(309,516)	(233,174)
<b>Total Reserves</b>		<b>(458,227)</b>	<b>(374,892)</b>	<b>(460,567)</b>	<b>(375,853)</b>

Lorraine Rogers (ACCA)

Chief Finance Officer and Section 151 Officer, 31<sup>st</sup> May 2023

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council and Group during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing, and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e., borrowing) to the authority.

	2022/23 £'000	2021/22 £'000
<b>Net (surplus) or deficit on the provision of services</b>	<b>(3,481)</b>	<b>1,259</b>
Adjust net surplus or deficit on the provision of services for non cash movements:		
- Depreciation and Amortisation of Non Current Assets	(11,622)	<b>(9,404)</b>
- Impairment and Downward valuations	2,991	<b>2,701</b>
Impairment for Bad Debts	729	<b>275</b>
- Change in Creditors	15,948	<b>(11,822)</b>
- Change in Debtors	1,791	<b>(457)</b>
- Change in Inventory	110	<b>7</b>
- Pension Liability	(5,244)	<b>(7,219)</b>
- Other non-cash items charged to Surplus / Deficit on Provision of Services	(935)	<b>(3,336)</b>
- Carrying value of Non-Current Assets disposed	(7,927)	<b>(2,568)</b>
- Movement in Investment Property Values	(442)	<b>289</b>
	<b>(4,601)</b>	<b>(31,534)</b>
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	12,721	9,845
<b>Net cash flows from Operating Activities</b>	<b>4,639</b>	<b>(20,430)</b>

## Cash Flow (Continued)

	2022/23 £'000	2021/22 £'000
<b>Investing Activities:</b>		
- Purchase of property, plant and equipment, investment property and intangible assets	25,827	19,065
- Purchase of short-term and long-term investments	165,300	117,000
- Other payments for investing activities		
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(8,545)	(2,480)
- Proceeds from short-term and long-term investments	(178,000)	(95,500)
- Other receipts from investing activities	(18,143)	(11,691)
	<b>(13,561)</b>	<b>26,394</b>
<b>Financing Activities:</b>		
- Other receipts from financing activities		(9,543)
- Cash payments for the reduction of the outstanding liabilities relating to finance leases	342	280
- Repayments of short- and long-term borrowing	161	11,447
- Other payments for financing activities	1,001	34
	1,504	2,218
<b>Net increase or decrease in cash and cash equivalents</b>	<b>(7,418)</b>	<b>8,182</b>
Cash and cash equivalents at the beginning of the reporting period	(17,271)	(25,453)
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>(24,689)</b>	<b>(17,271)</b>
- Cash held by officers	1	1
- Short-term deposits	15,078	37
- Bank current account	9,610	17,233
<b>Sub-Total - Cash and Cash Equivalents</b>	<b>24,689</b>	<b>17,271</b>
- Other bank balances (overdrafts)	-	-
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>24,689</b>	<b>17,271</b>
The cashflows for operating activities include the following items:		
- Interest received	(1,583)	(344)
- Interest paid	2,744	2,914
- Dividends received	(646)	(664)

# Notes to the Core Financial Statements

## 1. Accounting Policies

### a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at 31 March 2023. The Council is required to prepare an annual Statement of Accounts, as determined by the Accounts and Audit Regulations 2015, which are prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. Preparer's materiality has been set at £3.019m and only accounting policies and disclosures that exceed this materiality level have been provided, with the exception of politically sensitive areas of the Statement of Accounts, such as Members Allowance (Note 25) and Officers Remuneration (Note 28).

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

The Medium-Term Financial Strategy shows that from 2024/25 there is an underlying budget gap in the medium term that needs to be addressed.

As at 31 March 2023, the Council had the following Earmarked Reserves available to largely enable it to absorb any shock to its income streams in the short to medium term:

- Business rates equalisation reserve (£15.213m) – This is income from Business Rates which is set aside to equalise the fluctuations in recognising Business Rate income due to timing differences, in relation to Business Rates appeals and for year-end surpluses/deficits.
- In-Year savings reserve (£3.711m) – The in-year savings are typically set-aside in this reserve to support future year budget pressures.

However, prolonged and sustained high levels of inflation and a recession, combined with the need to close the already forecast budget gap could put pressure on other earmarked reserves and Council projects and services.

The Council has considered the impacts of cost-of-living crisis, geo-political events and the residual of the pandemic on its financial position, liquidity and performance during 2022/23 and beyond including scenarios of:

- Reductions in income
- Increased expenditure
- Cashflow and liquidity
- General fund balances and reserves

The Council maintains a COVID-19 response reserve (£1.166m as at 31 March 2023) – Consisting of Section 31 Grants to fund Covid related Business Rate Reliefs and the Local Authority support grant. £4.716m was used from this reserve in 2022/23. This reserve will be utilised in 2023/24 to deal with accounting timing differences related to the pandemic impact on business rates, and to fund the ongoing recovery initiatives.

## Note 1 Accounting Policies (Continued)

The Council has also considered known and expected government funding and determined that it has sufficient liquidity from its ability to access short-term investments and sufficient general fund balances and reserves to continue to deliver services. As a result, the Council is satisfied that it can prepare its accounts on a going concern basis.

### b) Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser, and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction, and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption; they

are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract. Accrued interest is accounted for in the Balance Sheet as part of the carrying value of the financial instrument.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where payments have been received in advance of obligations being performed, they have been recognised as a liability on the Balance Sheet.
- Works are charged as expenditure when they are completed before which they are carried as works in progress with inventories on the Balance Sheet.

- In calculating the accrual for major grant claims including Housing Benefit Subsidy, the sum receivable has been estimated using the latest information available from the Housing Benefit system.
- Where the Council is acting as an agent for another party (e.g., in the collection of non-domestic rates (NDR) and council tax), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

### c) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in seven days or less from the date of acquisition and that are readily convertible to known amounts of cash without penalty and with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management process. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors. Prior period adjustments may arise due to a change in

## Note 1 Accounting Policies (Continued)

accounting policies or to correct a material error.

Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### d) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (known as a Minimum Revenue Provision (MRP)), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### e) Employee Benefits

#### **Benefits payable during employment**

Short-term employee benefits are those that fall due to be settled wholly within 12 months of the

year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is only made where the cost of untaken holiday entitlements and other leave carried forward into the next financial year is material. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The material accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

#### **Termination benefits**

Termination benefits are amounts payable due to a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accrual's basis to the appropriate service area or, where applicable to a corporate service area, at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

## Note 1 Accounting Policies (Continued)

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### Post-employment benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Suffolk County Council, to provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme (LGPS) is accounted for as a defined benefits scheme:

- The liabilities of the Suffolk Pension Fund (part of the national LGPS) attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that

will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices. The discount rate employed for the 2022/23 accounts is 4.75% which is derived by reference to market yields on high quality corporate bonds at the reporting date using a corporate bond yield curve constructed based on the constituents of the iBoxx AA corporate bond index. The currency and term of the high-quality corporate bonds used to set the discount rate is consistent with the currency and term of the liabilities.
- The assets of the Suffolk Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price.
  - unquoted securities - professional estimate.
  - unitised securities - current bid price; and
  - property - market value.
- The change in the net pension's position is analysed into the following components:
  - Service cost comprising:

- current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Financial Services, Corporate Performance and Risk Management; and
- net interest on the net defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

## Note 1 Accounting Policies (Continued)

### Re-measurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
- actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Suffolk Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.
- Any change in the effect of the asset ceiling excluding amounts included in net interest on the net defined benefit – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to

pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### Discretionary benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### f) Events After the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is

authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts

### g) Financial Instruments

#### Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost.

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure

## Note 1 Accounting Policies (Continued)

Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement

### Financial assets

Financial assets are based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss; and
- fair value through other comprehensive income.

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of

principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## Note 1 Accounting Policies (Continued)

### Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis.

The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was

initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

### Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at Fair Value through Profit or Loss are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### h) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefit or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which any conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the

## Note 1 Accounting Policies (Continued)

Comprehensive Income and Expenditure Statement. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet

to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting

policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

### i) Interests in Companies and Other Entities

In May 2008, Waveney District Council signed an agreement with Norse Commercial Services Limited (NCS). A new company, Waveney Norse Limited was incorporated on 23 May 2008 and began trading on 1 July 2008. The Council transferred the responsibility for the delivery of the refuse, cleansing and maintenance services to Waveney Norse Limited. East Suffolk Council has a 19.9% share in the Company. Profits and losses are shared 50%/50% with NCS.

On 1 April 2009, Suffolk Coastal District Council entered into a service contract with Suffolk Coastal Services Limited (now Suffolk Coastal Norse Limited) for the provision of a range of services including waste management and grounds and buildings maintenance. East Suffolk Council has 20% of the shares of Suffolk Coastal Norse which is a subsidiary of the Norse Group of companies which is itself a wholly owned subsidiary of Norfolk County Council. Profits and losses are shared 50%/50% with Suffolk Coastal Norse.

In October 2021, notice was given to terminate the two Norse contracts with East Suffolk Council as of July 2023.

The Council's accounting relationships with both Waveney Norse Limited and Suffolk Coastal Norse Limited companies are determined to be Associates. In the Council's own single-entity accounts, the interests in Waveney Norse Limited and Suffolk Coastal Norse Limited are recorded as a financial asset at cost, less any provision for losses.

The Group Accounting information for Waveney Norse Limited and Suffolk Coastal Norse Limited is based on their financial results at their accounting date of 1 April 2023.

East Suffolk Holdings Limited is wholly owned by the Council and was incorporated on 24 October 2019. East Suffolk Holdings is the sole shareholder of East Suffolk Construction Services Limited, East Suffolk Property Developments Limited, and East Suffolk Property Investments Limited, all of which were incorporated on 26 November 2019. All of these companies have been dormant since this date, and it is intended to commence trading in 2023/24.

East Suffolk Services Limited, is wholly owned by East Suffolk Holdings Limited (which is wholly owned by East Suffolk Council) and was

## Note 1 Accounting Policies (Continued)

incorporated on 27<sup>th</sup> March 2022. It is intended that this company will take over the work of Waveney Norse and East Suffolk Norse in July 2023 when the current contracts come to an end.

Further detailed information regarding the agreement is set out in the Notes to the Core Financial Statements (Note 33, Interests in Companies and Other Entities).

### j) Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an

asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and

Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### k) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment

of the arrangement is dependent on the use of specific assets.

### The Council as Lessee – Finance leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease

## Note 1 Accounting Policies (Continued)

term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **The Council as Lessor – Operating leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other

Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating

and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### **l) Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangement for accountability and financial performance.

### **m) Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as Public Work Loans Board borrowing at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of

unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; or

## Note 1 Accounting Policies (Continued)

- Level 3 – unobservable inputs for the asset or liability.

### n) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

#### Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains

but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance), and expenditure below a de-minimis level of

£10,000, is charged as an expense when it is incurred.

#### Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase (for example exchange for non-monetary asset) is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction - depreciated historical cost;
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);

- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective; or
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

Where there is no market-based evidence of current value because of the specialist nature

of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. The effective date of revaluation of those assets revalued in 2022/23 is:

- 31 December 2022 for assets measured at current value;
- 31 December 2022 for assets measured at fair value and those assets at risk of material movements in their valuation during the year; and

## Note 1 Accounting Policies (Continued)

- 31 March 2023 for assets measured at social housing discount.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a revaluation or impairment loss previously charged to a service. Where decreases in value are identified, the revaluation loss is accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no or insufficient balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement for the amount not covered by any Revaluation Reserve balance for that asset.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising

before that date have been consolidated into the Capital Adjustment Account.

### Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no or insufficient balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement for the amount not covered by any Revaluation Reserve balance for that asset.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive

Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is calculated on the following bases:

- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant, furniture and equipment - straight line allocation over the useful life of the asset, as advised by a suitably qualified officer; or
- infrastructure - straight-line allocation over 40 to 60 years.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, and whose life is materially different to that of the main asset, the components are depreciated separately. This will generally apply

#### Note 1 Accounting Policies (Continued)

where the cost of the potential component exceeds 25% of the total cost of the asset, and where the life of that component is less than 50% of the expected life of the main asset. Below those de minimis levels, it is unlikely that a failure to account separately for components would have a material impact on depreciation charges, using the Council's capital expenditure de minimis level of £10,000 as a guide for material impact.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

#### **Disposals and non-current assets held for sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. Irrespective of the timing of any decision an asset is surplus; the accounting treatment will apply from 1 April in that year. The asset is revalued immediately

before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to

fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision to sell.

#### **Assets that are to be abandoned or scrapped are not reclassified as assets held for sale**

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on

disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement).

Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

o) Provisions, Contingent Liabilities and Contingent Assets

## Note 1 Accounting Policies (Continued)

### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, considering relevant risks and uncertainties. Where the obligation is expected to be settled within 12 months of the Balance

Sheet date the provision is recognised as a Current Liability in the Balance Sheet. Other provisions are recognised as Long-Term Liabilities.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it

becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

The Council makes specific provision in the Collection Fund for doubtful debts in relation to receipt of council tax and business rates, and in the Comprehensive Income and Expenditure Statement for doubtful debts in relation to other service debtors. These provisions are based on the age profile of the debts outstanding at the end of the financial year, reflecting historical collection patterns, and are included in the Balance Sheet as an adjustment to Debtors.

### Contingent liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the

control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### Contingent assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed

by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### p) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance or Housing Revenue Account in the

## Note 1 Accounting Policies (Continued)

Movement in Reserves Statement. When expenditure to be financed from a reserve, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance or Housing Revenue Account in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept in relation to non-current assets, financial instruments, retirement and employee benefits and therefore do not represent usable resources for the Council - these Unusable Reserves are explained elsewhere in the relevant accounting policies.

### q) Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals,

collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e., the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

### Accounting for council tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a

reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

### r) VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## 2. Accounting Standards that have been issued but not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The standards introduced by the 2023/24 Code where disclosures are required in the 2022/23 financial statements, in accordance with the requirements of paragraph 3.3.4.3 of the Code, are:

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). For local authorities, the Code of Practice on Local Authority Accounting in the United Kingdom has delayed the implementation of IFRS16 to 1 April 2024. However, local authorities are allowed to early adopt the IFRS 16 principles 1 April 2023 in accordance with the Codes. East Suffolk Council has decided to defer implementation until 1<sup>st</sup> April 2024.
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021. This is not expected to have a significant impact on the amounts reported in the financial statements.
- d) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021. This is not expected to have a significant impact on the amounts reported in the financial statements.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021. This refers to how entities account for deferred tax in difference ways and tries to align the principles. It therefore only applies to group accounts.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020. This is not expected to impact upon East Suffolk Councils accounts.

## 3. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Council has examined its leases and classified them as either operational or finance leases. In some cases, the lease transaction is not always conclusive, and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease, the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.
- Suffolk Coastal Norse Limited and Waveney Norse Limited are recognised as Associates in the Council's financial statements and Group Accounts have been prepared in 2022/23 as in previous years. East Suffolk Holdings Limited is wholly owned by the Council and was incorporated on 24 October 2019. East Suffolk Holdings is the sole shareholder of East Suffolk Construction Services Limited, East Suffolk Property Developments Limited, and East Suffolk Property Investments Limited, all of which were incorporated on 26 November 2019. All these companies were dormant in 2022/23 and are intended to commence trading in 2023/24. Consequently, these companies have been assessed as not requiring Group Accounting in 2022/23. On 25th March

### Note 3 Critical judgements in applying accounting policies (Continued)

2022, East Suffolk Services Limited, also wholly owned by East Suffolk Holdings Limited, was incorporated. Two Council employees, Andrew Jarvis (Strategic Director) and Nicholas Khan (Strategic Director) are named as Directors of East Suffolk Services Limited. The company is intended to take over the operations of the East Suffolk Norse Joint Venture in July 2023 and will be included in Group accounts in 2023/24. The position will be reviewed annually and other areas potentially requiring Group Accounts will be kept under review.

- The nature of the accounting treatment in respect of the use of the Council's assets by Waveney Norse Limited has not been considered an embedded lease under IFRIC 4 as the Council retains ultimate control over those assets.
- Any potential legal claims by or against the Council are not adjusted in the accounts but are disclosed as part of Contingent Liabilities or Assets as required under the CIPFA Code.
- As part of the National Non-Domestic Rates (NNDR1) return in January 2022, the Council had to estimate the business rates income expected to be received in 2022/23 based on several assumptions. The most significant assumption was in relation to the provision for appeals. There are two separate provisions, one relating to the 2010 Valuation list and the other to the 2017 Valuation list. The 2010 provision was based on Government guidance and trend analysis in respect of appeals that had been lodged with the Valuation Office, backdated to 1 April 2010 where an appeal was lodged before 31 March 2015 or backdated to 1 April 2015 where the appeal was lodged after this date but before 31 March 2017. The relevant percentage used because of this was 4.04%.
- The 2017 Valuation list provision methodology has been amended with effect from the 2018/19 NNDR3 year-end return. With the new check, challenge, appeal process, there has been a significant reduction in appeals in respect of bills issued since 2017/18. This 2017 Valuation list closed on 31<sup>st</sup> March 2023. As well as provision for actual challenges lodged based on the proposed reductions, for the remaining liabilities, this has been based on all remaining unchallenged assessments. A large hereditament had an outstanding appeal which was agreed in early 2022/23 and so the provision was adjusted to reflect this appeal settlement. Provision has been calculated by taking the rateable value of the unchallenged assessments, multiplying this by the business rates multiplier to get the income due, applying the 2.7% trend analysis and then finally taking 9.21% of the value as the provision based on the number of challenges lodged to date. This percentage has increased slightly from 9.01% in 2021/22. Covid Material Change in Circumstances (MCC) appeals have been removed from the outstanding appeals relating to the 2017 valuation list in 2021/22. The government stated that Covid MMC appeals would not be allowed and compensated businesses through a Covid Additional Relief Fund rate relief scheme instead. Relief was partly granted in 2021/22 with the remainder granted in the first six months of 2022/23.

## 4. Assumptions made about the future and other major sources of estimation uncertainty

The preparation of Statement of Accounts requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the income and expenditure during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, plant & equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.</p> <p>Uncertainty regarding public finances and local government finances makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, potentially bringing into doubt the useful lives assigned to assets.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £643k for non-housing properties and £87k for council dwellings for every year that useful lives had to be reduced.</p> <p>Whilst this risk is inherent in the valuation process, any change to the useful lives of assets and the subsequent depreciation charge will not impact on the Council's usable reserve balances, as depreciation charges do not fall on the taxpayer and are removed in the Movement in Reserves Statement.</p>
Pension's asset/liability	<p>Estimation of the net asset/liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>Whilst the effects on the net pension's asset/liability of changes in individual assumptions can be measured, they are complex and inter-related. Any change in estimates can have a material impact on the Council's Accounts. It is important to note, however, that the impact of pension costs is protected in the short to medium term under national pension arrangements. During 2022/23, the Council's actuary advised that the net pensions position had changed by £95.824 million. Further analysis on the pension liability is in Note 31.</p>
Arrears and Provisions for Doubtful Debts	<p>In light of the current cost of living pressures, the impairment allowances for doubtful debts have been reviewed. Provisions for doubtful debts have been adjusted to reflect cost of living pressures in respect of council tax, housing benefit overpayments; and sundry debtors.</p>	<p>If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required. If necessary, such a sum could be met from reserves and balances in the short term. Monitoring of the Council's debt will be intensified in the light of the current economic climate.</p>

Note 4 Assumptions made about the future and other major sources of estimation uncertainty (Continued)

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Housing benefit subsidy	<p>In preparing the accounts for the year the Council has submitted a grant claim to the Department for Work and Pensions in relation to Housing Benefit paid in the year to the value of £38.034 million. The grant claim is subject to detailed audit and the accounts have been prepared on the basis that all entries on the claim have been correctly stated.</p>	<p>If the auditor identifies errors or system weakness within the grant claim there is a risk the grant income shown within the accounts is overstated. If this were to be the case, any shortfall would reduce the General Fund balance.</p>
Business rates appeals	<p>Under the Business Rates Retention scheme, which came into operation in April 2013, the Council as Billing Authority collects all Non-Domestic Rates from local business and distributes these to Central Government (50%), Suffolk County Council (10%) and East Suffolk Council (40%).</p> <p>Changes have been made by the Government in several areas since the introduction of the system, such as the imposition of a time limit for backdating appeals and the capping of year-on-year increases in rates bills. In general, the Council assumes that there will be no further significant in-year changes and fundamental changes to the system until after the next general election.</p> <p>The Council must make assumptions in the returns to Government required under the system. These include estimates of growth or contraction in the rates base; the value of outstanding appeals; the value of reliefs to be awarded; and the value of doubtful debts. Methodologies for the estimation of these variables have been continually refined since April 2013.</p>	<p>If there are in-year changes to the system and there are actual variances from the assumptions on key variables included in Government returns, these will be reflected in changes in the Collection Fund surpluses or deficits attributable to Central Government, Suffolk County Council and East Suffolk Council in future years based on their distribution proportions.</p>

Note 4 Assumptions made about the future and other major sources of estimation uncertainty (Continued)

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair value measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for <i>similar</i> assets or liabilities in active markets or the discounted cash flow (DCF) model).</p> <p>Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's chief valuation officer and external valuer). Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 14 and 15 below.</p>	<p>The fair value for all surplus assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the authority's area.</p>
Economic Uncertainty	<p>Assumptions in the MTFS are based on the current assessment of the current economic uncertainties, notably high inflation rates and rising interest rates. The UK has been experiencing its highest rates of inflation for nearly 40 years, with recent CPI at 10.1% in the 12 months to January 2023. To combat inflation, the Bank of England raised interest rates to 4.25%, the highest rate in 14 years.</p>	<p>This period of unusually high inflation and interest rates has potential implications for the statement of accounts under the provisions of the existing accounting standards. This could have potential further adverse impacts in the form of cost pressures for service areas but a positive impact on the Council's investment income.</p>

## 5. Material items of income and expenditure

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance. For 2022/23, there is one item to disclose:

### Active Suffolk

The Council is the lead authority hosting Active Suffolk – The County Sports Partnership for Suffolk. As Active Suffolk is not a legal entity, all income and expenditure goes through the Statement of Accounts for the Council but is identifiable within its own department codes. Active Suffolk has its own independent Board made up of 12 individuals who shall direct the affairs of Active Suffolk (previously named Suffolk Sport) in accordance with its objectives and Rules. It is responsible for maintaining the focus of Active Suffolk and driving the business forward. Active Suffolk is funded through grant funding provided by Sports England and contributions from each of the Suffolk Local Authorities. The Council does not make any decisions on how this funding is spent; it is the responsibility of the Active Suffolk Board. The Income and Expenditure in relation to Active Suffolk is as follows:

<b>Active Suffolk</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
<b>Income:</b>		
Educational Courses	(8)	(9)
Leisure Activity Fees	(6)	(13)
Contributions from Local Authorities	(68)	(28)
Contributions from NHS	(71)	(34)
Contributions from other entities	(842)	(915)
	<b>(995)</b>	<b>(999)</b>
<b>Expenditure:</b>		
Employee expenses	659	668
Supplies and services	137	103
Grants and subscriptions	193	240
	<b>990</b>	<b>1,011</b>
<b>(Surplus) transferred to earmarked reserves</b>	<b>(5)</b>	<b>12</b>

## 6. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 31 May 2023. Events taking place after this date are not reflected in the financial statements or notes. There are no Post Balance Sheet Events in 2022/23.

## 7. Expenditure and Funding Analysis

This analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by Councils in comparison with those resources consumed or earned by the council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Net Expenditure in the Comprehensive Income & Expenditure Statement £'000	2022/23 (Note 9)				Net Expenditure Chargeable to GF & HRA Balances £'000		Net Expenditure in the Comprehensive Income & Expenditure Statement £'000	2021/22 (Note 9)				Net Expenditure Chargeable to GF & HRA Balances £'000
	Adjustments between the Funding & Accounting Basis							Adjustments between the Funding & Accounting Basis				
	Capital £'000	Pensions £'000	Other £'000	Total Adj £'000				Capital £'000	Pensions £'000	Other £'000	Total Adj £'000	
2,885	-	(159)		(159)	2,726	Communities	2,984	-	(215)	-	(215)	2,769
1,872	-	(175)		(175)	1,697	Customer Services	1,776	-	(282)	-	(282)	1,494
4,485	(584)	(141)		(725)	3,760	Economic Development and Regeneration	2,725	(1,672)	(201)	-	(1,873)	852
3,236	(142)	(706)		(848)	2,388	Environmental Services and Port Health	2,663	(150)	(1,020)	-	(1,170)	1,493
1,198	-	(158)		(158)	1,040	Financial Services, Corporate Performance and Risk Management	1,002	-	(116)	-	(116)	886
1,614	1,290	(229)		1,061	2,675	Housing Operations and Landlord Services	(536)	1,384	(325)	-	1,059	523
(5,885)	2,716	(589)		2,127	(3,758)	Housing Revenue Account	(4,133)	2,139	(915)	-	1,224	(2,909)
3,347	(320)	(166)		(486)	2,861	ICT Services	3,530	(318)	(236)	-	(554)	2,976
549	-	(61)		(61)	488	Internal Audit	499	-	(88)	-	(88)	411
2,095	(3)	(99)		(102)	1,993	Legal and Democratic Services	1,884	(3)	(180)	-	(183)	1,701
20,810	(6,146)	(186)		(6,332)	14,478	Operations	17,517	(3,852)	(248)	-	(4,100)	13,417
7,135	(3,481)	(536)		(4,017)	3,118	Planning and Coastal Management	6,574	(4,925)	(776)	-	(5,701)	873
1,952	-	(312)	12	(300)	1,652	Revenue and Benefits	2,525	-	(480)	-	(480)	2,045
4,181	-	(325)		(325)	3,856	Senior and Corporate Management	3,711	-	(397)	-	(397)	3,314
<b>49,474</b>	<b>(6,670)</b>	<b>(3,842)</b>	<b>12</b>	<b>(10,500)</b>	<b>38,974</b>	<b>Cost of Services</b>	<b>42,721</b>	<b>(7,397)</b>	<b>(5,479)</b>	<b>-</b>	<b>(12,876)</b>	<b>29,845</b>
6,384	618	-	-	618	7,002	Other Operating Expenditure	7,198	(88)	-	-	(88)	7,110
3,517	4,572	(1,400)	-	3,172	6,689	Financing and Investment Income and Expenditure	1,145	8,884	(1,739)	1,610	8,755	9,900
(62,856)	16,455	-	6,064	22,519	(40,337)	Taxation and Non-Specific Grant Income	(49,805)	4,927	-	9,758	14,685	(35,120)
<b>(3,481)</b>	<b>14,975</b>	<b>(5,242)</b>	<b>6,076</b>	<b>15,809</b>	<b>12,328</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>1,259</b>	<b>6,326</b>	<b>(7,218)</b>	<b>11,368</b>	<b>10,476</b>	<b>11,735</b>
					(89,789)	Opening General Fund and HRA Balance						(101,524)
					12,328	Less/Plus Surplus of (Deficit) on General Fund and HRA Balance in Year						11,735
					<b>(77,461)</b>	Closing General Fund and HRA Balance at 31 March*						<b>(89,789)</b>

\* For a split of this balance between the General Fund and the HRA - see Movement in Reserves Statement

## Note 7 Expenditure and Funding Analysis (Continued)

The following paragraphs explain the adjustments made to the Comprehensive Income and Expenditure Statement to arrive at the Expenditure and Funding Analysis Note:

### Adjustments for capital purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for Other operating expenditure and adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets. For financing and investment income and expenditure, the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices. Within taxation and non-specific grant income and expenditure capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from that receivable in the year to that receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### Net change for the pension's adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income. For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs. For Financing and investment income and expenditure the net interest on the defined benefit liability is charged to the CIES.

### Other Differences

This includes other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute. For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts. The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

## 8. Expenditure and Income analysed by nature

The Councils Expenditure and Income is analysed by type in the table below:

	2022/23 £'000	2021/22 £'000
<b>Expenditure</b>		
Employee benefits expenses	45,723	42,150
Other service expenses	96,587	97,717
Dereciation, amortisation, impairment	9,073	6,413
Interest payments	4,243	4,721
Net (gains)/losses on financial assets at fair value through profit and loss	2,474	(1,610)
Impairment Losses including Reversals of Impairment Losses or Impairment Gains	(729)	(275)
Precepts and levies	7,036	6,659
Council tax support grant to parish councils	-	110
Payments to Government in respect of the Housing Capital Receipts Pool	-	349
Business rates tariff payment and levy	28,890	27,709
Gain or loss on the disposal of assets	(652)	80
<b>Total expenditure</b>	<b>192,645</b>	<b>184,023</b>
<b>Income</b>		
Fees, Charges and other service income	(101,785)	(104,158)
Interest and investment income	(2,595)	(1,075)
Income from council tax, non-domestic rates, district rate income	(60,459)	(57,735)
Government grants and contributions	(31,287)	(19,796)
<b>Total income</b>	<b>(196,126)</b>	<b>(182,764)</b>
<b>Surplus or deficit on the provision of services</b>	<b>(3,481)</b>	<b>1,259</b>

## 9. Adjustments between accounting & funding basis under regulation

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against:

### General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. However, the balance is not available to be applied to funding HRA services.

### Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

### Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

### Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

### Capital Grants Unapplied Account

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Note 9 Adjustments between accounting & funding basis under regulation (Continued)

2022/23	Usable Reserves						Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	
<b>Adjustments Involving the Capital Adjustment Account:</b>							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
- Charges for depreciation and impairment of non current assets	(7,829)	-	(3,702)	-	-	(11,531)	11,531
- Revaluation losses on Property, Plant and Equipment	275	2,716	-	-	-	2,991	(2,991)
- Movements in the market value of Investment Properties	(442)	-	-	-	-	(442)	442
- Amortisation of intangible assets	(86)	-	(5)	-	-	(91)	91
Expenditure capitalised under Approvals:							
- Capital grants and contributions that have been applied to capital financing	119	-	-	-	-	119	(119)
- Revenue expenditure funded from capital under statute	(2,213)	-	-	-	-	(2,213)	2,213
- Revenue expenditure funded from community infrastructure levies	(1,936)	-	-	-	-	(1,936)	1,936
- Revenue expenditure funded from section 106 receipts	(317)	-	-	-	-	(317)	317
- Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(6,015)	(1,912)	-	-	-	(7,927)	7,927
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
- Statutory provision for the financing of capital investment	1,207	-	-	-	-	1,207	(1,207)
- Capital expenditure charged against the General Fund and HRA balances	5,421	901	-	-	-	6,322	(6,322)
<b>Adjustment involving the Capital Grants Unapplied Account:</b>							
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	19,057	-	-	-	(19,057)	-	-
- Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	9,488	9,488	(9,488)

Note 9 Adjustments between accounting & funding basis under regulation (Continued)

2022/23	Usable Reserves						
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000
<b>Adjustments involving the Capital Receipts Reserve:</b>							
- Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	5,680	2,880	-	(8,560)	-	-	-
- Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	759	-	759	(759)
- Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(15)	-	-	15	-	-	-
- Release of Flexible Use Capital Receipts from the Capital Receipts Reserve	(60)	-	-	60	-	-	-
Use of the Major Repairs Reserve to fund new capital expenditure and repayment of debt	-	-	1,681	-	-	1,681	(1,681)
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>							
- Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	20	-	-	-	-	20	(20)
<b>Adjustments involving the Pooled Investments Adjustment Account:</b>							
- Amount by which Financial Instruments held under Fair Value through Profit and Loss are subject to MHCLG statutory over-ride Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(2,474)	-	-	-	-	(2,474)	2,474
<b>Adjustments involving the Pensions Reserve:</b>							
- Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(12,245)	(1,985)	-	-	-	(14,230)	14,230
- Employer's pensions contributions and direct payments to pensioners payable in the year	7,590	1,396	-	-	-	8,986	(8,986)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>							
- Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements.	6,077	-	-	-	-	6,077	(6,077)
<b>Total Adjustments</b>	<b>11,813</b>	<b>3,996</b>	<b>(2,026)</b>	<b>(7,726)</b>	<b>(9,569)</b>	<b>(3,512)</b>	<b>3,512</b>

Note 9 Adjustments between accounting & funding basis under regulation (Continued)

2021/22	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	
<b>Adjustments Involving the Capital Adjustment Account:</b>							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
- Charges for depreciation and impairment of non current assets	(5,795)	-	(3,528)	-	-	<b>(9,323)</b>	9,323
- Revaluation losses on Property, Plant and Equipment	562	2,139	-	-	-	<b>2,701</b>	(2,701)
- Movements in the market value of Investment Properties	289	-	-	-	-	<b>289</b>	(289)
- Amortisation of intangible assets	(73)	-	(7)	-	-	<b>(80)</b>	80
Expenditure capitalised under Approvals:							
- Capital grants and contributions that have been applied to capital financing	102	-	-	-	-	<b>102</b>	(102)
- Revenue expenditure funded from capital under statute	(3,768)	-	-	-	-	<b>(3,768)</b>	3,768
- Revenue expenditure funded from community infrastructure levies	(2,660)	-	-	-	-	<b>(2,660)</b>	2,660
- Revenue expenditure funded from section 106 receipts	(237)	-	-	-	-	<b>(237)</b>	237
- Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(443)	(2,125)	-	-	-	<b>(2,568)</b>	2,568
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
- Statutory provision for the financing of capital investment	1,058	-	-	-	-	<b>1,058</b>	(1,058)
- Capital expenditure charged against the General Fund and HRA balances	7,011	854	-	-	-	<b>7,865</b>	(7,865)
<b>Adjustment involving the Capital Grants Unapplied Account:</b>							
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	7,259	4	-	-	(7,263)	-	-
- Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	6,214	<b>6,214</b>	(6,214)

Note 9 Adjustments between accounting & funding basis under regulation (Continued)

2021/22	Usable Reserves						
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments involving the Capital Receipts Reserve:</b>							
- Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	128	2,352	-	(2,480)	-	-	-
- Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	1,009	-	1,009	(1,009)
- Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts	(349)	-	-	349	-	-	-
<b>Adjustments involving the Major Repairs Reserve</b>							
Use of the Major Repairs Reserve to fund new capital expenditure	-	-	12,225	-	-	12,225	(12,225)
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>							
- Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	21	-	-	-	-	21	(21)
<b>Adjustments involving the Pooled Investments Adjustment Account:</b>							
- Amount by which Financial Instruments held under Fair Value through Profit and Loss are subject to MHCLG statutory over-ride Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	1,610	-	-	-	-	1,610	(1,610)
<b>Adjustments involving the Pensions Reserve:</b>							
- Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(13,318)	(2,275)	-	-	-	(15,593)	15,593
- Employer's pensions contributions and direct payments to pensioners payable in the year	7,014	1,360	-	-	-	8,374	(8,374)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>							
- Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	9,759	-	-	-	-	9,759	(9,759)
<b>Total Adjustments</b>	<b>8,170</b>	<b>2,309</b>	<b>8,690</b>	<b>(1,122)</b>	<b>(1,049)</b>	<b>16,998</b>	<b>(16,998)</b>

## 10. Transfers to/ from Earmarked Reserves

	Balance 31 March 2021 £'000	Transfers Out 2021/22 £'000	Transfers In 2021/22 £'000	Balance 31 March 2022 £'000	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	Balance 31 March 2023 £'000	Purpose of the Earmarked Reserve
<b>General Fund:</b>								
Actuarial Contributions	-	-	200	200	-	-	200	Financing pension strain budget pressures.
Additional Disabled Facilities Grant(DFG) funding (Non-Afgan Interpreter Funding	12	(2)	-	10	(7)	-	3	External funding supporting additional Disabled Facilities Grant works above standard DFG.
Afgan Interpreter Funding	-	-	-	-	-	252	252	External funding to support the intergration of afghan refugees in the district.
Air Quality	84	(4)	-	80	(74)	-	6	Funding for Air Quality Management Areas by DEFRA.
Better Broadband	507	(500)	-	7	(7)	-	-	External funding received to support Broadband delivery.
Brexit	144	-	-	144	(144)	-	-	External funding received to finance Brexit cost pressures.
Budget Carry Forwards	198	(204)	272	266	(210)	107	163	Unspent revenue budgets carried forward to fund approved requests.
Building Control	516	-	-	516	-	-	516	Statutory fund to smooth Building Control expenditure and income over a rolling annual period.
Business Incentive	2	-	-	2	(2)	-	-	External Funding to support economic development.
Business Rates Equalisation	13,389	(10)	1,862	15,241	(28)	-	15,213	Business rates income set aside to equalise business rate income fluctuations and accounting timing differences.
Business Rates Pilot	2,194	(809)	-	1,385	(472)	-	913	Business rate retention pilot scheme income (2018/19) set aside to fund agreed projects.
Business Rates- Suffolk Public Sector Leaders (SPSL)	-	(190)	1,506	1,316	(306)	-	1,010	SPSL share of business rates pooling benefit forgone in 2022/23, earmarked for economic & community projects.
Capital Reserve	6,012	(3,467)	700	3,245	(3,583)	379	41	Source of finance for capital investment plans.
Climate Change (includes Suffolk Energy Link)	80	(9)	4	75	(55)	-	20	Additional source of finance for initiatives to reduce climate change.
Coastal Management - Revenue Works	309	-	70	379	-	-	379	Funding of coastal defence revenue expenditure.
Coastal Protection - Capital Works	176	-	-	176	(176)	-	-	Funding of coastal defence capital expenditure.
Communities	3,155	(925)	254	2,484	(871)	645	2,258	External Funding for community initiatives.
Community Housing Fund	2,080	(13)	-	2,067	(754)	-	1,313	Enabling local community groups to deliver affordable housing units.
Contractual Liability	500	(87)	-	413	(323)	-	90	Supporting any third party contractual issues.

Note 10 Transfers to/ from Earmarked Reserves (Continued)

	Balance 31 March 2021 £'000	Transfers Out 2021/22 £'000	Transfers In 2021/22 £'000	Balance 31 March 2022 £'000	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	Balance 31 March 2023 £'000	Purpose of the Earmarked Reserve
<b>General Fund:</b>								
County Sports Partnership	789	(124)	112	777	(109)	114	782	Delivery of the County Sports Partnership.
COVID19 Response	15,733	(17,276)	7,425	5,882	(4,767)	51	1,166	Government funding received in response to the COVID19 pandemic to fund ongoing response & recovery work.
Customer Services	246	-	80	326	-	-	326	Funding project support and implementation costs.
Deployment of Flood Barrier	88	-	-	88	-	-	88	Meeting Lowestoft flood barrier deployment costs.
District Elections	140	-	60	200	-	38	238	Supporting costs of future elections.
Domestic Violence Support Funding	62	-	156	218	(91)	-	127	Funding domestic violence support schemes.
Economic Development	1,122	(124)	27	1,025	(1,024)	30	31	Funding to support Economic Development projects.
Economic Regeneration	181	(100)	-	81	(5)	11	87	Post 2013 flooding Lowestoft Seafront recovery activity.
Empty Properties & Houses in Disrepair	135	-	101	236	-	4	240	Assisting bringing empty properties back into use.
Enterprise Zone	547	(424)	438	561	(387)	452	626	Enterprise Zone retained business rates income pending distribution.
Environmental Protection	151	(83)	-	68	-	-	68	Sizewell funding for Environmental Protection staffing.
ESQ	-	-	-	-	-	55	55	External funding to provide minor works to residents properties and provide essential items to residents to help reduce energy
Felixstowe Forwards	31	(12)	-	19	(19)	-	-	External funding received to fund projects in Felixstowe.
Food Safety	-	-	195	195	(105)	-	90	Funding received in relation to staff time spent on Covid. To provide additional support for addressing the Food Safety
Flood Prevention	6	-	-	6	(6)	-	-	Funding for flood prevention assistance.
Green Homes Funding	18	(18)	195	195	(195)	-	-	External funding received to facilitate greener home initiatives.
Growth Programme	69	(5)	-	64	-	-	64	External funding received to fund work on Suffolk Design Concepts.
Gypsy & Traveller	54	(28)	-	26	(26)	-	-	Fund for macerator at Kessingland site and external funding to find a new suitable site.
Heritage Action Zone North	29	(28)	9	10	-	-	10	Funding received to deliver the North Heritage Action Zone project.

## Note 10 Transfers to/ from Earmarked Reserves (Continued)

	Balance 31 March 2021 £'000	Transfers Out 2021/22 £'000	Transfers In 2021/22 £'000	Balance 31 March 2022 £'000	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	Balance 31 March 2023 £'000	Purpose of the Earmarked Reserve
<b>General Fund:</b>								
Homelessness Prevention	571	(442)	857	986	(817)	477	646	Homelessness prevention revenue grants received in advance to be matched with expenditure in subsequent years.
Homes & Communities Agency (HCA) - Area Action Plan (AAP) Land	162	-	-	162	(36)	-	126	To fund site investigative works covering the Area Action Plan in Lowestoft. Externally funded with conditions attached.
Homes & Communities Agency (HCA) Development Grant	75	-	-	75	-	-	75	Funding received for the Adastral Park development.
Housing Advisory	-	-	25	25	(25)	-	-	External funding to support an external review of the Council's running of temporary accommodation.
Housing Benefit (HB) Subsidy	300	-	-	300	(300)	-	-	Meeting budget pressures due to fluctuations with HB subsidy and implementation/changes due to Government legislation.
Housing Condition Survey & Improvements	45	(45)	-	-	-	-	-	To meet the cost of the periodic survey of Private Sector Housing within the district.
Human Resources	-	-	10	10	(10)	-	-	E-Learning - process and provision review from 2022/23
Individual Electoral Registration	518	(60)	-	458	(19)	-	439	To meet the additional cost for administration of Individual Electoral Registration.
Indoor Leisure	50	-	-	50	-	18	68	Providing a source of finance to support the closure cost of Deben Leisure Centre during refurbishment.
Insurance	171	-	-	171	-	-	171	To provide a source of finance for any uninsured losses.
In-Year Savings	4,320	(748)	-	3,572	(129)	268	3,711	In-Year savings set aside to support future year budget gaps.
Key Capital Programme	182	-	-	182	(115)	-	67	To provide a source of finance to support the revenue costs associated with the delivery of key capital projects.
Land Charges	150	-	-	150	-	-	150	To support the General Fund from losses in future Land Charges income.
Landguard	18	(10)	78	86	-	93	179	Funding for the Landguard Governance review.
Licensing	-	-	-	-	-	8	8	Licensing Grant - New burdens grant held to support the implementation of a new IT system
Local Development Framework	5	-	-	5	(5)	-	-	To meet the costs arising from the periodic preparation and adoption of the Local Development Framework.
Lowestoft Rising	58	(11)	40	87	(31)	10	66	Funding received to deliver earmarked work under the Lowestoft Rising project.
Modular Ramps - DFG	-	-	2	2	(3)	1	-	DFG funding for the removal of temporary ramps when no longer required.
New Homes Bonus	6,064	(1,661)	1,177	5,580	(1,790)	1,649	5,439	Supporting community initiatives across East Suffolk.

Note 10 Transfers to/ from Earmarked Reserves (Continued)

	Balance 31 March 2021 £'000	Transfers Out 2021/22 £'000	Transfers In 2021/22 £'000	Balance 31 March 2022 £'000	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	Balance 31 March 2023 £'000	Purpose of the Earmarked Reserve
<b>General Fund:</b>								
Next Step Accomodation Programme	36	(14)	-	22	-	-	22	External funding to help Rough Sleepers get off the streets and into accomodation.
Pathfinder	-	-	-	-	-	466	466	External funding ringfenced for research, data collection and development of best practices in the roll out of the PRS white
Planning	400	-	-	400	-	-	400	To provide a source of finance for planning appeals, local plans and planning challenges.
Planning Legal	400	-	-	400	-	-	400	To provide for legal costs in respect of planning appeals.
Planning Policy	-	-	-	-	-	171	171	To provide a source of finance to support development work and audit of the Local Plan.
Port Health	5,597	(4,133)	2,852	4,316	(1,997)	1,351	3,670	Supporting the future investment and development of the Authority's infrastructure at the Port of Felixstowe.
Private Sector Housing	72	(43)	182	211	(129)	-	82	Grants repaid to be set aside for empty property/home improvement initiatives.
Private Sector Housing Renovation Grants	743	(108)	-	635	(156)	-	479	Grants repaid set aside to fund future renovation works.
Protect and Vaccinate	-	-	69	69	(69)	-	-	DLUHC funding received via the Protect and Vaccinate programme. The funding is ringfenced for the purposes of protecting and vaccinating rough sleepers in response to the COVID-19 Omicron variant.
Recreation Areas Mitigation Strategy Staffing	-	-	103	103	(55)	-	48	Funding set aside to cover initial costs.
Rent Guarantee Scheme	15	-	-	15	-	200	215	To provide a source of finance for landlord claims.
Revenue & Benefits Administration	243	-	-	243	(243)	200	200	To provide a source of finance for budget pressures on the administration of Revenues & Benefits.
S106 Interest	30	-	-	30	(30)	-	-	Contingency related to Affordable Housing S106 should conditions not be met.
Short Life Assets	874	(653)	1,286	1,507	(1,006)	618	1,119	To fund the purchase of short life assets. Any capital funding will be repaid from revenue budgets.
Smart Towns	-	-	-	-	-	23	23	Getting Building Fund grant, awarded to support of the Smart Towns tech wifi upgrades in both Lowestoft and Felixstowe.
Southwold Beach Huts	175	-	-	175	(175)	-	-	Receipt of monies from letting of new beach hut sites in Southwold in 2014/15 approved to be used within Southwold.
Southwold Harbour	-	-	-	-	-	144	144	To provide financing for future repairs and investment in Harbour Lands - Statute
Stepping Homes	16	(5)	81	92	(67)	-	25	External funding received to support hospital patients to return home (Stepping Home project).

## Note 10 Transfers to/ from Earmarked Reserves (Continued)

	Balance 31 March 2021 £'000	Transfers Out 2021/22 £'000	Transfers In 2021/22 £'000	Balance 31 March 2022 £'000	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	Balance 31 March 2023 £'000	Purpose of the Earmarked Reserve
<b>General Fund:</b>								
Strategic Plan Delivery	250	(250)	-	-	-	-	-	Facilitating the delivery of the Council's Strategic Plan, including any emerging priorities.
SWEP Cold Weather Funding	-	-	-	-	-	16	16	This is external funding ringfenced for when SWEP (Severe Weather Emergency Protocol) is triggered. SWEP is declared
Transformation	3,217	(877)	1,227	3,567	(473)	300	3,394	To provide funding for efficiency (invest to save) initiatives and to support the delivery of the Strategic Plan.
Warmer Homes Healthy People	119	(63)	147	203	(69)	-	134	To provide a source of finance to fund grants towards heating of homes.
Youth Leisure	10	-	-	10	-	-	10	Project funding received to support Active Leisure for young people.
<b>Total General Fund</b>	<b>73,645</b>	<b>(33,565)</b>	<b>21,802</b>	<b>61,882</b>	<b>(21,495)</b>	<b>8,151</b>	<b>48,538</b>	
<b>Housing Revenue Account:</b>								
Discretionary Housing Payments (DHP) Top-Up Reserve	500	-	-	500	(1)	-	499	Providing financial help to tenants who find themselves in financial hardship following the Welfare Reform Act 2012.
Debt Repayment Reserve	12,500	-	500	13,000	-	-	13,000	Set aside funds to meet future liabilities for repaying the Self-Financing debt.
Impairment/Revaluation Reserve	256	-	-	256	(256)	-	-	Providing for potential impairment and revaluation losses to HRA assets due to changes in Accounts and Audit Regulations.
Municipal Mutual Insurance Limited (MMI) Reserve	60	-	-	60	-	-	60	To provide for potential liabilities relating to Municipal Mutual Insurance Limited (MMI).
Acquisition & Development Reserve	3,987	-	-	3,987	-	1,014	5,001	Funding for the Housing development programme.
<b>Total Housing Revenue Account</b>	<b>17,303</b>	<b>-</b>	<b>500</b>	<b>17,803</b>	<b>(257)</b>	<b>1,014</b>	<b>18,560</b>	
<b>Total</b>	<b>90,948</b>	<b>(33,565)</b>	<b>22,302</b>	<b>79,685</b>	<b>(21,752)</b>	<b>9,165</b>	<b>67,098</b>	

## 11. CIES - Other operating expenditure

	2022/23 £'000	2021/22 £'000
Parish Council precepts	6,749	6,398
Payments to the Government Housing Capital Receipts Pool	-	349
Gains/losses on the disposal of non current assets	(652)	80
Levies	287	261
<b>Total</b>	<b>6,384</b>	<b>7,198</b>

\*There is no payment to the Government Housing Capital Receipts Pool in 2022/23 due to Local authorities being able to keep 100% of their right to buy receipts from sales in 2022/23 and 2023/24. This money must be spent within 5 years to deliver new social housing.

## 12. CIES - Financing and investment income

	2022/23 £'000	2021/22 £'000
Interest payable and similar charges	2,843	2,875
Net interest on the net defined benefit liability	1,400	1,739
Interest receivable and similar income	(1,896)	(420)
Net (gains)/losses on financial assets at fair value through profit and loss	2,474	(1,610)
Impairment Losses including Reversals of Impairment Losses or Impairment Gains	(729)	(275)
Income and expenditure in relation to investment properties and changes in their fair value	124	(509)
Other Investment Income	(699)	(655)
<b>Total</b>	<b>3,517</b>	<b>1,145</b>

### 13. CIES - Taxation and non-specific grants

	2022/23	2021/22
	£'000	£'000
Council tax income	(22,692)	(21,809)
Non domestic rates	(35,653)	(37,079)
Tariff payment to Suffolk County Council	22,193	22,193
Share of (surplus)/deficit on collection fund	283	4,559
Share of pooling benefit with other Suffolk Councils	(2,398)	(3,407)
Levy payment to Suffolk Business Rates Pool	6,697	5,516
Share of Pilot Pooling Benefit with other Suffolk Councils	-	-
Non-ring fenced government grants	(14,831)	(14,851)
Capital grant and contributions	(16,455)	(4,927)
<b>Total</b>	<b>(62,856)</b>	<b>(49,805)</b>

## 14. Property, Plant & Equipment

Movements in 2022/23:									
	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction		Total PPE £'000
							Construction £'000	Land £'000	
<b>Cost or Valuation</b>									
At 1 April 2022	235,224	102,400	16,165	60,245	1,665	1,585	18,705	3,790	439,779
Additions	2,311	2,610	1,031	1,638	-	5	15,749	219	23,563
Revaluation increases/(decreases) recognised in the Revaluation Reserve	18,702	(1,509)	-	-	-	162	-	-	17,355
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	2,239	(267)	-	-	-	86	-	-	2,058
Derecognition - Disposals	(1,927)	(43)	(1,153)	-	-	-	-	-	(3,123)
Derecognition - Other	(1)	-	(1,465)	(1,837)	-	-	(13)	-	(3,316)
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	(741)	-	(741)
Other movements in Cost or Valuation	(41)	1,044	-	1,235	-	(167)	(2,538)	467	-
<b>At 31 March 2023</b>	<b>256,507</b>	<b>104,235</b>	<b>14,578</b>	<b>61,281</b>	<b>1,665</b>	<b>1,671</b>	<b>31,162</b>	<b>4,476</b>	<b>475,575</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2022	-	3,184	11,814	29,463	-	20	9	-	44,490
Depreciation charge	3,543	5,060	1,109	1,733	-	74	-	-	11,519
Depreciation written out to the Revaluation Reserve	(3,087)	(4,140)	-	-	-	(62)	-	-	(7,289)
Depreciation written out to the Surplus/Deficit on the Provision of	(434)	(476)	-	-	-	(22)	-	-	(932)
Derecognition - Disposals	(16)	-	(1,123)	-	-	-	-	-	(1,139)
Derecognition - Other	-	-	(1,322)	(1,254)	-	-	-	-	(2,576)
Other movements in Depreciation and Impairment	(1)	(346)	(2)	(1)	-	41	304	-	(5)
<b>At 31 March 2023</b>	<b>5</b>	<b>3,282</b>	<b>10,476</b>	<b>29,941</b>	<b>-</b>	<b>51</b>	<b>313</b>	<b>-</b>	<b>44,068</b>
<b>Net Book Value</b>									
<b>At 31 March 2023</b>	<b>256,502</b>	<b>100,953</b>	<b>4,102</b>	<b>31,340</b>	<b>1,665</b>	<b>1,620</b>	<b>30,849</b>	<b>4,476</b>	<b>431,507</b>
<b>At 31 March 2022</b>	<b>235,224</b>	<b>99,216</b>	<b>4,351</b>	<b>30,782</b>	<b>1,665</b>	<b>1,565</b>	<b>18,696</b>	<b>3,790</b>	<b>395,289</b>

Note 14 Property, Plant & Equipment (Continued)

Comparative Movements in 2021/22									
	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction		Total PPE £'000
							Construction £'000	Land £'000	
<b>Cost or Valuation</b>									
At 1 April 2021	222,560	99,704	16,302	57,942	1,674	6,546	10,281	3,642	418,651
Additions	2,421	1,497	678	866	-	393	13,936	-	19,791
Revaluation increases/(decreases) recognised in the Revaluation Reserve	8,625	284	-	-	-	82	-	-	8,991
Revaluation increases/(decreases) recognised in the Surplus/Deficit on	1,451	(498)	-	-	-	(11)	-	-	942
Derecognition - Disposals	(1,671)	(82)	(101)	-	-	-	-	-	(1,854)
Derecognition - Other	-	(387)	(714)	(198)	-	(397)	(1)	-	(1,697)
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	(5,043)	-	-	(5,043)
Other movements in Cost or Valuation	1,838	1,882	-	1,635	(9)	15	(5,511)	148	(2)
<b>At 31 March 2022</b>	<b>235,224</b>	<b>102,400</b>	<b>16,165</b>	<b>60,245</b>	<b>1,665</b>	<b>1,585</b>	<b>18,705</b>	<b>3,790</b>	<b>439,779</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2021	-	2,789	11,400	28,036	-	21	5	-	42,251
Depreciation charge	3,377	3,188	1,206	1,509	-	38	-	-	9,318
Depreciation written out to the Revaluation Reserve	(2,667)	(1,596)	-	-	-	(31)	-	-	(4,294)
Depreciation written out to the Surplus/Deficit on the Provision of	(695)	(1,056)	-	-	-	(8)	-	-	(1,759)
Derecognition - Disposals	(14)	(9)	(101)	-	-	-	-	-	(124)
Derecognition - Other	-	(127)	(691)	(83)	-	-	-	-	(901)
Other movements in Depreciation and Impairment	(1)	(5)	-	1	-	-	4	-	(1)
<b>At 31 March 2022</b>	<b>-</b>	<b>3,184</b>	<b>11,814</b>	<b>29,463</b>	<b>-</b>	<b>20</b>	<b>9</b>	<b>-</b>	<b>44,490</b>
<b>Net Book Value</b>									
<b>At 31 March 2022</b>	<b>235,224</b>	<b>99,216</b>	<b>4,351</b>	<b>30,782</b>	<b>1,665</b>	<b>1,565</b>	<b>18,696</b>	<b>3,790</b>	<b>395,289</b>
<b>At 1 April 2021</b>	<b>222,560</b>	<b>96,915</b>	<b>4,902</b>	<b>29,906</b>	<b>1,674</b>	<b>6,525</b>	<b>10,276</b>	<b>3,642</b>	<b>376,400</b>

## Note 14 Property, Plant & Equipment (Continued)

### Depreciation

Depreciation is charged on a straight-line basis over the estimated useful life of each depreciating asset. The estimated useful life of each category of asset is as follows:

Estimated Life (Years)	Estimated Life (Years)
Council dwellings	35 to 60
Other land and buildings	30 to 60
HRA garages	10 to 25
Vehicles, plant and equipment	5 to 20
Infrastructure assets	40 to 60
Community assets	60
Other depreciating assets	40 to 60

### Fair Value Measurement of Surplus Asset

Fair Value Hierarchy - All the Councils' surplus assets have been assessed as having level 2 inputs as at 31 March 2023. Valuation Techniques used to determine Level 2 Fair Values for Surplus Assets are Significant Observable Inputs (Level 2). The fair value for all surplus assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the Council area. The fair value of surplus assets as at 31 March 2023 was £1.671 million (value as at 31 March 2022 was £1.585 million).

	Other significant observable inputs £'000	Fair value as at 31 March £'000
31 March 2023	1,671	1,671
31 March 2022	1,585	1,585

### Capital commitments

At 31 March 2023, the Council had contractual commitments of £4 million relating to the Lowestoft Flood Risk Management Project.

### Effects of changes in estimates

There were no material changes to accounting estimates for property, plant and equipment in 2022/23.

## Note 14 Property, Plant & Equipment (Continued)

### Revaluations

The following statement shows the progress of the Council's programme of revaluation of property, plant and equipment. The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years. All valuations, with the exception of Council dwellings were carried out by the Council's in-house valuers. NPS Property Services Ltd carried out the beacon valuations of Council Dwellings. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The basis for valuation of non-current assets is set out in the Statement of Accounting Policies. There were no significant assumptions made by the valuer in the year. The effective date of revaluation of those assets revalued during 2022/23 was:

- 31 December 2022 for assets measured at current value, fair value and those assets at risk of material movements in their valuation during the year; and
- 31 March 2023 for assets measured at social housing discount.

	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant &amp; £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction</b>		<b>Total PPE £'000</b>
							<b>Construction £'000</b>	<b>Land £'000</b>	
Carried at historical cost			14,578	61,281	1,665	-	31,162	4,476	113,162
Value at current value as at:									
31 March 2023	256,507	54,482				1,337			312,326
31 March 2022		14,259				334			14,593
31 March 2021		13,427							13,427
31 March 2020		11,112							11,112
31 March 2019		10,955							10,955
<b>Total Cost or Valuation</b>	<b>256,507</b>	<b>104,235</b>	<b>14,578</b>	<b>61,281</b>	<b>1,665</b>	<b>1,671</b>	<b>31,162</b>	<b>4,476</b>	<b>475,575</b>

## 15. Assets held for sale

	Current Assets	
	2022/23	2021/22
	£'000	£'000
<b>Balance outstanding at start of year</b>	<b>5,004</b>	<b>4</b>
Assets newly classified as held for sale:		
- Property, Plant and Equipment	741	5,043
Assets sold	(5,206)	(43)
<b>Balance outstanding at year-end</b>	<b>539</b>	<b>5,004</b>

## 16. Heritage Assets

The Council holds a number of heritage assets to increase the knowledge, understanding and appreciation of the Council's history and local area. Heritage assets are recognised and measured in accordance with the Council's accounting policies on property, plant and equipment. The new buildings heritage asset relates to the renovated façade at the old post office in Lowestoft.

	Civic Regalia Portraits & Medals	Paintings, Prints & Photographs	Buildings	Roman Coins	Total Heritage Assets
	£'000	£'000	£'000	£'000	£'000
<b>1 April 2022</b>	183	51	843	4	<b>1,081</b>
Additions			586		<b>586</b>
Depreciation			(12)		<b>(12)</b>
<b>31 March 2023</b>	<b>183</b>	<b>51</b>	<b>1,417</b>	<b>4</b>	<b>1,655</b>

## 17. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licenses and internally developed software, including the Port Health system, 'Philis'. The carrying amount of intangible assets is amortised on a straight-line basis but does not include any intangible assets currently being developed.

	<b>2022/23</b>	<b>2021/22</b>
	<b>Other Assets</b>	<b>Other Assets</b>
	<b>£'000</b>	<b>£'000</b>
Balance at start of year:		
• Gross carrying amount	1,711	1,169
• Accumulated amortisation	(1,078)	(1,035)
Net carrying amount at start of year	633	134
Additions:		
• Internal development	658	343
• Purchases	61	237
• Gross carrying amount	(151)	(38)
• Accumulated amortisation	145	38
Amortisation for the period	(91)	(81)
Net carrying amount at end of year	<b>1,255</b>	<b>633</b>
Comprising		
• Gross carrying amount	<b>2,279</b>	1,711
• Accumulated amortisation	<b>(1,024)</b>	(1,078)
	<b>1,255</b>	<b>633</b>

## 18. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2022/23 £'000	2021/22 £'000
Rental income from investment properties	318	327
Direct operating expenses arising from investment properties	(102)	(108)
<b>Net gain/(loss)</b>	<b>216</b>	<b>219</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment properties or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance, or enhancement. The following table summarises the movement in the fair value of investment properties over the year:

	2022/23 £'000	2021/22 £'000
<b>Balance at 1 April</b>	<b>5,289</b>	<b>5,000</b>
Net gains/losses from fair value adjustments	(442)	289
<b>Balance at 31 March</b>	<b>4,847</b>	<b>5,289</b>

### Fair Value Measurement of Investment Properties

Fair Value Hierarchy - all the Council's investment properties have been assessed as having level 2 inputs as at 31 March 2023. Valuation Techniques used to determine Level 2 Fair Values for Surplus Assets are Significant Observable Inputs (Level 2). The fair value for all surplus assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the authority's area.

	Other significant observable inputs (Level 2)	Fair value as at 31 March
31 March 2023	4,847	4,847
31 March 2022	5,289	5,289

## 19. Financial Instruments

### Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

### Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following two classifications:

- Amortised cost (where cash flows are solely payments of principal and interest, and the Council's business model is to collect those cash flow) comprising:
  - cash in hand;
  - bank current and deposit accounts with Lloyds, Barclays and Santander banks;
  - fixed term deposits with banks and building societies;
  - loans to other local authorities;
  - lease receivables; and
  - trade receivables for goods and services provided.

- Fair value through profit and loss (all other financial assets) comprising pooled property fund and diversified income fund managed by CCLA and NinetyOne fund managers.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

### Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

All of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board;
- short-term loans from other local authorities;
- overdraft with Lloyds bank;
- lease payables; and
- trade payables for goods and services received.

## Note 19 Financial Instruments (Continued)

### Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long-term		Short-term	
	2022/23	2022/23	2021/22	2021/22
	£'000	£'000	£'000	£'000
Loans at amortised cost:				
Principle sum borrowed	65,645	-	65,806	-
<b>Total Borrowing</b>	<b>65,645</b>	<b>-</b>	<b>65,806</b>	<b>-</b>
Liabilities at amortised cost:				
Creditors	68	8,951	65	5,007
Finance Leases	5,113	344	-	-
<b>Financial Liabilities in Creditors</b>	<b>5,181</b>	<b>9,295</b>	<b>65</b>	<b>5,007</b>
<b>Non Financial Liabilities</b>	<b>7,039</b>	<b>45,366</b>	<b>54,988</b>	<b>58,472</b>
<b>Total Financial Liabilities</b>	<b>77,865</b>	<b>54,661</b>	<b>120,859</b>	<b>63,479</b>

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Long-term		Short-term	
	2022/23	2022/23	2021/22	2021/22
	£'000	£'000	£'000	£'000
At amortised cost:				
Principle	-	68,000	-	87,500
Accrued Interest	-	654	-	75
At fair value through profit and loss:				
Principle	24,900	-	40,781	-
<b>Total Investments</b>	<b>24,900</b>	<b>68,654</b>	<b>40,781</b>	<b>87,575</b>
At amortised cost:				
Principle	-	24,689	-	17,271
<b>Total Cash &amp; Cash Equivalents</b>	<b>-</b>	<b>24,689</b>	<b>-</b>	<b>17,271</b>
At amortised cost:				
Debtors	171	4,806	195	6,003
Lease Receivables	4	-	4	-
Loss Allowance	-	(478)	-	(794)
<b>Financial Assets in Debtors</b>	<b>175</b>	<b>4,328</b>	<b>199</b>	<b>5,209</b>
<b>Non Financial Assets</b>	<b>3,052</b>	<b>25,691</b>	<b>1,785</b>	<b>21,808</b>
<b>Total Assets</b>	<b>28,127</b>	<b>123,362</b>	<b>42,765</b>	<b>131,863</b>

## Note 19 Financial Instruments (Continued)

### Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The table below shows those instruments that have been offset on the balance sheet.

	31-Mar-23			31-Mar-22		
	Gross Assets (Liabilities)	(Liabilities) assets set off	Net Position on Balance Sheet	Gross Assets (Liabilities)	(Liabilities) assets set off	Net Position on Balance
	£'000	£'000	£'000	£'000	£'000	£'000
Bank accounts in credit	26,979		26,979	36,172		36,172
Bank overdrafts		(17,369)	(17,369)		(18,939)	(18,939)
<b>Total Financial Assets (Liabilities)</b>			<b>9,610</b>			<b>17,233</b>

### Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	2022/23			2021/22		
	Amortised cost	Fair Value through Profit and Loss	Total	Amortised cost	Fair Value through Profit and Loss	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	2,843	-	2,843	2,875	-	2,875
Losses from change in fair value	-	2,474	2,474	-	(1,610)	(1,610)
Impairment losses	(729)	-	(729)	(275)	-	(275)
<b>Interest payable and similar charges</b>	<b>2,114</b>	<b>2,474</b>	<b>4,588</b>	<b>2,600</b>	<b>(1,610)</b>	<b>990</b>
Interest income	(1,896)	-	(1,896)	(420)	-	(420)
<b>Interest and investment income</b>	<b>(1,896)</b>	<b>-</b>	<b>(1,896)</b>	<b>(420)</b>	<b>-</b>	<b>(420)</b>
<b>Net gain / (loss) for the year</b>	<b>218</b>	<b>2,474</b>	<b>2,692</b>	<b>2,180</b>	<b>(1,610)</b>	<b>570</b>

## Note 19 Financial Instruments (Continued)

### Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including pooled property funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2023, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of finance lease assets and liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

Level 1: fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices

Level 2: fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments

Level 3: fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

	31-Mar-23		31-Mar-22	
	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
<b>PWLB Loans (Level 2)</b>	<b>65,645</b>	<b>56,732</b>	<b>65,806</b>	<b>71,206</b>

## Note 19 Financial Instruments (Continued)

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

Recurring Fair Value Measurement	Input level in Fair Value Hierachy	Valuation technique used to measure Fair Value	31-Mar-23 Fair Value £000s	31-Mar-22 Fair Value £000s
<b>Fair Value through Profit &amp; Loss</b>				
CCLA Property Fund	1	Unadjusted quotes prices in active markets for identical shares	<b>9,035</b>	<b>10,819</b>
CCLA Diversified Income Fund	1	Unadjusted quotes prices in active markets for identical shares	<b>4,552</b>	<b>4,996</b>
Ninety One Diversified Income Fund	1	Unadjusted quotes prices in active markets for identical shares	<b>4,502</b>	<b>4,749</b>

## Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities 2021.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- Credit Risk: The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- Liquidity Risk: The possibility that the Council might not have the cash available to make contracted payments on time.
- Market Risk: The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

## Note 19 Financial Instruments (Continued)

### Credit Risk: Treasury Investments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default; the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £25m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £20m applies. The Council also sets limits on investments in certain sectors. No more than £20m in total can be invested for a period longer than one year.

The table summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

Credit Rating	31-Mar-23		31-Mar-22	
	Long Term £000s	Short Term £000s	Long Term £000s	Short Term £000s
Local Authorities - AAA	5,005	73,709	20,215	87,575
Unrated Pooled Funds	19,895	0	20,564	0
<b>Total Investments</b>	<b>24,900</b>	<b>73,709</b>	<b>40,779</b>	<b>87,575</b>

### Credit Risk: Trade and Lease Receivables and Contract Assets

The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract. The following analysis summarises the Council's trade receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

	2022/23 £,000	2021/22 £,000
Less than three months	3,855	3,514
Three to six months	115	185
Six months to one year	132	193
More than one year	459	827
	<b>4,561</b>	<b>4,719</b>

## Note 19 Financial Instruments (Continued)

Loss allowances on trade receivables have been calculated by reference to the Council's historic experience of default. Receivables are determined to have suffered a significant increase in credit risk where they are 90 or more days past due and they are determined to be credit-impaired where they are 365 or more days past due. Receivables are collectively assessed for credit risk in the following groupings:

	Range of allowances set aside	Gross Receivables £'000	Loss Allowance £'000
<b>Trade Receivables 31-Mar-23</b>	4%-100%	2,649	(456)
<b>Trade Receivables 31-Mar-22</b>	4%-100%	3,363	(750)

Receivables are written off to the Surplus or Deficit on the Provision of Services when they are three years past due and all recovery action has been taken.

### Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 50% of the Council's borrowing matures in any one financial year. The maturity analysis of financial instruments is as follows:

		2022/23 £'000	2021/22 £'000
Analysis by Lender:			
	Public Works Loan Board	65,645	65,806
Analysis by Maturity:			
Repayable within:			
	Less than 1 year (short term)	-	-
	2 to 5 years	12,005	2,000
	5 to 10 years	10,000	20,006
	10 to 20 years	40,640	40,800
	over 20 years	3,000	3,000
		65,645	62,806
Fair Value of PWLB Loans at the year-end		56,732	71,206

Note 19 Financial Instruments (Continued)

<b>Maturity of Fixed Rate Debt:</b>	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>Actual 31-Mar-23</b>	<b>Actual 31-Mar-22</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Under 12 months (see note below)	50%	0%	0%	0%
12 months and within 24 months	50%	0%	3%	0%
24 months and within 5 years	75%	0%	15%	3%
5 years and within 10 years	75%	0%	15%	30%
10 years and within 20 years	75%	0%	62%	62%
20 years and above	100%	0%	5%	5%

**Market Risks: Interest Rate Risk**

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

Note 19 Financial Instruments (Continued)

<b>Market Risks: Interest Rate Risk</b>	<b>31-Mar-23</b>	<b>31-Mar-22</b>
	<b>£'000</b>	<b>£'000</b>
Increase in interest payable on variable rate borrowings	1	1
Increase in interest receivable on variable rate investments	(13)	(7)
Increase in government grant receivable for financing costs	(96)	(63)
Impact on Surplus or Deficit on the Provision of Services	(108)	(69)
Share of overall impact debited to the HRA	(52)	(33)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

**Market Risks: Price Risk**

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £9.035m. A 5% fall in commercial property prices at 31st March 2023 would result in a £0.452m charge to Other Comprehensive Income and Expenditure / the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account. The Council's investment in a diversified income fund is subject to the risk of falling rental and commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £9.05m. A 5% fall in commercial property prices at 31st March 2023 would result in a £0.452m charge to Other Comprehensive Income and Expenditure / the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

## 20. Debtors

Short term Debtors:

	2022/23	2021/22
	£'000	£'000
Central Government bodies	3,680	3,516
Other Local Authorities	3,636	5,810
NHS bodies	217	85
Council Taxpayers	2,446	2,378
Other entities and individuals	18,246	16,341
Prepayments	2,265	456
<b>Total</b>	<b>30,490</b>	<b>28,586</b>
<b>less Bad Debt Impairment Provisions:</b>		
Council Taxpayers	(1,230)	(1,213)
Other service debtors	(5,065)	(5,479)
<b>Total</b>	<b>24,195</b>	<b>21,894</b>

### Debtors for local taxation:

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

	2022/23	2021/22
	£'000	£'000
Less than 12 months	1,878	1,393
More than one year	3,356	2,867
	<b>5,234</b>	<b>4,260</b>

Long term Debtors:

	2022/23	2021/22
	£'000	£'000
Other Local Authorities	157	177
Finance Leases	4	4
Other entities and individuals	3,066	1,803
	<b>3,227</b>	<b>1,984</b>

## 21. Creditors

### Short term Creditors:

	2022/23	2021/22
	£'000	£'000
Central Government bodies	11,306	28,066
Other Local Authorities	14,779	12,209
NHS bodies	-	40
Other entities and individuals	12,129	8,179
Receipts in Advance	7,689	15,216
<b>Total</b>	<b>45,903</b>	<b>63,710</b>

### Long term Creditors:

	2022/23	2021/22
	£'000	£'000
Creditors	917	681
Finance Leases	5,113	5,477
Receipts in Advance	300	380
<b>Total</b>	<b>6,330</b>	<b>6,538</b>

## 22. Provisions

	HRA Rents & Service Charges £'000	Business Rates Appeals £'000	Total £'000
<u>Long Term Provisions</u>			
<b>Balance at 1 April 2022</b>	<b>7,879</b>	<b>3,424</b>	<b>11,303</b>
Additional provisions made in 2022/23	-	187	187
Amounts used in 2022/23	-	(2,442)	(2,442)
Unused amounts reversed in 2022/23	-	(169)	(169)
Transfers between long term and short term	(7,879)	-	(7,879)
<b>Balance at 31 March 2023</b>	<b>-</b>	<b>1,000</b>	<b>1,000</b>
<u>Short Term Provisions</u>			
<b>Balance at 1 April 2022</b>			-
Additional provisions made in 2022/23	788	-	788
Amounts used in 2022/23	-	-	-
Unused amounts reversed in 2022/23	-	-	-
Transfers between long term and short term	7,879	-	7,879
<b>Balance at 31 March 2023</b>	<b>8,667</b>	<b>-</b>	<b>8,667</b>

The Council has the following Provisions within its Balance Sheet:

### HRA Rents & Service charges

Following a HRA compliance review it was identified that some HRA tenants appeared to have been overcharged due to previous rent conversions and combined service charges. A forensic audit has been carried out by external consultants, and every tenancy dating back to 2010 (the earliest data held) has been reviewed. This provision is based on the forensic auditor's findings of repayments that are required. It is anticipated that these will all be repaid in 2023/24.

## Note 22 Provisions (Continued)

### **National Non-Domestic Rates**

As part of the National Non-Domestic Rates (NNDR1) return in January 2022, the Council had to estimate the business rates income expected to be received in 2022/23 based on several assumptions. The most significant assumption was in relation to the provision for appeals. There are two separate provisions, one relating to the 2010 Valuation list and the other to the 2017 Valuation list. The 2010 provision was based on Government guidance and trend analysis in respect of appeals that had been lodged with the Valuation Office, backdated to 1 April 2010 where an appeal was lodged before 31 March 2015 or backdated to 1 April 2015 where the appeal was lodged after this date but before 31 March 2017. The relevant percentage used because of this was 4.04%.

The 2017 Valuation list provision methodology has been amended with effect from the 2018/19 NNDR3 year-end return. With the new check, challenge, appeal process, there has been a significant reduction in appeals in respect of bills issued since 2017/18. As well as provision for actual challenges lodged based on the proposed reductions, for the remaining liabilities, this has been based on all remaining unchallenged assessments. The other large hereditament had an outstanding appeal which was agreed in early 2022/23 and so the provision was adjusted to reflect this appeal settlement. Provision has been calculated by taking the rateable value of the unchallenged assessments, multiplying this by the business rates multiplier to get the income due, applying the 2.7% trend analysis and then finally taking 9.21% of the value as the provision based on the number of challenges lodged to date.

This percentage has increased slightly from 9.01% in 2021/22. Covid Material Change in Circumstances (MCC) appeals have been removed from the outstanding appeals relating to the 2017 valuation list in 2021/22. The government stated that Covid MMC appeals would not be allowed and compensated businesses through a Covid Additional Relief Fund rate relief scheme instead. Relief was partly granted in 2021/22 with the remainder granted in the first six months of 2022/23.

## 23. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

	2022/23	2021/22
	£'000	£'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
<u>Non-ringfenced grants:</u>		
Revenue Support Grant	(341)	(330)
New Homes Bonus	(1,649)	(1,177)
Business Rates Reliefs	(11,671)	(10,497)
Covid19 Government Grant Schemes	-	(1,772)
Service Grant	(477)	-
Lower Tier Service Grants	(317)	(381)
Other Non-ringfenced grants	(376)	(693)
<u>Capital grants and contributions:</u>		
Coastal Management/ Protection	(5,135)	1,153
HRA Developments	-	(4)
Community Infrastructure Levy	(7,406)	(4,701)
s106 contributions	(153)	(130)
Towns Fund	(3,610)	(1,245)
UK Shared Prosperity Fund	(60)	-
Changing Places Grant	(92)	-
<b>Total</b>	<b>(31,286)</b>	<b>(19,778)</b>

	2022/23	2021/22
	£'000	£'000
<b>Credited to Services</b>		
Housing Benefits Subsidy	(37,402)	(39,310)
Benefits Administration Grant	(897)	(908)
Disabled Facilities Grants	(2,721)	(2,721)
Discretionary Housing Payments Grant	(274)	(354)
Homelessness Grants	(2,019)	(2,035)
Covid19 Government Grant Schemes	(443)	(3,511)
Regeneration of Coastal Communities	(504)	(1,430)
Port Health Transition Grant	(1,026)	(1,640)
New Burden Grants	(614)	-
UK Shared Prosperity Fund	(200)	-
Freeport East	(347)	(107)
Neighbourhood Planning Grant	(180)	-
Towns Fund	(81)	-
Heritage Action Zone	(482)	-
Other Grants	(489)	(1,120)
<b>Total</b>	<b>(47,679)</b>	<b>(53,137)</b>

Note 23 Grant Income (Continued)

The Council has received several grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned if certain conditions on their use are not met. The balances at the year-end are as follows:

	2022/23	2021/22
	£'000	£'000
<b>Revenue Grants Receipts in Advance (Short-Term)</b>		
Covid 19 Additional Relief Fund (CARF)	-	7,764
Energy Rebate Discretionary Scheme	-	441
	<u>-</u>	<u>8,205</u>
<b>Capital Grants Receipts in Advance (Short-Term)</b>		
s106 Contributions	91	91
<b>Total</b>	<u>91</u>	<u>91</u>
<b>Capital Grants Receipts in Advance (Long-Term)</b>		
Other grants	25	26
s106 Contributions	4,865	4,589
<b>Total</b>	<u>4,890</u>	<u>4,615</u>

## 24. Unusable Reserves

	2022/23	2021/22
	£'000	£'000
Revaluation Reserve	(100,355)	(82,771)
Capital Adjustment Account	(209,634)	(204,464)
Financial Instruments Adjustment Account	641	661
Pooled Investment Funds Adjustment Account	1,892	(582)
Deferred Capital Receipts Reserve	(4)	(4)
Pensions Reserve	-	49,966
Collection Fund Adjustment Account	(2,057)	4,020
<b>Total Unusable Reserves</b>	<b>(309,516)</b>	<b>(233,174)</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost.
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Note 24 Unusable Reserves (Continued)

<b>Revaluation Reserve</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>(82,771)</b>	<b>(71,569)</b>
Upward revaluation of assets	(28,688)	(15,207)
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	4,044	1,922
<b>Surplus or deficit on revaluation of non-current assets posted to the Surplus or Deficit on the Provision of Services</b>	<b>(24,644)</b>	<b>(13,285)</b>
Difference between fair value depreciation and historical cost depreciation	2,920	1,784
Accumulated gains on assets sold or scrapped	4,139	299
Other Movement	1	-
<b>Amount written off to the Capital Adjustment Account</b>	<b>7,060</b>	<b>2,083</b>
<b>Balance at 31 March</b>	<b>(100,355)</b>	<b>(82,771)</b>

**Pooled Investment Funds Adjustment Account**

This standard requires that where the relevant criteria are met for fair value gains and losses on a pooled investment fund, the charge must be applied to an account established, charged and used solely for the purpose of recognising fair value gains and losses, this being the 'Pooled Investment Funds Adjustment Account'.

<b>Pooled Investment Funds Adjustment Account</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>(582)</b>	<b>1,028</b>
Transfer in from Financial Instruments Available for Sale Reserve	-	-
Financial Instruments held under Fair Value through Profit and Loss subject to MHCLG statutory over-ride	2,474	(1,610)
<b>Balance at 31 March</b>	<b>1,892</b>	<b>(582)</b>

## Note 24 Unusable Reserves (Continued)

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction, or additions of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction, and subsequent costs. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	2022/23 £'000	2021/22 £'000
<b>Balance at 1 April</b>	<b>(204,464)</b>	<b>(189,556)</b>
<u>Reversal of items relating to capital expenditure debited or credited to the</u>		
- Charges for depreciation and impairment of non current assets	11,531	9,323
- Revaluation losses on Property, Plant and Equipment	(2,991)	(2,701)
- Amortisation of intangible assets	91	81
- Revenue expenditure funded from capital under statute	2,213	3,768
- Revenue expenditure funded from section 106 receipts	317	237
- Revenue expenditure funded from community infrastructure levies	1,937	2,660
- Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7,927	2,568
<u>Adjusting amounts written out of the Revaluation Reserve:</u>		
- Difference between fair value depreciation and historical cost depreciation in Revaluation Reserve	(2,920)	(1,784)
- Amounts written out on disposal of assets	(4,139)	(299)
<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>13,966</b>	<b>13,853</b>
<u>Capital financing applied in the year:</u>		
- Use of Capital Receipts Reserve to finance new capital expenditure	(759)	(1,009)
- Application of grants to capital financing from the Capital Grants Unapplied Account	(9,488)	(6,214)
- Application of grants to capital financing from Receipts in Advance	(119)	(102)
- Statutory provision for the financing of capital investment charged against the General Fund and and HRA balances	(1,207)	(1,058)
- Use of Major Repairs Reserve to finance new capital expenditure	(1,681)	(1,939)
- Use of Major Repairs Reserve to finance repayment of debt	-	(10,286)
- Capital expenditure charged against the General Fund and HRA balances	(6,322)	(7,864)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	442	(289)
Other Movement	(2)	-
<b>Balance at 31 March</b>	<b>(209,634)</b>	<b>(204,464)</b>

## Note 24 Unusable Reserves (Continued)

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

<b>Financial Instruments Adjustment Account</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>661</b>	<b>682</b>
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(20)	(21)
<b>Balance at 31 March</b>	<b>641</b>	<b>661</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The zero balance on the Pensions Reserve reflects a surplus, in the benefits earned by past and current employees and the resources the Council has set aside to meet them, which has been limited by the asset ceiling (the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan) as directed by IAS 19.

<b>Pensions Reserve</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>49,966</b>	<b>84,267</b>
Remeasurements of the net defined benefit liability / (asset)	(55,210)	(41,520)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	14,230	15,593
Employer's pensions contributions and direct payments to pensioners payable in the year	(8,986)	(8,374)
<b>Balance at 31 March</b>	<b>-</b>	<b>49,966</b>

## Note 24 Unusable Reserves (Continued)

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax-payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

<b>Collection Fund Adjustment Account</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>4,020</b>	<b>13,779</b>
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements.	(6,077)	(9,759)
<b>Balance at 31 March</b>	<b>(2,057)</b>	<b>4,020</b>

## 25. Members Allowances

The Council is governed by 55 councillors, covering 29 wards. The Council paid the following amounts to elected Members during the year.

	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Basic, Attendance and Special Responsibility Allowances	686	621
Subsistence and Expenses	20	12
<b>Total</b>	<b>706</b>	<b>633</b>

## 26. External Audit costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors.

	2022/23	2021/22
	£'000	£'000
Fees payable to the Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the year	74	70
Additional fees payable to the Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the previous year	-	21
Fees payable to the Ernst and Young LLP for the certification of grant claims and returns for the year	32	37
Additional fees payable to the Ernst and Young LLP for the certification of grant claims and returns for the previous year	8	1
<b>Total</b>	<b>114</b>	<b>129</b>

## 27. Related Parties

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

**Central Government:** Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties (e.g. council tax bills, business rates and housing benefits). Grants received from Government departments and grants receipts outstanding at 31 March 2023 are shown in Note 20.

## Note 27 Related Parties (Continued)

**Suffolk County Council:** Transactions include income and expenditure, precept payments and Business Rates pooling (Collection Fund statement), pension payments (Note 28), and funding of partnership arrangements. Income relating to Waste Recycling Credits totalled £1.659m (2021/22 £1.726m) with a year-end debtor of £0.118m (2021/22 £0.367m).

**Members and Chief Officers:** Members and Chief Officers of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2022/23 is shown in note 23. The Council made payments in 2022/23 totalling £0.571m (2021/22 £1.187m) with a year-end creditor of £0.003m (2021/22 £0.119m) to other organisations in which Members had an interest. The Council also received income from other organisations totalling £0.010m (2021/22 £0.054m) with a year-end debtor of £0.002m (2021/22 £0.003m) in which members had an interest. Any contracts were entered into in full compliance with the Council's standing orders, and any grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to awarding of the contract or grant.

**Levies Paid to other Authorities:** Rivers and Drainage Authorities £0.160m (2021/22 £0.153m) as shown in note 11.

**Waveney Norse Ltd:** As part of the contract with Waveney Norse Ltd, two Council employees, Andrew Jarvis (Strategic Director) and Kerry Blair (Head of Operations), are named as Directors of Waveney Norse Ltd due to their representation of the Council's interests through the Partnership Board.

**Suffolk Coastal Norse Ltd :** As part of the contract with Suffolk Coastal Norse Ltd, one Council employee, Andrew Jarvis (Strategic Director), along with a Cabinet Member, Stephen Burroughes, (Cabinet Member with responsibilities for Operational Partnerships) are named as Directors of Suffolk Coastal Norse Ltd due to their representation of the Council's interests through the Partnership Board.

**East Suffolk Holdings Limited:** East Suffolk Holdings Limited is wholly owned by the Council and was incorporated on 24 October 2019. Two Council employees, Andrew Jarvis (Strategic Director) and Nicholas Khan (Strategic Director) are named as Directors of East Suffolk Holdings Limited.

## Note 27 Related Parties (Continued)

**East Suffolk Construction Services Limited / East Suffolk Property Developments Limited / East Suffolk Property Investments Limited:** East Suffolk Holdings Limited is the sole shareholder of East Suffolk Construction Services Limited, East Suffolk Property Developments Limited, and East Suffolk Property Investments Limited, all of which were incorporated on 26 November 2019. Two Council employees, Andrew Jarvis (Strategic Director) and Nicholas Khan (Strategic Director) are named as Directors of all three of these companies.

**East Suffolk Services Limited:** East Suffolk Services Limited is wholly owned by East Suffolk Holdings Limited, which in turn is wholly owned by the Council, and was incorporated on 25 March 2022. Two Council employees, Andrew Jarvis (Strategic Director) and Nicholas Khan (Strategic Director) are named as Directors of East Suffolk Services Limited.

## 28. Officer's remuneration and exit packages

The remuneration paid to senior employees is set out in the table below. No bonuses were paid in 2022/23. The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

		Salary, Fees and Allowances	Benefits in Kind (e.g. Car Allowances)	Total Excluding Pension Contributions	Employer's Pension Contribution	Total including Pension Contributions
		£	£	£	£	£
Chief Executive *	<b>2022/23</b>	<b>121,704</b>	<b>722</b>	<b>122,426</b>	<b>37,883</b>	<b>160,309</b>
	2021/22	157,457	963	158,420	51,454	209,873
Chief Executive	<b>2022/23</b>	<b>39,461</b>	-	<b>39,461</b>	<b>12,628</b>	<b>52,089</b>
	2021/22	-	-	-	-	-
Strategic Director	<b>2022/23</b>	<b>108,523</b>	-	<b>108,523</b>	<b>34,727</b>	<b>143,250</b>
	2021/22	106,598	-	106,598	34,831	141,429
Strategic Director	<b>2022/23</b>	<b>108,523</b>	-	<b>108,523</b>	<b>34,727</b>	<b>143,250</b>
	2021/22	106,598	-	106,598	34,831	141,429
Strategic Director **	<b>2022/23</b>	<b>13,041</b>	-	<b>13,041</b>	<b>4,173</b>	<b>17,214</b>
	2021/22	-	-	-	-	-
Chief Finance Officer & S151 Officer	<b>2022/23</b>	<b>99,365</b>	-	<b>99,365</b>	<b>29,362</b>	<b>128,727</b>
	2021/22	86,078	-	86,078	28,126	114,204
Head of Communities	<b>2022/23</b>	<b>89,629</b>	-	<b>89,629</b>	<b>11,714</b>	<b>101,343</b>
	2021/22	76,207	-	76,207	24,900	101,107
Head of Customer Experience	<b>2022/23</b>	<b>78,132</b>	-	<b>78,132</b>	<b>25,002</b>	<b>103,134</b>
	2021/22	73,385	-	73,385	23,978	97,363
Head of Economic Development & Regeneration	<b>2022/23</b>	<b>87,500</b>	-	<b>87,500</b>	<b>28,000</b>	<b>115,500</b>
	2021/22	76,207	-	76,207	24,900	101,107
Head of Environmental Services & Port Health	<b>2022/23</b>	<b>83,795</b>	-	<b>83,795</b>	<b>26,817</b>	<b>110,613</b>
	2021/22	18,837	-	18,837	6,216	25,054
Head of Housing	<b>2022/23</b>	<b>84,403</b>	-	<b>84,403</b>	<b>26,013</b>	<b>110,416</b>
	2021/22	40,393	-	40,393	13,261	53,654
Head of Digital & Programme Management	<b>2022/23</b>	<b>91,980</b>	-	<b>91,980</b>	<b>29,464</b>	<b>121,445</b>
	2021/22	70,731	-	70,731	23,038	93,769
Head of Internal Audit	<b>2022/23</b>	<b>78,132</b>	-	<b>78,132</b>	<b>25,002</b>	<b>103,134</b>
	2021/22	76,207	-	76,207	24,900	101,107
Head of Legal & Democratic Services	<b>2022/23</b>	<b>84,403</b>	-	<b>84,403</b>	<b>27,009</b>	<b>111,412</b>
	2021/22	60,274	-	60,274	19,613	79,887
Head of Operations	<b>2022/23</b>	<b>84,403</b>	-	<b>84,403</b>	<b>27,009</b>	<b>111,412</b>
	2021/22	81,433	-	81,433	26,610	108,042
Head of Planning & Coastal Management	<b>2022/23</b>	<b>91,756</b>	-	<b>91,756</b>	<b>29,362</b>	<b>121,118</b>
	2021/22	89,831	-	89,831	29,352	119,183
* postholder - left Councils employment						
** new post commenced February 2023						

## Note 28 Officers Remuneration (Continued)

The table below shows employees remuneration by band over £50,000 in £5k increments. The numbers include officers who were made redundant voluntarily during the 2022/23 financial year, and whose remuneration may not have normally been included within the limits of the above table, but who had received a redundancy payment which increased their earnings to over the minimum of £50k. An additional column in the Table above shows leavers. In addition, other transactions are disclosed in Note 27, Related Parties.

Remuneration band	2022/23		2021/22	
	Number of employees		Number of employees	
	Total	Left in Year	Total	Left in Year
£50,000 - £54,999	21	1	6	-
£55,000 - £59,999	14	-	8	-
£60,000 - £64,999	1	1	1	-
£65,000 - £69,999	2	-	2	-
£70,000 - £74,999	3	-	4	-
£75,000 - £79,999	2	-	4	-
£80,000 - £84,999	4	-	1	-
£85,000 - £89,999	2	-	2	-
£90,000 - £94,999	2	-	-	-
£95,000 - £99,999	1	-	-	-
£105,000 - £109,999	-	-	2	-
£155,000 - £159,999	-	-	1	-
	<b>52</b>	<b>2</b>	<b>31</b>	<b>-</b>

Note 28 Officers Remuneration (Continued)

**Exit Packages**

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Package cost band (including special payments)	Number of Compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	£						£	
0 to 20,000	-	3	15	7	15	-	28,970	45,204
20,001 to 40,000	-	1	1	-	1	-	21,214	21,079
40,001 to 60,000	-	-	-	1	-	-	-	46,167
60,001 to 80,000	-	1	-	-	-	-	-	70,961
80,001 to 100,000	-	-	-	1	-	-	-	88,272
<b>Total</b>	-	5	<b>16</b>	9	<b>16</b>	-	<b>50,184</b>	271,684

The total cost in the above table covers exit packages (also known as termination benefits) that have been agreed, accrued for and charged to the Council's Comprehensive Income and Expenditure Statement for the disclosed financial year. The figures exclude payments made for ill-health retirements as they are not discretionary and do not therefore meet the definition of termination benefits under the CIPFA Code of Practice.

## 29. Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
<b><i>Opening Capital Financing Requirement</i></b>	<b>119,912</b>	<b>124,261</b>
<i>Capital investment</i>		
Property, Plant and Equipment*	23,563	19,791
Intangible Assets	719	580
Heritage Assets	586	499
Payment in advance	53	-
Revenue Expenditure Funded from Capital under Statute	4,467	6,665
Property, Plant and Equipment written out to Revenue	(13)	(1)
<b>Total Capital Investment</b>	<b>29,375</b>	<b>27,534</b>
<i>Sources of finance:</i>		
Capital receipts	759	1,009
Government grants and other contributions	9,607	6,316
Sums set aside from revenue:		
Direct revenue contributions	6,322	7,864
Minimum Revenue Provision	1,207	1,058
Release of Payment in Advance	-	3,411
Major Repairs Reserve	1,681	12,225
<b><i>Closing Capital Financing Requirement</i></b>	<b>129,711</b>	<b>119,912</b>
<b><i>Explanation of movements in year</i></b>		
Increase in underlying need to borrowing (unsupported by government financial	9,799	(4,349)
<b><i>Increase/(decrease) in Capital Financing Requirement</i></b>	<b>9,799</b>	<b>(4,349)</b>

\*This figure match to the Additions lines in Note 14 detailing movements on the non-current assets.

## 30. Leases

### Disclosures as Lessee

#### Finance Leases

No assets under finance leases were acquired by the Council in the year. Assets acquired under finance leases prior to 1st April 2022 are carried as property, plant and equipment in the Balance Sheet at the net amount of £13.5m.

	2022/23	2021/22
	£'000	£'000
Other Land and Buildings	13,500	11,650
	<b>13,500</b>	<b>11,650</b>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council, and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2022/23		2021/22	
	£'000		£'000	
Finance lease liabilities (net present value of minimum lease payments):				
- current		344		322
- non current		5,113		5,457
Finance costs payable in future years		2,579		2,988
Minimum lease payments		<b>8,036</b>		<b>8,767</b>
The minimum lease payments will be payable over the following periods:				
	Minimum Lease Payments		Finance Lease Liabilities	
	2022/23	2021/22	2022/23	2021/22
	£'000	£'000	£'000	£'000
Not later than one year	731	731	344	322
Later than one year and not later than five years	2,922	2,922	1,639	1,530
Later than five years	4,384	5,114	3,474	3,927
	<b>8,037</b>	<b>8,767</b>	<b>5,457</b>	<b>5,779</b>

### Note 30 Leases (Continued)

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. There were no material contingent rents payable by the Council under finance leases for 2022/23. In relation to one of the Council's finance leases, the Lessor had to secure financing to be able to fulfil the capital project it was undertaking for the Council. It was agreed between the Lessor and Santander, that as part of the Council's monthly lease payment, the Council would make direct payment to Santander to cover the cost of the Lessor's monthly repayment of the financing.

### Operating Leases

The Council has the following material operating leases as a lessee:

	Other Land and Buildings	
	2022/23	2021/22
	£'000	£'000
Not later than one year	134	165
Later than one year and not later than five years	76	198
Later than five years	71	84
	<b>281</b>	<b>447</b>

### Disclosures as Lessor

*Finance Leases*- The Council has no material finance leases as a lessor.

*Operating Leases*- The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services, etc.; or
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under leases in future years are:

	2022/23	2021/22
	£'000	£'000
Not later than one year	1,858	1,843
Later than one year and not later than five years	4,871	4,503
Later than five years	30,018	27,549
	<b>36,747</b>	<b>33,895</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into.

There were no material contingent rents receivable by the Council under operating leases for 2021/22. All assets provided under operating lease assets by the Council are shown within the movements included within Property, Plant and Equipment (Note 14).

## 31. Pensions

Pension costs are accounted for in accordance with the accounting standard IAS19. The objectives of IAS19 are to ensure that the financial statements reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and any related funding and that the operating costs of providing retirement benefits to employees are recognised in the accounting period in which the benefits are earned, and that the financial statements contain adequate disclosure of the cost of providing retirement benefits. IAS19 costs are not, however, chargeable to council tax, it is only the actual payments that impact on the accounts and are shown in the Movement in Reserves Statement.

The zero balance on the Balance Sheet reflects a surplus, in the benefits earned by past and current employees and the resources the Council has set aside to meet them, which has been limited by the asset ceiling (the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan) as directed by IAS 19.

The latest triennial actuarial valuation of the assets and liabilities of the Suffolk County Pension Fund was completed on 31 March 2022. The Council has been advised that its share of the pension fund was 107% fully funded at this date. The proposed

employers pension contribution rate for 2023/24 is 25%.

### Participation in the pension scheme

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered locally by Suffolk County Council - this is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Suffolk Pension Fund scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Suffolk County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee and consist of the

Head of Finance (S151 Officer) of Suffolk County Council and Investment Fund managers. The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

### Transactions relating to post-employment benefits

Retirement benefits are reported in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against Council Tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Note 31 Pensions (Continued)

	Local Government Pension Scheme	
	2022/23 £'000	2021/22 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Cost of Services:</i>		
- Current service cost	12,830	13,749
- Past Service cost	-	105
<i>Financing and investment income and expenditure:</i>		
- Net interest expense	1,400	1,739
<i>Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	<u>14,230</u>	<u>15,593</u>
<i>Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in the net interest expense)	9,582	(22,511)
- Actuarial gains and losses arising on changes in demographic assumptions	(2,311)	(3,325)
- Actuarial gains and losses arising on changes in financial assumptions	(128,218)	(19,960)
- Other	19,879	4,276
- Adjustment due to limiting a net defined benefit asset to the asset ceiling	45,858	-
<i>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>	<u>(55,210)</u>	<u>(41,520)</u>
<i>Movement in Reserves Statement:</i>		
- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(14,230)	(15,593)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
- Employers' contributions payable to scheme	8,986	8,374

Note 31 Pensions (Continued)

**Pension's assets and liabilities recognised in the Balance Sheet (limited by the asset ceiling)**

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	<b>Local Government Pension Scheme</b>	
	<b>2022/23 £'000</b>	<b>2021/22 £'000</b>
Present value of the defined benefit obligation	(248,380)	(343,739)
Fair value of plan assets	294,238	293,773
Effect of the asset ceiling	(45,858)	-
<b>Net asset/(liability) arising from defined benefit obligation</b>	<b>-</b>	<b>(49,966)</b>

Note 31 Pensions (Continued)

Reconciliation of the movements in the fair value of the scheme (plan) assets:	Local Government Pension Scheme		Reconciliation of present value of the scheme liabilities (defined benefit obligation):	Local Government Pension Scheme	
	2022/23	2021/22		2022/23	2021/22
	£'000	£'000		£'000	£'000
Opening fair value of scheme assets	293,773	267,624	Opening balance 1 April	343,739	351,891
Interest Income	7,954	5,355	Current service cost	12,830	13,749
Effect of Settlements			Interest cost	9,354	7,094
Remeasurement gain / (loss):			Contributions from scheme participants	1,937	1,659
- The return on plan assets, excluding the amount included in net interest	(9,582)	22,511	Remeasurement (gains) and losses:		
- Other		(2,369)	- Actuarial gains / losses arising from changes in demographic	(2,311)	(3,325)
Contributions from employer	8,986	8,374	- Actuarial gains / losses arising from changes in financial	(128,218)	(19,960)
Contributions by employees into the scheme	1,937	1,659	- Other	19,879	1,907
Benefits paid	(8,830)	(9,381)	Past service costs	-	105
Closing fair value of scheme assets	<b>294,238</b>	<b>293,773</b>	Benefits paid	(8,830)	(9,381)
			Closing balance at 31 March	<b>248,380</b>	<b>343,739</b>

Reconciliation of the effect of the asset ceiling	Local Government Pension Scheme	
	2022/23	2021/22
	£'000	£'000
Opening balance 1 April	-	-
Adjustment due to limiting a net defined benefit asset to the asset ceiling	45,858	-
Closing balance at 31 March	<b>45,858</b>	-

## Note 31 Pensions (Continued)

Local Government Pension Scheme assets comprised: (Active Markets unless otherwise stated)	Fair Value of Scheme	
	Assets	
	2022/23 £'000	2021/22 £'000
Debt Securities:		
- Corporate Bonds (Investment Grade)	61,501	62,461
Private Equity (Non-active Market 2022/23 - 10,472 (2021/22 -	13,310	13,634
Real Estate:		
- UK Property	23,484	24,969
Investment Funds & Unit Trusts:		
- Equities	135,055	133,691
- Bonds	7,001	11,443
- Hedge Funds	11,038	14,283
- Infrastructure (Non-active Market)	30,653	22,076
- Other (Non-active Market)	8,757	8,463
	192,504	189,956
Derivatives:		
Cash and cash equivalents	3,439	3,040
<b>Total Assets (Non-active Market 2022/23 - 49,883 (2021/22 - 40,809))</b>	<b>294,238</b>	<b>294,060</b>

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, based on the 2022 formal valuation.

## Note 31 Pensions (Continued)

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2022/23	2021/22
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	21.8	21.9
- Women	24.1	24.3
Longevity at 65 for future pensioners:		
- Men	23.1	22.9
- Women	25.6	26.1
Rate of inflation	2.95%	3.20%
Rate of increase in salaries	3.95%	3.90%
Rate of increase in pensions	2.95%	3.20%
Rate for discounting scheme liabilities	4.75%	2.70%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

## Note 31 Pensions (Continued)

### Sensitivity Analysis

The sensitivities regarding the principal assumption used to measure the scheme liabilities are set out below:

<b>Change in assumptions at 31 March 2023</b>	<b>Approx. increase in Employers Liability</b>	<b>Approx. amount £'000</b>
0.1% decrease in Real Discount Rate	2%	4,241
1 year increase in member life expectancy	4%	9,935
0.1% increase in the Salary Increase Rate	0%	462
0.1% increase in the Pension Increase Rate	2%	3,840

A one-year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

### Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at a constant rate as far as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over 20 years. Funding levels are monitored on an annual basis. The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31st March 2015. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. The Council anticipates paying £7.019m in contributions to the scheme in 2023/24.

## 32. Contingent Assets & Liabilities

As at 31 March 2023, the Council had no contingent assets or liabilities.

## 33. Interests in companies and other entities

Local Authorities must consider all their interests in entities and prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. Before group accounts can be produced the following actions need to be carried out:

- Determine whether the Council has any form of interest in an entity.
- Assess the nature of the relationship between the Council and the entity.
- Determine the grounds of materiality whether group accounts should be prepared.

Having considered the accounting requirements and the Council's involvement with all companies and organisations, Group Accounts have been prepared. These incorporate only the results of Waveney Norse Limited, an Associate of which the Council owns a 19.9% share, and Suffolk Coastal Norse Limited, an Associate of which the Council owns a 20% share.

### Waveney Norse Limited and Suffolk Coastal Norse Limited

In 2008/09, Waveney District Council entered into an arrangement with Norse Commercial Services Limited (NCS) for the provision of a package of services including Refuse, Cleansing and Maintenance. A new company, Waveney Norse Ltd, was formed to deliver this service. Suffolk Coastal District Council had held a 20% share of Suffolk Coastal Norse Limited (Ltd) since 1st April 2009. Suffolk Coastal Norse Ltd provides a package of services including Refuse, Cleansing and Maintenance.

Group Accounts have been prepared as East Suffolk Council has the 'power' to participate in operating decisions and because transactions between both of these companies and East Suffolk Council are material. The Group Accounts incorporate East Suffolk Council's share of the net assets and surpluses of Waveney Norse Ltd and Suffolk Coastal Norse Ltd as Associates, using the Equity method.

The Group Accounts are included in this document as additional columns to East Suffolk Council's Primary Statements, showing the extent of the Council's 19.9% interest in Waveney Norse Ltd and 20% interest in Suffolk Coastal Norse Ltd. In addition to the Group Accounts, the following information has been disclosed to aid an understanding of the nature of the group relationship and the impact of the arrangements East Suffolk Council's Statement of Accounts.

- a) The registered names of the Companies are Waveney Norse Limited and Suffolk Coastal Norse Limited;

Note 33 Interests in Companies & other entities (Continued)

- b) Nature of the business - the principal activities of Waveney Norse Ltd and Suffolk Coastal Norse Limited are refuse, cleansing and maintenance services;
- c) The immediate parent undertaking is Norse Commercial Services Limited;
- d) The ultimate parent undertaking is Norse Group Limited;
- e) The ultimate controlling party is Norfolk County Council, by virtue of them owning 100% of the ordinary share of Norse Group Limited;
- f) East Suffolk Council holds fully paid Ordinary Share capital of £2, in Waveney Norse Ltd with no special rights or constraints. It has a 19.9% share and also receives a 50-50 profit / loss share at year-end;
- g) East Suffolk Council holds fully paid Ordinary Share capital of £2, in Suffolk Coastal Norse Ltd with no special rights or constraints. It has a 20% share and also receives a 50-50 profit / loss share at year-end;
- h) Both companies' contributions to their pension schemes are treated as if they are contributions to a defined contribution scheme. Set contributions are paid over the life of the Agreement, with any increase or decrease in funding being met by the Council.
- i) Payments made to Waveney Norse Limited in respect of refuse, cleansing and maintenance services are included within the Cost of Services in the Comprehensive Income and Expenditure Statement. Total payments to Waveney Norse Ltd were £8.13m in 2022/23 and included in the Accounting Statements as follows:

	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Housing Operations and Landlord Services	719	705
Legal and Democratic Services	10	10
Operations	7,359	7,466
Planning and Coastal Management	42	41
	<b>8,130</b>	<b>8,222</b>

Note 33 Interests in Companies & other entities (Continued)

j) Details of Waveney Norse Limited's draft annual financial results to 31 March 2023 are set out below;

	2022/23 Waveney Norse £000	2022/23 Council Investment (19.9%) £000	2021/22 Waveney Norse £000	2021/22 Council Investment (19.9%) £000
Current Assets				
Stock	140	28	46	9
Debtors	4,362	868	534	106
Cash at Bank	244	49	4,439	883
Gross Assets	4,745	944	5,019	999
Creditors falling due within one year	(1,731)	(345)	(2,180)	(434)
Net Assets / Shareholder's Funds	<b>3,014</b>	<b>600</b>	<b>2,839</b>	<b>565</b>
Turnover	10,215	2,033	10,215	2,033
Profit on ordinary activity before taxation	198	39	331	66
Tax on profit on ordinary activity	(23)	(5)	(39)	(8)
Profit for the Financial Period	<b>175</b>	<b>35</b>	<b>292</b>	<b>58</b>
<u>Tax components included in the above figures are as follows:</u>				
	£000	£000	£000	£000
Debtors				
- Deferred Tax asset	31	6	87	17
Creditors falling due within one year				
- Corporation Tax	(55)	(11)	(89)	(18)
Tax on profit on ordinary activity				
- Current Tax	32	6	50	(8)
- Deferred Tax	(55)	(11)	(89)	(18)
	<b>(23)</b>	<b>(5)</b>	<b>(39)</b>	<b>(26)</b>

Note 33 Interests in Companies & other entities (Continued)

- k) Payments made to Suffolk Coastal Norse Limited in respect of refuse, cleansing and maintenance services are included within the Cost of Services in the Comprehensive Income and Expenditure Statement. Total payments to Suffolk Coastal Norse Ltd were **£9.804m in 2021/22** and included in the Accounting Statements as follows:

	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Planning & Coastal Management	13	13
Legal & Democratic Services	2	2
Housing Operations & Landlord services Operations	-	1
	9,020	9,788
	<b>9,035</b>	<b>9,804</b>

- l) Details of Suffolk Coastal Norse Limited’s draft annual financial results to 31 March 2023 are set out below:

Note 33 Interests in Companies & other entities (Continued)

	2022/23	2022/23	2021/22	2021/22
	Suffolk	Council	Suffolk	Council
	Coastal	Investment	Coastal	Investment
	Norse Ltd	(20%)	Norse Ltd	(20%)
	£'000	£'000	£'000	£'000
<b>Current Assets</b>				
Stock	44	9	75	15
Debtors	5,298	1,060	800	160
Cash at Bank	906	181	5,124	1,025
	<b>6,248</b>	<b>1,250</b>	<b>5,999</b>	<b>1,200</b>
Creditors falling due within one year	(2,105)	(421)	(2,193)	(439)
Provision for Deferred Taxation	675	135	725	145
Defined Benefit Pension Scheme Liability	6,032	1,205	(2,546)	(510)
	<b>10,851</b>	<b>2,169</b>	<b>1,985</b>	<b>396</b>
Net Assets / Shareholder's funds				
Share of Actuarial Gains/(Losses)	6,449	1,290	2,901	580
Turnover	14,967	2,993	13,864	2,773
Gain/ Loss on ordinary activity before taxation	322	64	386	77
Tax on profit on ordinary activity	(49)	(10)	(43)	(9)
Gain/ Loss for the Financial Period	<b>272</b>	<b>54</b>	<b>343</b>	<b>68</b>
<u>Tax components included in the above figures are as follows:</u>				
Debtors				
- Deferred Tax asset	<b>675</b>	135	725	145
Creditors falling due within one year				
- Corporation Tax	<b>118</b>	24	118	24
Tax on profit on ordinary activity				
- Current Tax	<b>68</b>	14	75	15
- Deferred Tax	<b>(118)</b>	(24)	(118)	(24)
	<b>(49)</b>	<b>(10)</b>	<b>(43)</b>	<b>(9)</b>

## Note 33 Interests in Companies & other entities (Continued)

### East Suffolk Services Limited

East Suffolk Services Limited (ESSL) was incorporated on 25 March 2022 and is wholly owned by East Suffolk Holdings Limited (incorporated on 24 October 2019), which in turn is wholly owned by the Council. Two Council employees, Andrew Jarvis (Strategic Director) and Nicholas Khan (Strategic Director) are named as Directors of East Suffolk Services Limited. The company is intended to take over the operations of the Norse Joint Venture on 1st July 2023, with its services including Waste and Recycling collections, Grounds Maintenance, Street Cleansing, Facilities Management, CCTV, Home Alarms and Parking Enforcement.

In the financial year 2022/23 three members of staff were employed by ESSL including a Managing Director, Director of Finance and Director of Operations. On 1 July relevant staff from Norse will TUPE across to ESSL to ensure a smooth continuation of trading from a customer's viewpoint.

In the 2022-23 financial year the following financial transactions were made by ESSL:

	<b>2022/23</b>
	<b>£'000</b>
Non- pay expenditure	10
Pay related expenditure	149
Income	(1)
<b>Net Loss</b>	<b>158</b>

As these amounts are not material, these have not been included within the Councils 2022/23 Group accounts. In addition to the income and expenditure listed above, the Council loaned ESSL £1.8m in 2022/23, on an Equal Instalments of Principal (EIP) repayment basis over a 10-year period.

Full Group accounts for ESSL will be included in the Councils 2023/24 accounts.

### 34. Long term Borrowing

		2022/23	2021/22
		£'000	£'000
Analysis by Lender:			
	Public Works Loan Board	65,645	65,806
Analysis by Maturity:			
Repayable within:			
	Less than 1 year (short term)	-	-
	2 to 5 years	12,005	2,000
	5 to 10 years	10,000	20,006
	10 to 20 years	40,640	40,800
	over 20 years	3,000	3,000
		<b>65,645</b>	<b>62,806</b>
Fair Value of PWLB Loans at the year-end		<b>56,732</b>	<b>71,206</b>

### 35. Long term investments

As at 31 March 2023, East Suffolk Council had long term investment balances of £24.9m of which £5.005m was held with other local authorities and £19.895m was held in a mix of Property Funds and Diversified Income Funds and £3k in Anglia Revenues Partnership (ARP). The Council has invested in these funds for the long term and therefore expect any downturn in fund values due to Covid19 will be mitigated over time.

	2022/23	2021/22
	£'000	£'000
Other Local Authorities	5,005	20,215
Other Entities	19,895	20,566
	<b>24,900</b>	<b>40,781</b>

During 2022/23 the Council has received dividends on the investments and the principal invested in the Property Fund has depreciated in value, by £2.474m and the diversified income fund had depreciated by £691k resulting in a net adjustment of £3.165m. This was charged to Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement and added to the long-term investment balance resulting in the balance decreasing to £9.035m for the Property Fund and £9.054m for the Diversified Income Fund.

## 36. Interest and Investment income

This relates to interest earnings from the short-term external investment of surplus cash balances and the interest on any loans made to other local authorities. The income is analysed over the different financial institutions borrowing from the Council, as follows:

	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Investment Income	318	327
Banks	585	43
Other Local Authorities	827	376
Interest on other loans/leases	484	1
	<b>2,214</b>	<b>747</b>
Less credited to external deposits received, i.e. Section 106 agreements	(99)	(69)
<b>Total investment income</b>	<b>2,115</b>	<b>678</b>

## 37. Prior period adjustments

There are no prior period adjustments to report in 2022/23.

## Housing Revenue Account Income & Expenditure Statement

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

	HRA Note	2022/23 £'000	2021/22 £'000
<b>Income</b>			
Gross rental income:			
- Dwelling rents		(19,357)	(15,674)
- Non-dwelling rents		(181)	(171)
Charges for services and facilities		(711)	(836)
Lease holders charges for services and facilities		(10)	(12)
Contributions towards expenditure		(217)	(97)
Reimbursement of costs		(48)	(273)
<b>Total income</b>		<b>(20,524)</b>	<b>(17,063)</b>
<b>Expenditure</b>			
Repairs, maintenance and management:			
- Repairs and maintenance		6,194	5,211
- Supervision and management		4,063	4,114
- Special Services		3,211	2,024
- Redundancy and associated pension costs		-	-
Rents, rates and other charges		156	162
Movement in the allowance for bad debts		-	22
Depreciation of HRA non-current assets:			
- Dwellings	8	3,543	3,377
- Other assets	8	164	158
Revaluation & impairment of HRA non-current assets		(2,716)	(2,139)
Debt management costs	4	24	23
<b>Total expenditure</b>		<b>14,639</b>	<b>12,952</b>
<b>Net expenditure or (income) of HRA services as included in the whole authority CIES</b>		<b>(5,885)</b>	<b>(4,111)</b>
- HRA share of Corporate and Democratic Core		81	78
<b>Net expenditure or (income) of HRA services</b>		<b>(5,804)</b>	<b>(4,033)</b>
HRA share of the operating income and expenditure included in the whole authority CIES:			
- (Gain) or loss on sale of HRA non-current assets		(968)	(227)
- Interest payable and similar charges	4	2,105	2,166
- HRA interest and similar income	4	(331)	(239)
- HRA non-ringfenced Government Grants	4	(14)	-
- HRA Capital Grants & Contributions		-	(4)
<b>(Surplus) or deficit for the year on HRA services</b>		<b>(5,012)</b>	<b>(2,337)</b>

## Movement on the Housing Revenue Account Statement

The overall objectives for the Movement on the HRA Statement and the general principles for its construction are the same as those generally for the Movement in Reserves Statement, into which it is consolidated. The statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

		<b>2022/23</b>	<b>2021/22</b>
		<b>£'000</b>	<b>£'000</b>
<b>Movement on the HRA Statement</b>			
<b>HRA balance brought forward</b>		<b>(4,104)</b>	<b>(4,576)</b>
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(5,012)	(2,337)	
Adjustments between accounting basis and funding basis under statute (Note 9 to the Core Statements)	3,996	2,309	
<b>Net (increase) or decrease before transfers to or from reserves</b>	<b>(1,016)</b>	<b>(28)</b>	
Transfers (from) or to HRA Earmarked Reserves (Note 10 to the Core Statements)	757	500	
<b>(Increase) or decrease in year on the HRA</b>		<b>(259)</b>	<b>472</b>
<b>Balance on the HRA at the end of the year</b>		<b>(4,363)</b>	<b>(4,104)</b>

## Notes to the Housing Revenue Account

### 1. Dwelling Rents and Charges for Services and Facilities

The account shows the rent and charges for services and facilities due in the year after allowing for voids and other losses in collection. 2022/23 is a 52-week rent year. Charges for Services and Facilities relate to heating, warden and other communal services provided to residents in sheltered accommodation.

	2022/23	2021/22
Average dwelling rent per week (£)	84.12	83.96
Arrears at 31 March (£'000)	1,408	1,170
Arrears at 31 March as % of the gross income collectable	6.8%	5.8%
Provision for bad debts at 31 March (£'000)	872	872

### 2. Major Repairs Reserve (MRR)

	2022/23	2021/22
	£'000	£'000
The movement on the Major Repairs Reserve (MRR) for the financial year is analysed below:		
MRR opening balance	13,754	22,444
Amounts transferred to/(from) the MRR during the year	3,707	3,535
Debits to the MRR during the year in respect of HRA capital expenditure	(1,681)	(12,225)
<b>MRR closing balance</b>	<b>15,780</b>	<b>13,754</b>

Under Self-Financing accumulated depreciation is transferred into the MRR where it is ring-fenced to be used to repay the principal elements of HRA debt as well as to finance new capital expenditure. Movements and balances on the MRR are also detailed in the Movement in Reserves Statement and Note 10 to the Core Statements.

### 3. Capital Receipts – Disposal of Council Dwellings

	2022/23	2021/22
Capital receipts from sales of council houses (Right to Buys) can be summarised as follows:		
- Number of disposals under Right to Buy	32	28
- Value of disposals under Right to Buy (£'000)	2,667	2,450
Value of capital receipts from the disposal of other HRA land, houses and property	392	85

### 4. Capital Related Charges

	2022/23	2021/22
	£'000	£'000
Depreciation charge	3,707	3,535
Debt management expenses	24	23
Interest payable	2,095	2,156
Premium charges for early repayment of debt	10	10
Transfer to Capital Financing Account via MRR	1,681	1,939
Interest income on notional cash balances	(331)	(239)

## 5. Housing Stock

	2022/23	2021/22
The stock of dwellings has changed as follows:		
Opening stock of dwellings	4,451	4,459
Add: new build/purchases/additions	1	20
Less: sales	(32)	(28)
Less: properties lost to conversion, disposal and deletion	(2)	-
<b>Closing stock of dwellings</b>	<b>4,418</b>	<b>4,451</b>
Analysis of closing stock numbers:		
Houses	1,972	1,998
Bungalows	1,191	1,192
Flats	1,255	1,261
	<b>4,418</b>	<b>4,451</b>

## 6. Capital Expenditure

	2022/23	2021/22
	£'000	£'000
Dwellings	1,680	1,923
Dwelling acquisitions	1,351	1,552
Other Land and Buildings	1	16
Vehicles	-	111
Infrastructure Assets	-	-
Assets Under Construction	712	295
	<b>3,744</b>	<b>3,897</b>
Financed by:		
Borrowing	-	-
Usable capital receipts	759	896
Revenue contributions	901	853
Grants and contributions	403	209
Major Repairs Reserve	1,681	1,939
	<b>3,744</b>	<b>3,897</b>

## 7. Non-Current Assets

The Balance Sheet value of land, dwellings and other property within the HRA as at 1 April 2022 in the financial year and the closing Balance Sheet value as at 31 March 2023 is included within Note 14 to the Core Statements. The Balance Sheet values of HRA non-current assets are disclosed below:

	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Council dwellings	256,502	222,560
Other land and buildings	2,297	2,009
Vehicles, plant, furniture and equipment	164	231
Infrastructure and community assets	28	-
Assets under construction	1,706	526
Land Awaiting Development	3,345	3,174
Assets held for sale	4	4
<b>Total Balance Sheet value of HRA non-current assets (PPE)</b>	<b>264,046</b>	<b>228,504</b>
Intangibles	-	6
<b>Total Balance Sheet value of HRA non-current assets</b>	<b>264,046</b>	<b>228,510</b>
Dwellings - Vacant Possession Value	673,170	618,262

Vacant possession value and Balance Sheet value of council dwellings within the HRA show the economic cost to Government of providing council housing at less than market rents.

## 8. Depreciation

The depreciation charge for the year, for all of the HRA's non-current assets are disclosed as follows:

	2022/23	2021/22
	£'000	£'000
Council dwellings	3,543	3,377
Other land and buildings	92	75
Vehicles, plant, furniture and equipment	67	76
<b>Total charge for depreciation within the HRA (PPE)</b>	<b>3,702</b>	<b>3,528</b>
Intangibles	6	7
<b>Total charge for depreciation within the HRA</b>	<b>3,708</b>	<b>3,535</b>

## 9. Revaluation and Impairment Charges

The 2022/23 financial results include £2.716m for Revaluation Gains against HRA Assets charged to the Comprehensive Income and Expenditure Statement.

## Collection Fund Income & Expenditure Statement

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and local businesses and the distribution to local authorities and Central Government of council tax and non-domestic rates.

	Notes	2022/23		2021/22	
		Business rates £'000	Council tax £'000	Business rates £'000	Council tax £'000
<b>Income</b>					
Income from council tax	1		(175,516)		(167,917)
Transfer from General Fund - council tax benefits	1		(14)		(3)
Transfer from General Fund - S13A discretionary reliefs			(65)		(453)
Transitional relief					
Income from business rates	2	(80,340)		(83,873)	
Transitional protection payments		11		(552)	
		<b>(80,329)</b>	<b>(175,595)</b>	<b>(84,425)</b>	<b>(168,373)</b>
<b>Expenditure</b>					
Precepts, demands and shares:					
- Central Government		42,499		44,297	
- Suffolk County Council		8,500	128,098	8,859	122,027
- Police and Crime Commissioner for Suffolk			22,049		20,760
- East Suffolk Council		35,649	22,436	37,033	21,356
Transitional protection payments		(962)		3,465	
Charges to Collection Fund					
- Write offs of uncollectable amounts		155	818	100	703
- Increase / (decrease) in bad debt provision		788	234	(281)	47
- Increase / (decrease) in provision for appeals		(6,059)		1,888	
- Cost of collection allowance		465		462	
Apportionment of previous years surplus / (deficit)					
- Central Government		(7,991)		(17,276)	
- Suffolk County Council		(1,598)	1,409	(3,455)	(587)
- Police and Crime Commissioner for Suffolk			241		(97)
- East Suffolk Council		(6,393)	245	(13,821)	(106)
		<b>65,053</b>	<b>175,530</b>	<b>61,271</b>	<b>164,103</b>
<b>(Surplus) / deficit for year</b>	3	<b>(15,276)</b>	<b>(65)</b>	<b>(23,154)</b>	<b>(4,270)</b>
<b>Balance brought forward - (surplus) / deficit</b>		10,977	(2,772)	34,131	1,498
<b>Balance carry forward - (surplus) / deficit</b>		<b>(4,299)</b>	<b>(2,837)</b>	<b>10,977</b>	<b>(2,772)</b>

## Notes to the Collection Fund

### 1. Income from council tax

Council tax is set to meet the demands of Suffolk County Council, The Police and Crime Commissioner for Suffolk, East Suffolk Council, and Parish/Town Councils. The tax is set by dividing these demands by the tax base, which is the number of chargeable dwellings in each valuation band expressed as an equivalent number of Band D dwellings.

In 2020/21 central government created a Hardship Fund to provide council tax relief to vulnerable people and households to help those affected most by coronavirus. This relief was granted under S13A discretionary reliefs as shown in the table above and East Suffolk was given a Hardship Grant to compensate for the relief granted. Part of this fund was also used in 2021/22.

	2022/23	2021/22
	£	£
The average Band D Council Tax set was:	<b>1,938.63</b>	<b>1,879.37</b>
The Council estimated its Tax Base for 2022/23 as follows:	Chargeable dwellings	Band D Equivalents
Valuation Band		
A	23,606	15,737
B	27,405	21,315
C	21,074	18,732
D	16,958	16,958
E	10,645	13,010
F	5,095	7,359
G	2,756	4,593
H	197	394
	<b>107,736</b>	<b>98,098</b>
Less: local council tax reduction scheme		(8,638)
Provision for bad and doubtful debts (1.0%)		(897)
Add: Ministry of Defence properties		229
Additional Properties		231
Tax Base 2022/23 (Band D equivalents)		<b>89,023</b>

## 2. Business Rates

The Council collects business rates (non-domestic rates) in the district. The amount collected less an allowance for the cost of collection is shared between Central Government (50%), East Suffolk Council (40%) and Suffolk County Council (10%). As a member of the Suffolk Business Rates Pool, from the Council's share, a tariff payment is made to Suffolk County Council to distribute excess business rates income above the Council's baseline funding need set by Central Government. These transactions are shown in the Comprehensive Income and Expenditure Statement under Taxation and Non-Specific Grants. The valuation list was revised in April 2005, April 2010, and April 2017 and the latest revaluation of all business properties was completed on 1 April 2023.

In 2021/22 the government implemented Expanded Retail Discount 2021/22 and Nursery Discount 2021/22 relief. Billing authorities were compensated by Section 31 grant, and this resulted in significant reduction in the Business Rates income collected in 2021/22.

In 2022/23 the government introduced a new business rates relief scheme for retail, hospitality, and leisure properties.

On 25<sup>th</sup> March 2021, the government announced a new COVID-19 Additional Relief Fund (CARF). The fund was available to support those businesses affected by the pandemic but that are ineligible for existing support linked to business rates. Part of this relief was granted in 2021/22 with the remainder being granted in 2022/23. As in 2021/22, billing authorities were compensated by Section 31 grant, and this has resulted in another significant reduction in the Business Rates income collected in 2022/23. The additional Section 31 grant due to East Suffolk is shown in note 21 under Business Rate Reliefs.

	2022/23	2021/22
The rateable value at 31 March was	£238.4m	£234.0m
The multiplier was	51.2p	51.2p

### 3. Collection Fund Balances

The Collection Fund in year (surplus) / deficit comprises the following:		
	<b>2022/23</b>	<b>2021/22</b>
(Surplus) / Deficit relating to:	<b>£'000</b>	<b>£'000</b>
<u>Council Tax</u>		
Suffolk County Council	(45)	(3,173)
Police and Crime Commissioner for Suffolk	(10)	(538)
East Suffolk Council	(10)	(559)
<b>Total Council Tax</b>	<b>(65)</b>	<b>(4,270)</b>
<u>Business Rates</u>		
Central Government	(7,638)	(11,577)
Suffolk County Council	(1,527)	(2,316)
East Suffolk Council	(6,111)	(9,261)
<b>Total Business Rates</b>	<b>(15,276)</b>	<b>(23,154)</b>

# Independent Auditors Report to the Members of East Suffolk Council

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To be completed when the external audit has been finalised.

# Glossary of Financial Terms

## Accounting Period

The period covered by the Accounts, normally 12 months commencing on 1st April for local authorities.

## Accounting Policies

Rules and practices adopted by the Council that determine how the transactions and events are reflected in the accounts.

## Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

## Business Rates (Non-Domestic Rates)

The system of local taxation on business properties also called Non-Domestic Rates (NDR).

## Capital Adjustment Account

This Account absorbs the difference arising from the different rates at which non-current assets are accounted for as being consumed and at which resources are set aside to finance their acquisition.

## Capital Expenditure

Expenditure on the acquisition of a non-current asset such as land and buildings, or expenditure that enhances, and not merely maintains, an existing non-current asset.

## Capital Receipts

Income received from the sale of land, dwellings, or other assets, which is available to finance other items of capital expenditure, or to repay debt on assets originally financed from loans.

## Capital Receipts Reserve

This reserve holds the receipts generated from the disposal of non-current assets, which are restricted to being applied to finance new capital investment or reduce indebtedness.

## CIPFA (Chartered Institute of Public Finance and Accounting)

CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the Code,

which defines proper accounting practice for local authorities.

## Collection Fund

This Fund records the collection of Council Tax and Non-Domestic Rates and its distribution.

## Contingent Liabilities

Potential liabilities which are either dependent on a future event, or which cannot be reliably estimated.

## Contingent Assets

Potential assets which are either dependent on a future event, or which cannot be reliably estimated.

## Corporate and Democratic Core

This comprises all activities which local authorities engage in specifically because they are elected, multi-purpose organisations. The cost of these activities are over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. It includes costs relating to the corporate management and democratic representation.

## Council Tax

The system of local taxation on dwellings that replaced the community charge with effect from 1 April 1993.

## Council Tax Base

The amount calculated for each billing authority from which the grant entitlement of its share is derived. The number of properties in each band is multiplied by the relevant band proportion to calculate the number of Band D equivalent properties in the area. The calculation allows for exemptions, discounts, appeals, local council tax reduction scheme and a provision for non-collection.

## Council Tax Benefit

A system of financial assistance towards council tax costs which takes account of the applicants' financial needs and incomes.

## Creditors (Payables)

An amount of money owed by the District Council at 31 March for goods or services supplied but not yet paid for.

## Debt

Amounts borrowed to finance capital expenditure that are still to be repaid.

## Debtors (Receivables)

An amount of money owed to the Council at 31 March. Long-term debtors include loans to other local authorities.

## Deferred Capital Receipts

Capital receipts outstanding on Council houses sold on deferred terms and secured by a mortgage of the property.

## Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a non-current asset, whether arising from use or obsolescence through technological or other changes.

## Direct Revenue Financing

A charge to revenue accounts for the direct financing of non-current assets and other capital expenditure.

## Earmarked Reserves

Revenue reserves within the General Fund and the Housing Revenue Account set aside to finance specific future services.

## General Fund

The main revenue fund of the District Council, to which the costs of the services are charged, (excluding the Housing Revenue Account (HRA)).

## Government Grants

Payments by Central Government towards the cost of local authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (general grants).

## Heritage Assets

Heritage Assets are a distinct class of asset which is reported separately from property, plant & equipment. These assets would previously have been classified as community assets prior to 1<sup>st</sup> April 2011. The CIPFA Code

defines a tangible heritage asset as: *a tangible asset with historical, artistic, scientific, technological, geophysical, or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.* An intangible heritage asset is *'an intangible asset with cultural, environmental or historical significance'*.

#### **Housing Benefit**

A system of financial assistance towards housing costs which takes account of the applicants' financial needs and incomes. Assistance takes the form of rent rebates, council tax rebates and rent allowances.

#### **Housing Revenue Account (HRA)**

A statutory ringfenced account to which the revenue costs of providing, maintaining, and managing Council owned dwellings are charged. These are financed by rents charged to tenants and subsidies received from the government. (See later paragraph on self-financing HRA).

#### **Impairment**

A material reduction in the value of a non-current asset during the accounting period. This can be caused by a consumption of economic benefits (such as physical damage through fire or flood) or a fall in price of a specific asset. A general reduction in asset values is accounted for as an impairment through Valuation Loss.

#### **Infrastructure Assets**

Non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and coast protection works.

#### **International Financial Reporting Standards**

The Code of Practice on Local Authority Accounting was, for the first time in 2010/11, based on International Financial Reporting Standards (IFRS). However, these standards are primarily drafted for the commercial sector and are not wholly designed to address the accounting issues relevant to local government in the UK. The Code therefore prescribes a hierarchy of alternative standards on which the accounting treatment and disclosures should be based for all transactions.

#### **Leasing or Leases**

A method of acquiring capital expenditure where a rental charge is paid for an asset for a specified period. All leases are categorised as either finance leases or operating leases. A finance lease transfers substantially all the risks and rewards of ownership to the lessee. An operating lease, in contrast, is like a rental agreement in nature, and all operating lease rentals are treated as revenue.

#### **Levies**

Payments made to Internal Drainage Boards.

#### **Minimum Revenue Provision**

A prudent sum required by law to be set aside from revenue for the repayment of loan debt associated with asset purchase/ costs.

#### **Net Book Value**

The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation and impairment.

#### **Non-Current Assets**

Assets that yield benefits to the local authority and the services it provides for a period of more than one year.

#### **Net Realisable Value**

The amount at which an asset could be sold after the deduction of any direct selling costs.

#### **Operational assets**

Non-current assets are held and occupied, used, or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

#### **Out-turn**

Actual income and expenditure for the financial year.

#### **Post Balance Sheet Events**

Those events, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts are authorised for issue by the Section 151 Officer.

#### **Precept**

The net expenditure of a non-billing authority (e.g. County Council, Police Authority or Parish Council) which the

billing authority must include when setting its Council Tax and then pay over to the precepting authority in agreed instalments.

#### **Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period. (See separate paragraph on Heritage Assets).

#### **Provisions**

A liability that is of uncertain timing or amount which is to be settled by transfer of economic benefits.

#### **Public Works Loan Board**

A Government agency which provides longer-term loans to local authorities at interest rates slightly higher than those at which the Government itself can borrow. Local authorities can borrow a proportion of their requirements to finance capital expenditure from this source.

#### **Rateable Value**

A value assessed by the Valuation Office Agency for all properties subject to national non-domestic rates.

#### **Reserves**

Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.

#### **Revaluation Reserve**

An “unusable reserve” recording accumulated gains arising from the revaluation of non-current assets until they are consumed by the authority or realised in a sale.

#### **Revenue Expenditure**

This is expenditure mainly on recurring items and consists principally of salaries and wages, capital charges and general running expenses.

#### **Revenue Expenditure Funded from Capital under Statute (REFCuS)**

Expenditure that is classified as capital for funding purposes which does not result in the expenditure being carried on the Balance Sheet as a non-current asset. Examples include improvement grants and capital grants to third parties.

#### **Revenue Support Grant**

A general grant paid by Central Government to local authorities in aid of revenues generally and not for specific services. It is paid to the General Fund.

#### **Section 151 Officer**

The officer with specific legal responsibility for the financial matters of a local authority.

#### **Self-Financing for the HRA**

The self-financing HRA commenced on 1 April 2012 and is based on authorities “buying” themselves out of a negative housing subsidy position. This involves the Council no longer paying into housing subsidy and in return the Council’s debt is adjusted upwards to an appropriate level. It is a once and for all settlement between central and local Government, after which all responsibility for maintaining social housing will rest with the Council.

#### **The Code**

The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they ‘presents a true and fair view’ of the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003.

#### **Trading Accounts**

Trading accounts exist where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations.

#### **Usable Capital Receipts**

Capital receipts that remain available to meet the cost of future capital expenditure.

#### **UK GAAP**

The accounting treatments that companies in the UK would generally be expected to apply in the preparation of their financial statements.

#### **Valuation Loss**

Impairment of an asset due to a general fall in prices, supported by a valuer’s certificate. Valuation losses are charged initially to any balance in the Revaluation Reserve, and subsequently to the Comprehensive Income and Expenditure Account. Impairment charges do not, however, fall on the taxpayer, and the impact is reversed in the Movement in Reserves Statement.

#### **Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty’s Revenue and Customs (HMRC). VAT receivable is excluded from income.



**AUDIT & GOVERNANCE COMMITTEE**  
**Monday, 10 July 2023**

<b>Subject</b>	<b>ANNUAL GOVERNANCE STATEMENT 2022/23</b>
<b>Report by</b>	Councillor Vince Langdon-Morris Cabinet Member with responsibility for Resources and Value for Money
<b>Supporting Officer</b>	Lorraine Rogers Acting Chief Finance Officer and Section 151 Officer <a href="mailto:Lorraine.rogers@eastsoffolk.gov.uk">Lorraine.rogers@eastsoffolk.gov.uk</a>  Chris Bally Chief Executive <a href="mailto:Chris.bally@eastsoffolk.gov.uk">Chris.bally@eastsoffolk.gov.uk</a>

Is the report Open or Exempt?	OPEN
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Category of Exempt Information and reason why it is <b>NOT</b> in the public interest to disclose the exempt information.	Not applicable
<b>Wards Affected:</b>	All Wards

## Purpose and high-level overview

### **Purpose of Report:**

The Accounts and Audit Regulations 2015 require councils to produce an Annual Governance Statement, in line with the conclusion of the audit of the Statement of Accounts.

The purpose of this report is for the Committee to review and approve the draft Annual Governance Statement for 2022/23, alongside the draft Statement of Accounts for 2022/23.

The draft Annual Governance Statement is subject to external audit review and could therefore change. Any changes will be presented to the Committee with the audited Statement of Accounts for 2022/23, currently scheduled for 11 December 2023.

### **Options:**

There are no other options available. The Annual Governance Statement is a statutory requirement by the Accounts and Audit Regulations 2015, which requires approval by the Committee.

### **Recommendation/s:**

That have reviewed the contents, the Committee approve the draft Annual Governance Statement for 2022/23 (1 April 2022 to 31 March 2023) prior to final sign-off with the audited Statement of Accounts.

## Corporate Impact Assessment

### **Governance:**

The Annual Governance Statement (AGS) is a statutory requirement of the Accounts and Audit Regulations 2015 and requires approval by the Committee.

The Council's Section 151 Officer (Chief Finance Officer) has a statutory obligation to ensure that the Council has an adequate and effective system of internal control in place (Local Government Act 1972). The Council's systems of internal control are independently assessed by the Head of Internal Audit.

### **ESC policies and strategies that directly apply to the proposal:**

All ESC policies and strategies provide governance and assurance that the Council is managing and delivering its services effectively.

### **Environmental:**

No impact.

### **Equalities and Diversity:**

No impact.

### **Financial:**

No direct financial impact.

<b>Human Resources:</b> No impact.	
<b>ICT:</b> No impact.	
<b>Legal:</b> No impact.	
<b>Risk:</b> The Council's Corporate Risk Register is regularly monitored and managed which is a key document feeding into the production of the Annual Governance Statement.	
<b>External Consultees:</b>	None.

## Strategic Plan Priorities

Select the priorities of the <a href="#">Strategic Plan</a> which are supported by this proposal: <i>(Select only one primary and as many secondary as appropriate)</i>		Primary priority	Secondary priorities
<b>T01</b>	<b>Growing our Economy</b>		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T02</b>	<b>Enabling our Communities</b>		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input type="checkbox"/>
P08	Maximising health, well-being and safety in our District	<input type="checkbox"/>	<input type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
<b>T03</b>	<b>Maintaining Financial Sustainability</b>		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input type="checkbox"/>
<b>T04</b>	<b>Delivering Digital Transformation</b>		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>

<b>T05</b>	<b>Caring for our Environment</b>		
P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education and influence	<input type="checkbox"/>	<input type="checkbox"/>
<b>XXX</b>	<b>Governance</b>		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>How does this proposal support the priorities selected?</b>			
It is a statutory requirement that the Annual Governance Statement (AGS) is produced each year to provide assurance as to how governance of the Council is conducted and is effectively being managed. The AGS is significant to all areas of the Council and feeds into the governance theme of the East Suffolk Strategic Plan.			

## Background and Justification for Recommendation

<b>1</b>	<b>Background facts</b>
1.1	<p>The Annual Governance Statement is a key document that helps provide assurance to Members and other stakeholders as to how governance of the Council is conducted, how effective it has been for the year and identifies major issues of concern raised by the Corporate Leadership Team and Head of Internal Audit together with emerging issues upon which the Council will need to focus over the coming year. The Council's AGS for 1 April 2022 to 31 March 2023 is appended to this report.</p> <p>The Council's AGS embraces the seven core principles set out in the CIPFA framework: <i>Delivering Good Governance in Local Government</i>.</p>
1.2	<p>The Council has a duty to ensure that public money is safeguarded and properly accounted for, and is used economically, efficiently and effectively. It also has a duty under the Local Government Act 2000 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.</p>
1.3	<p>In discharging this overall responsibility, the Council is required to put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements of the management of risk to a reasonable level rather than eliminate all risk of failure to achieve the Council's policies, aims and objectives.</p> <p>Risk management is an integral part of the Council's corporate governance arrangements, which is independently assessed by the Head of Internal Audit.</p> <p>Recommendations made to improve the control environment and ensure good governance are assessed by External Audit and the Audit and Governance Committee.</p>
1.4	<p>The draft Accounts for 2020/21 have been updated with the adjustment to the accounting treatment for the Housing Rents compliance matter and is currently awaiting Ernst &amp; Young's (EY) review and audit conclusion. The outcome of this</p>

	<p>review is likely to impact on EY’s Value For Money conclusion. This delay has a knock-on impact for the audit of the 2021/22 Accounts and therefore delays the 2021/22 AGS final sign-off. The Council completed and published its draft set of Accounts for 2021/22 by the statutory deadline of 1 August 2022. However, the audit of these Accounts is not yet scheduled. The Council published its draft Accounts for 2022/23 by the statutory deadline of 31 May 2023. This deadline has been returned to its original date after the deadline was extended over the last two years due to the pandemic. The audit of 2022/23 Accounts is not scheduled to commence before November 2023, as it is EY’s intention to prioritise the backlog of prior year audits. This approach is not limited to East Suffolk Council.</p>
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2 Current position	
2.1	The overall effectiveness of the Council’s governance arrangements continued to improve, with positive assessments and feedback by Internal Audit, the Council’s external auditors (EY) and other external bodies.
2.2	A sound system of internal control and the management of risks are integral elements of the Council’s corporate governance arrangements. Based on the findings of the managed audits and governance reviews carried out throughout 2022/23 and considering the current climate in which the Council is operating, it is the opinion of the Head of Internal Audit that the Authority’s control environment provides <b>Reasonable Assurance</b> of sound systems of control. The Council’s definition of Reasonable Assurance: <i>Some specific control weaknesses were noted, and some improvement is needed; evaluated controls are generally adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.</i>
2.3	The opinion of Reasonable Assurance is based on internal work undertaken, and completed, alongside the return to “Business as Usual” following the Coronavirus Pandemic. All findings that are found to be of a significant corporate concern have been considered during 2022/23 and reported in detail to the Council’s Audit and Governance Committee. In giving the audit opinion, it should be noted that assurance can never be absolute. The most that can be provided is a reasonable assurance that there are no major weaknesses in risk management, governance, and control processes.
2.4	The Annual Governance Statement (AGS) provides a review of effective governance measures undertaken in the year and includes an action plan.
2.5	Appended to this report is the draft AGS for 2022/23 to allow Members the opportunity to review and provide feedback prior to its finalisation. The final version will be reported to the Audit and Governance Committee with the audited Statement of Accounts, currently scheduled for 11 December 2023.

### 3 How to address current situation

3.1	The areas to address in the AGS (1 April 2022 to 31 March 2023) within the Statement have been informed by: <ul style="list-style-type: none"><li>• the outcomes of internal and external review bodies that report on the Council's effective governance performance during the year;</li><li>• Corporate Management Team review and assurance (Corporate Governance arrangements);</li><li>• the AGS Steering Group assessment and progress monitoring; and</li><li>• changes in Government policy that impact across a wide range of Council's activities.</li></ul>
3.2	The AGS includes a significant governance issue identified in 2021/22 relating to Housing regulation. Significant progress has been and continues, to be undertaken, with progress details contained on page 37 of the appended draft AGS.

### 4 Reason/s for recommendation

4.1	To comply with the Accounts and Audit Regulations 2015.
4.2	To strengthen the Council's governance arrangements and to ensure any issues or risks are appropriately managed and resourced.
4.3	To provide further assurance to stakeholders that the Council's statutory Statement of Accounts accurately represents the Council's overall financial position for the year.

## Appendices

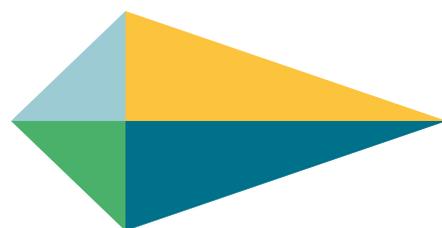
### Appendices:

<b>Appendix A</b>	East Suffolk Council Annual Governance Statement 2022/23 (1 April 2022 to 31 March 2023).
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### Background reference papers:

None.

**DRAFT**  
**ANNUAL**  
**GOVERNANCE**  
**STATEMENT**  
**2022/23**



**EASTSUFFOLK**  
COUNCIL

# CONTENT

<b>Approval of the draft Annual Governance Statement</b>	3
<b>What is Corporate Governance</b>	4
Scope of Responsibility East Suffolk Council's responsibilities are to:	4
The Purpose of the Governance Framework	5
Governance Framework	6
Achieving the Intended Outcomes While Acting in the Public Interest at all Times	6
<b>How the council works</b>	8
Constitution	8
Code of Conduct	9
East Suffolk Strategic Plan	9
Growing our Economy	10
Enabling our Communities	10
Remaining Financially Sustainable	10
Delivering Digital Transformation	10
Caring for our Environment	10
Project Management	11
Corporate Governance Group	12
Senior and Coporate Management Teams	13
Financial Management	14
Key Roles	15
Governance Framework Assurance Process	17
<b>Review of Effectiveness</b>	18
Monitoring Officer	18
Chief Finance Officer	19
Head of Internal Audit	22
Information Governance and Fraud	23
Risk Management	25
Procurement and Contract Management	26
Emergency Planning and Business Continuity	27
Equality, Diversity and Inclusion	28
Health and Safety	29
Human Resources	30
Information Technology and Data	32
Wholly Owned Companies	33
External Assurance	34
<b>Governance Action Plan</b>	37
Areas for Improvement identified in 2019/20	37
Areas for Improvement identified in 2022/23	39

## APPROVAL OF THE DRAFT ANNUAL GOVERNANCE STATEMENT BY CHIEF EXECUTIVE AND LEADER OF THE COUNCIL

The Annual Governance Statement 2022/23 is draft and is published alongside the draft Statement of Accounts. This document is subject to change and the final version will be published alongside the audited Statement of Accounts for 2022/23.

To the best of our knowledge, the governance arrangements as defined within the Council's Local Code of Corporate Governance have continued to operate effectively.

The draft Annual Governance Statement shows that our high standards have been maintained and no significant issues were reported in 2022/23, other than the breach of the Rent Standard and the 'Home' Consumer Standard identified in 2019/20 and reported in 2020/21. Significant progress has been made relating to this issue, and full details are captured within the action plan. Specific opportunities for improvement in governance and internal controls are detailed within the action plan and we propose, over the coming year, to take steps to address these opportunities to further enhance our governance arrangements. We are satisfied that these actions will deliver, over appropriate timescales, the improvements necessary and these will continue to be monitored, evaluated, and reported on as part of our next annual review.

We approve this statement and confirm that it forms the basis of the Council's governance arrangements.



A handwritten signature in black ink, appearing to read 'Caroline Topping'.

Councillor Caroline Topping  
Leader of the Council  
31.05.23



A handwritten signature in black ink, appearing to read 'Chris Bally'.

Chris Bally  
Chief Executive  
31.05.23

## WHAT IS CORPORATE GOVERNANCE

Good governance is important in ensuring good decision making and leadership in local authorities. It is important that things are undertaken in the correct way, for the right people in a timely, inclusive, open, honest and accountable manner. The importance of having good rules, systems and information is important to have and maintain good governance. Weakness in governance can have far reaching implications and it is important that these are identified and minimised to ensure good governance.

The Council strives to meet the highest standards of corporate governance to help ensure it meets its objectives. Members and Officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. It comprises the systems and processes, cultures and values by which the organisation is directed and controlled and through which it is accountable to, engages with, where appropriate, and leads its communities. It ensures that appropriate mechanisms for control are in place and that risks and opportunities are managed effectively.

## Scope of Responsibility

East Suffolk Council's responsibilities are to:

-  Ensure its business is conducted in accordance with the law and proper standards;
-  Safeguard and properly account for public money;
-  Use public money economically, efficiently and effectively; and
-  Meet its duty under the Local Government Act 2000 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Annual Governance Statement (AGS) reports publicly on the extent to which the Council has to comply with its governance duties on an annual basis, including how the Council has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

East Suffolk Council has produced a [Code of Corporate Governance](#) which is consistent with the principles of the revised CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The refreshed document now shows which of the Council's documents and governance arrangements support each principle. It was reviewed on 12 September 2022 by the Audit and Governance Committee and reported and adopted by Full Council on 15 March 2023.

The AGS also explains how the Council has complied with governance elements within the Accounts and Audit Regulations. This document supported the East Suffolk Strategic Plan 2020/24, adopted by Full Council on 26 February 2020.

## The Purpose of the Governance Framework

The governance framework is the systems, processes, culture and values which direct and control the Council. The framework also includes the activities with which the Council accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework. It is designed to manage risk to a reasonable level. This is an ongoing process:

-  To identify and prioritise risks to the achievement of the Council's policies, aims and objectives;
-  To evaluate the likelihood of those risks occurring and the impact if they do;
-  To manage risks efficiently, effectively and economically.

The system of internal control cannot eliminate all risk of failure so only provides reasonable and not absolute assurance of effectiveness. The governance framework has been in place at the Council for the year ended 31 March 2020 and up to the date of approval of the annual report and statement of accounts.

## Governance Framework

The Council has committed itself to the pursuit of proper corporate governance throughout its services and to establishing the principles and practices by which this can be achieved. To support this, briefings on topical issues are held to enable Member development.

Corporate governance is the system by which the Council leads, directs and controls its functions and relates to the community and its partners. Through various systems and processes the Council strives to adhere to the principles of good governance: openness, inclusivity, integrity, and accountability.

The Council's governance environment is consistent with the seven core principles of the CIPFA/SOLACE framework, pictured below, which illustrates the various principles of the good governance in the public sector and how they relate to each other.

Extract from CIPFA/SOLACE 'Delivering Good Governance in Local Government' entitled 'Achieving the Intended Outcome while Acting in the Public Interest at all Times'

### Achieving the Intended Outcomes While Acting in the Public Interest at all Times



Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.

Each of the core principles above have multiple sub principles and the framework in operation is evidenced.

The framework in operation directly supports the Council's five strategic themes, namely economy, communities, financial sustainability, digital transformation and environment. The Council also recognises the importance of governance and has an internally focused theme to support the delivery of the East Suffolk Strategic Plan and ensure good governance within the Council.

## HOW THE COUNCIL WORKS



### Constitution

East Suffolk Council's Constitution sets out how the Council operates, how decisions are made, and the procedures which are followed to ensure that decisions are efficient, transparent, and accountable to local people. It clearly specifies the roles and responsibilities of the executive, non-executive, scrutiny, and officer functions, setting clear delegation arrangements and protocols for effective communication and governance.

The Constitution includes the Financial Procedure Rules which provide the framework for the administration of the Council with a view to ensuring that financial matters are conducted in a sound and proper manner, constitute value for money and minimise the risk of legal challenge.

The Constitution includes other supporting procedures such as Contract Procedure Rules which are the minimum standards which must be adhered to when the Council enters into contracts for goods or services.

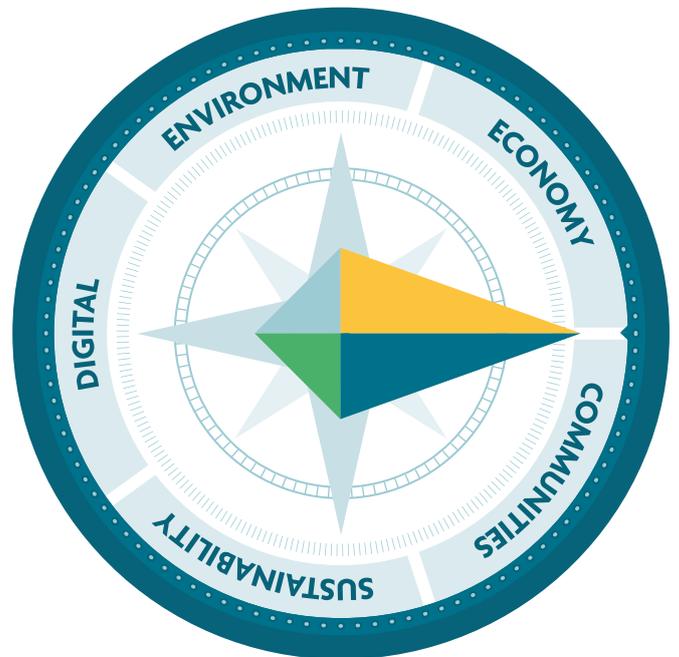
### Code of Conduct

In accordance with the Localism Act 2011, the Council has adopted a Code of Conduct for Councillors. The Code supports the Council's duty to promote and maintain high standards of conduct within the district and is based on the Nolan 'principles of public life' identified by the Committee on Standards in Public Life.

A Code of Conduct for Officers is also in place to help employees to understand what is expected of them. Observance of the Code helps to maintain and improve standards and protect employees from misunderstandings or criticism. A copy of this code is made available to every employee of the Council.

### East Suffolk Strategic Plan

Comprehensive governance arrangements have been established to ensure the delivery of the East Suffolk Strategic Plan. The Strategic Plan Delivery Board has overall responsibility for delivery of the Strategic Plan and receives updates on progress to deliver the Strategic Plan including priorities, risks (corporate and risks relating to each theme), achievements and ongoing work. Membership of this Board comprises Cabinet and Senior Management Team, and all Councillors are invited. Six meetings are held throughout the year, five meetings focus specifically on each theme and one annual meeting focusing on the Annual Report including achievements and progress. Five Delivery Themes meetings and Corporate Governance Group meet regularly to oversee and manage the programme of planned projects and actions relevant to each theme.





## Growing our Economy

Let's build a strong sustainable economy for our future; we want our district to achieve its maximum potential, for the good of everyone in the area.



## Enabling our Communities

Working together, we will enable our communities to identify opportunities and challenges, we will empower them to make a difference; we will support our communities to enhance the places we live and work for the well-being of all.



## Remaining Financially Sustainable

We will grow and prosper as a council; we will ensure we are well-run; provide value for money and strive for excellence.



## Delivering Digital Transformation

Digital technology can transform the way we work and live; we will use technology to make services efficient and easily accessible to all and assist our communities to embrace and access new technologies.



## Caring for our Environment

We know you are concerned about our environment; we are too, so we will put the environment at the heart of everything we do.

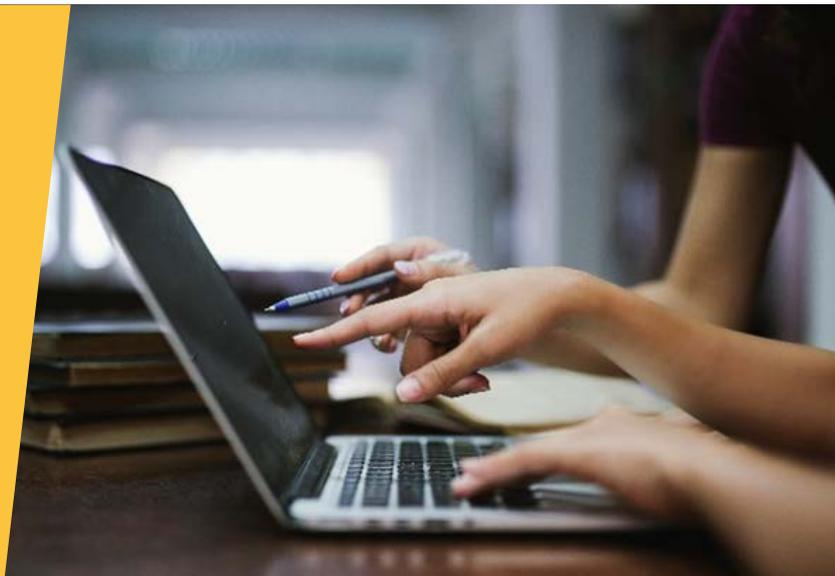
# Project Management

The Project Management Framework is in place and can be adapted according to the scale of a particular project. To ensure the framework continues to meet the needs of the organisation, a review took place on the project management framework involving Officers from various teams across the organisation and feedback taken into account for the review of the framework. Advice and support continues to be offered to relevant staff on the application of good project management practices, particularly surrounding changes or improvements to service delivery.

A governance structure is in place for projects delivering to the Strategic Plan. Each Theme of the Strategic Plan has a programme delivery team to monitor projects feeding into that theme to oversee progress and delivery to the objectives. All corporate projects and tasks are recorded to build up the programme for each Theme, covering the whole authority.

Where necessary, programme or project boards combining Members and Officers are established for some large capital projects and the Council also works with various stakeholders to deliver significant projects. These boards ensure adequate project controls are in place and allow fast reaction to any specific project issues if they occur.

A good example of an established programme with multiple workstreams during 2022/23 is the East Suffolk Services Limited project, using a programme management approach with deliverable work packages, a Programme Team and Sponsor Board.



## Corporate Governance Group

Membership of the Corporate Governance Group is those Officers that hold statutory roles within the Council - the Head of Paid Service, Monitoring Officer, Section 151 Officer and Head of Internal Audit – together with other officers concerned with the governance and operation of the Council, such as the Head of Digital & Programme Management and the HR and Workforce Development Manager. The group oversees the Corporate Governance Theme of the Strategic Plan.



The group meet 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).

## Senior and Corporate Management Teams

During 2022/23 the Council's leadership team consisted of the senior management team and the corporate management team. Following the appointment of the new Chief Executive on 1 January 2023 a full review of the senior and corporate management teams functions were undertaken resulting in these teams being replaced by the

Corporate Leadership Team from April 2023.

The Corporate Leadership Team (CLT) provides collective, accountable and visible leadership; inspiring and enabling colleagues throughout the organisation to deliver the priorities, projects and actions set out by the Council's political administration.



# Financial Management

CIPFA's Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities and provides assurance that authorities are managing resources effectively. The Council carried out a self-assessment in late 2021 and rated the majority of standards to be currently fully compliant. No areas were rated as non-compliant. Key questions rated as amber primarily involved the following areas of financial management:

- Demonstration of value for money
- Revision of Financial Procedure Rules and associated training
- Development of a Long-Term Financial Strategy and possible use of scenario planning
- Development and embedding of options appraisal and business case methodology in projects.

The Financial Procedure Rules were reviewed during 2021/22 as part of the implementation of the CIPFA FM Code and a refresh of financial management, which included in-house budget management training to service managers in 2022/23.

The Audit and Governance Committee and Cabinet reviewed and agreed proposed changes to the rules, and revised Financial Procedure Rules were approved by Full Council on 25 May 2022. The changes made were aimed at:

- Simplification with the introduction of financial guidelines,
- Operational relevance,
- Increased accountability,
- Enhanced compliance with best practice, in particular the CIPFA FM Code, and
- Strengthening corporate governance.

The areas with most change were in respect of revenue budget and capital programme monitoring, and the principals for monitoring and transacting with the Council's companies.

The Financial Procedure Rules are regularly evaluated and reviewed in the light of operational considerations and changing circumstances.

Quarterly budget monitoring is reported to Cabinet, and internal reporting and monitoring will be further developed with the Corporate Management Team during 2023/24.

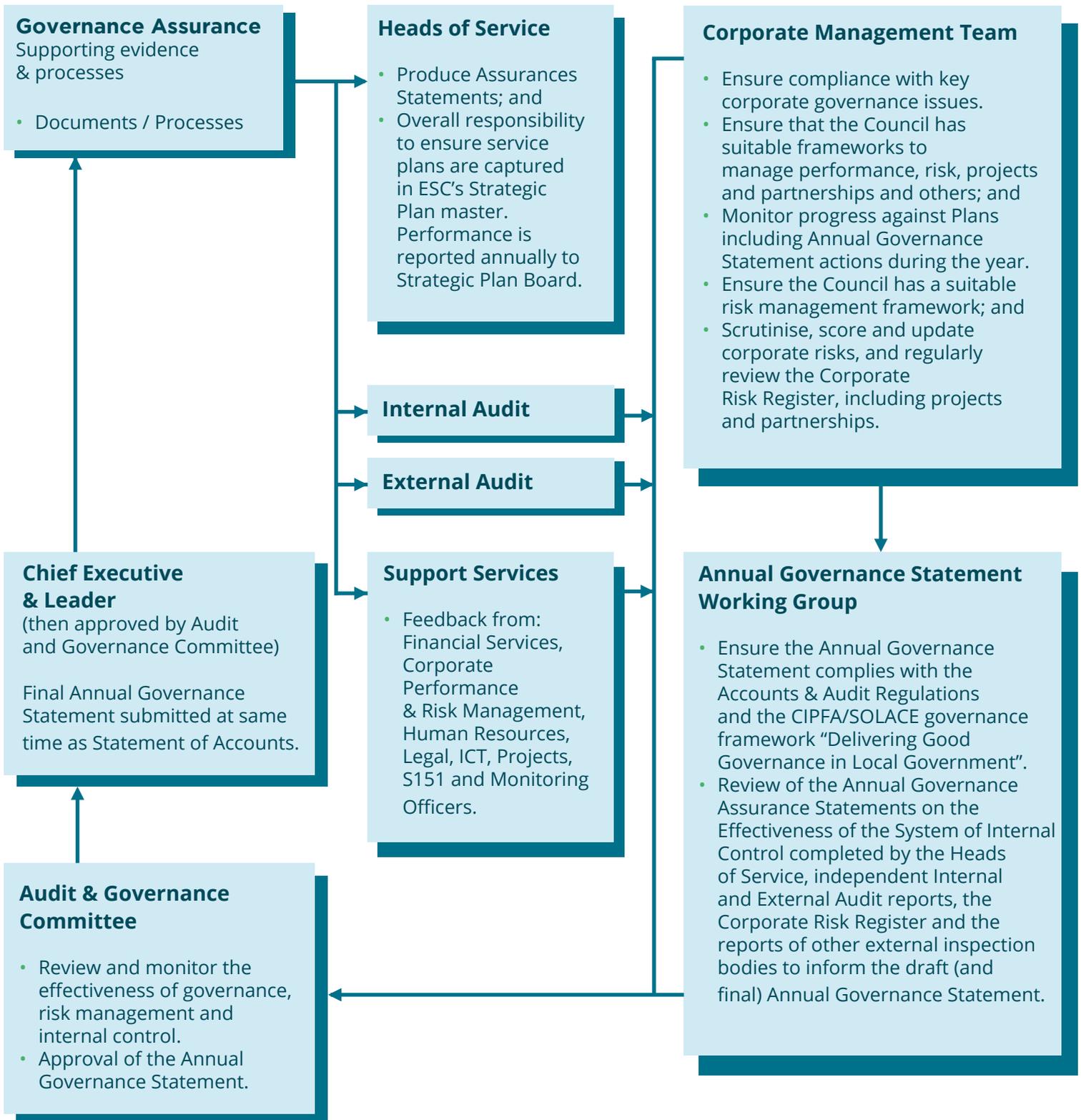
## Key Roles

The key roles of those responsible for developing and maintaining the Governance Framework are:

<p><b>The Council</b></p>	<p>Approval of East Suffolk Strategic Plan.</p> <p>Approves the Constitution (including the Financial Regulations).</p> <p>Approves key policies and budgetary framework.</p>
<p><b>Cabinet</b></p>	<p>The main decision-making body of the Council.</p> <p>Cabinet membership is the Leader of the Council and relevant Cabinet Members with responsibility for different portfolios.</p>
<p><b>Audit and Governance Committee</b></p>	<p>Provides independent assurance to the Council on the adequacy and effectiveness of governance arrangements, risk management framework and internal control environment.</p> <p>Promotes high standards of Member conduct and approves the Annual Statement of Accounts and Annual Governance Statement.</p>
<p><b>Scrutiny Committee</b></p>	<p>Support and challenge in carrying out its responsibilities.</p>
<p><b>Senior Management Team / Corporate Management Team</b></p>	<p>The Chief Executive has overall accountability for the governance framework.</p> <p>Implements the policy and budgetary framework set by the Council and provides advice to Cabinet and the Council on the development of future policy and budgetary issues and oversees the implementation of Council policy.</p> <p>Accountability for developing and maintenance the Council's governance and risk framework.</p>

<p><b>Chief Finance Officer (S151)</b></p>	<p>Leads and directs the financial strategy of the Council and ensures the Council controls and manages its money well, being suitably qualified and experienced, and ensures the Financial Services Team is fit for purpose.</p> <p>Assist the Council to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.</p> <p>Contributes to the effective corporate management and governance of the Council.</p>
<p><b>Monitoring Officer</b></p>	<p>Section 5 of the Local Government and Housing Act 1989 requires East Suffolk Council to designate one of their officers as the Council's Monitoring Officer.</p> <p>Responsible to report on matters they believe to be illegal or amount to maladministration, to be responsible for matters relating to the conduct of Councillors and officers and, to be responsible for the operation of the Council's Constitution.</p>
<p><b>Internal Audit</b></p>	<p>Provides independent assurance and opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework.</p> <p>Delivers an annual programme of risk-based audit activity, including counter-fraud and investigation activity.</p> <p>Overall responsibility for the maintenance and operation of the Whistleblowing Policy and contributes to the effective corporate management and governance of the Council.</p> <p>Makes recommendations for improvements in the management of risk.</p>
<p><b>External Audit</b></p>	<p>Audits / reviews and reports on the Council's financial statements (including the Annual Governance Statement), providing an opinion on the accounts and use of resources, concluding on the arrangements in place for securing economy, efficiency, and effectiveness in the use of resources (the value for money conclusion).</p>
<p><b>Directors, Heads of Service and Managers</b></p>	<p>Responsible for developing, maintaining, and implementing the Council's governance, risk, and control framework. Contribute to the effective corporate management and governance of the Council.</p>

## Governance Framework Assurance Process



## REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Auditor's annual report, and also by comments made by the External Auditor and other review agencies and inspectorates.

## Monitoring Officer

Section 5 of the Local Government and Housing Act 1989 requires East Suffolk Council to designate one of their officers as the Council's Monitoring Officer. It is the role of the Monitoring Officer to report on matters they believe to be illegal or amount to maladministration, to be responsible for matters relating to the conduct of Councillors and officers and, to be responsible for the operation of the Council's Constitution.

The Local Government Association's Model Code of Conduct was adopted by Full Council on 23 March 2022, with effect from 1 May 2022. In the period 1 April 2022 to 31 March 2023, 20 Code of Conduct complaints, concerning 5 matters, were made against East Suffolk Council District Councillors. The Monitoring Officer upheld 2 of the complaints, with 3 complaints still to be determined.

Between 1 April 2022 and 31 March 2023, 23 complaints were made to the Local Government and Social Care Ombudsman (LGSCO) about East Suffolk Council. The LGSCO upheld 4 of the 23 complaints (Ref 22010430 – Private Housing; 22006793 – Refuse and Recycling; 22001156 – Planning Application; 21008294 – Planning Enforcement).

Elections to all 55 of East Suffolk Council's wards were held on 4 May 2023. A comprehensive induction programme has been prepared for all Councillors, whether new or returning. The training covers the Council's governance arrangements including decision making, the Code of Conduct, the Council's values, safeguarding, health and safety and equality, diversity and inclusion. A Member programme for training and development is in place to ensure continued development is undertaken for all Members.

In 2022/23 an internal review of the Scrutiny Committee was undertaken devising a new work programme to make the scrutiny process more efficient, effective and to add greater value. This process was agreed at Scrutiny Committee on 19 May 2022 and implemented in 2022/23.

## Chief Finance Officer

In accordance with the 'Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the Role of the Chief Financial Officer in Local Government' (published in April 2016), the Section 151 Officer /Chief Finance Officer, is a professionally qualified Accountant, and is a member of the Council's Corporate Management Team (CMT), reporting directly to the Chief Executive and Leader on key strategic finance matters. The Council's financial management arrangements conform with the governance requirements of the CIPFA [Statement on the Role of the Chief Financial Officer in Local Government](#).

An upgrade of the Council's Financial Management System to Business Central was undertaken during the year, and data migration successfully took place in March 2023. User training and guidance material has been rolled out and the system will be used for the 2022/23 closure of accounts.

The Council's annual budget is subject of extensive updating, scrutiny, and consultation throughout the budget setting process. A new process was introduced in the year for reporting to the Scrutiny Committee the General Fund, Capital and Housing Revenue Account budgets. This included the early provision of reports to the Committee Members enabling questions to be submitted pre-meeting. Responses are then produced for both the meeting and the subsequent Cabinet and Full Council meetings.

At the time of setting the Council's 2022/23 budget, the impact of Covid was focused on supporting communities with the recovery from the pandemic, with the Council utilising the various funding streams that it had received over the previous two years. Leisure facilities remained the area with the greatest impact from Covid, along with the loss of car parking income which has not returned to pre-pandemic levels.

During 2022/23, the Council was faced with a rapidly changing external environment, impacted by a series of events, including rising energy costs, the Russian invasion of Ukraine, a labour shortage, and UK fiscal policy and financial market turbulence.

Inflationary pressures have impacted on the Council's revenue costs and capital programme. The estimated impact of inflation on the Council's General Fund budget in 2022/23 was in the region of £1 million, plus a pay award pressure of a further £1.4 million. Inflationary pressures have impacted the Council directly and via its partners. Whilst the Council faced significant cost pressures during the year, rising interest rates have provided the Council with additional income from its treasury management activities, and for 2022/23 this is estimated to be in the region of £0.800 million of additional income. The Government also announced a one-off Funding Guarantee Allocation for 2023/24, in recognition of the inflationary pressures faced by local authorities. This amounts to £1.5 million for the Council.

The Government's fair funding review, which will affect how funding is allocated and redistributed between local authorities continues to be delayed. This review is also likely to include a reset of the business rates system. In December 2022, Government published a policy statement on Local Government Finance Settlements for 2023/24 and 2024/25, which provides a strong indication that reforms to the local government finance system have now been deferred until 2025/26 at the earliest. The continuation of the current arrangements into 2023/24 is of significant financial benefit to the Council, given its advantageous position under the current business rates system.

The Medium Term Financial Strategy (MTFS) provides an integrated view of the Council's finances, recognising that the allocation and management of its human, financial and physical resources play a key role in delivering its priorities and ensuring that the Council works effectively with its partners locally, regionally and nationally. Part of the process of delivering a robust MTFS is to enable the Council to manage its affairs soundly, to have regard to both external and internal risks, and to identify actions to mitigate those risks. Following this process, the Council has been able to set a balanced budget for 2022/23, including responding to significant challenges emerging during the year.



A key element of the MTFS, is maintaining an adequate level of balances and reserves so that resources are available to allow a managed and considered response should any significant variations or emergencies arise. The Council's approach is not to use reserves to fund longer-term budget gaps, but for reserves to be used in a managed way to support the actions required to address underlying budget gaps.

A review of reserves was undertaken in 2022/23, to identify reserve balances which have not been used for some time and/or are no longer required for their original purpose. This exercise identified £1.8 million of reserve balances to be released into the Council's General Fund to address in-year costs pressures.

The MTFS report to Council in February 2023 indicates that future years beyond 2023/24 show continuing budget shortfalls of core funding sources compared with budgeted expenditure. This position will be updated in a high-level summary to Cabinet in July 2023 as part of reporting the outturn for 2022/23. The primary concerns regarding the Council's Budget and MTFS continue to be uncertainty in the local government finance system, and inflationary pressures. The advantageous position the Council has under the current system, will enable the Council to adjust to pressures and uncertainties in the medium term and to address underlying budget gaps. A combination of actions will be needed to ensure a longer term sustainable position including maximisation of income, and the achievement of savings.

The Council recognises the importance of ensuring that capital assets continue to be of long-term use especially against a rapidly changing operational and technological backdrop. Enhancing the management of the Council's existing asset base and looking beyond the traditional medium-term financial planning horizon is a priority. Major capital projects are delivered by dedicated project managers within the Council, with leadership and oversight provided by the Senior Management Team. Due to the economic climate and significant changes to major schemes in the capital programme for 2022/23 to 2025/26, a mid-year revised General Fund Programme was presented to Cabinet and approved by Full Council in September 2022. This report reflected £3.2 million of new projects, and £12.14 million of re-phasing of current year budgets to later years.

Section 25 of the Local Government Act 2003 requires the Chief Finance Officer and Section 151 Officer to formally report to Council as part of the tax setting report on the robustness of estimates and the adequacy of reserves. In the budget report to Full Council on 22 February 2023, the Chief Finance Officer and Section 151 Officer, concluded that the overall budget estimates are robust, taking into account known risks and mitigating strategies, and the reserves are adequate for the 2023/24 Budget plans.

The Anglia Revenues Partnership (ARP) manages the delivery of revenue services of the Council in partnership with four other Local Authorities, to provide economies of scale and provide a robust flexible service. The ARP Joint Committee and Operation Improvement Board maintained oversight of performance and ensures compliance with the ARP agreement. In June 2022 a review of the ARP Strategy was undertaken and endorsed and introduced a four-year business plan to supplementing the annual service plan.

The Council is the Accountable Body for Freeport East, which includes accountability for the delivery and administration of Freeport Seed Capital and Capacity Funding grants. There is a projected shortfall of Capacity Funding to cover operating costs until 2025/26, and a review is currently underway with the partner S151 Officers to consider the options available to address this.

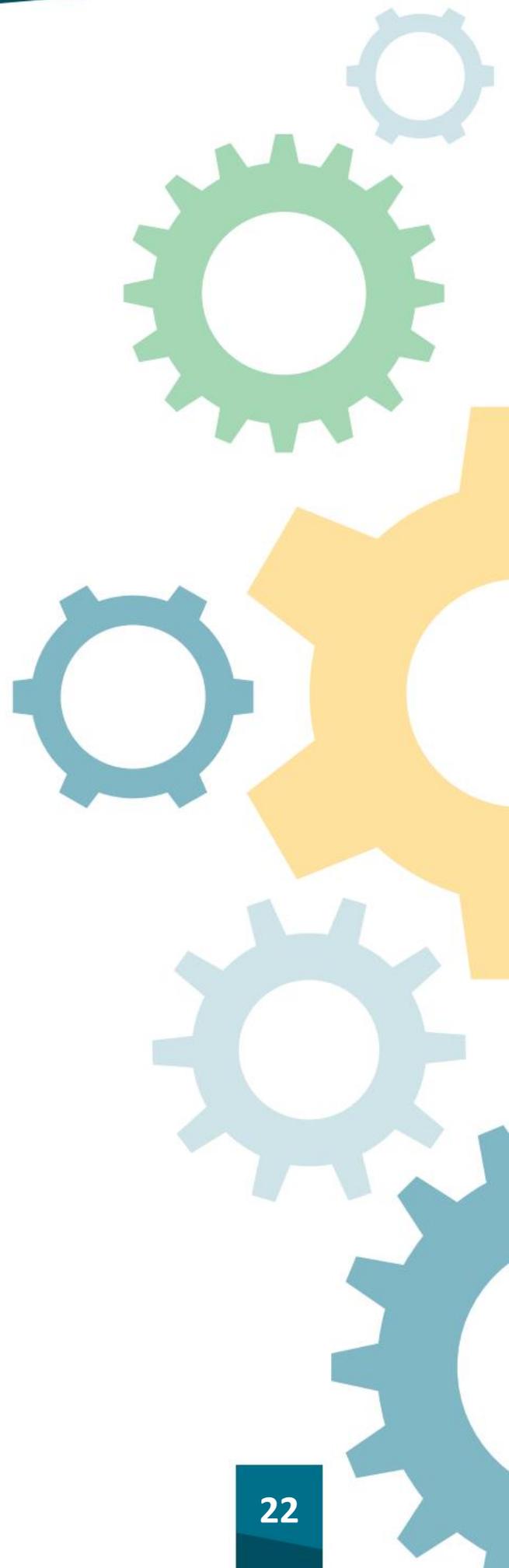
## Head of Internal Audit

The Council's Head of Internal Audit conforms with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit in Local Government, [www.cipfa.org/roleofthehia](http://www.cipfa.org/roleofthehia). The Internal Audit Service is also compliant with the Public Sector Internal Audit Standards. A sound system of internal control and the management of risks are integral elements of the Council's corporate governance arrangements.

Internal Audit is an independent and objective function with all audit work carried out in this capacity and in accordance with the Internal Audit Charter, Code of Ethics and Public Sector Internal Audit Standards. The Head of Internal Audit has performed her duties in accordance with CIPFA's guidance on the Role of the Head of Internal Audit.

Based on the findings of the audit reviews carried out throughout 2022/23 it is the opinion of the Head of Internal Audit that the Authority's control environment provides **Reasonable Assurance** of sound systems of control. The Council's definition of Reasonable Assurance: Some specific control weaknesses were noted, and some improvement is needed; evaluated controls are generally adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.

The opinion of Reasonable Assurance is based on internal work undertaken, and completed, alongside the return to "Business as Usual" following the Coronavirus Pandemic. All findings that are found to be of a significant corporate concern have been considered during 2022/23 and reported in detail to the Council's Audit and Governance Committee. In giving the audit opinion, it should be noted that assurance can never be absolute. The most that can be provided is a reasonable assurance that there are no major weaknesses in risk management, governance, and control processes.



## Information Governance and Fraud

### Senior Information Risk Owner (SIRO)

The Council has a designated SIRO (the Head of Internal Audit) who has responsibility for the Council's information management (governance) framework and acts as the champion for information risk. The SIRO aims to mirror the model prescribed by central government (Cabinet Office). Following this 'best practice' approach allows for uniformity across the public sector as it strives to meet the competing demands of further transparency and public/private engagement in contrast to increased cybersecurity threats and the need to prevent data leakage. By treating information as not as a business priority and not as an ICT or technical issues, the Council can ensure that risks are addressed, managed, and capitalised upon.

### SIRO Annual Report

The following paragraphs represents the SIRO Annual Report. The main purpose of such reporting and management is to provide accountability and greater assurance that information risks are addressed.

### Risk Register

Information Governance is regularly considered during Corporate Risk Register meetings and is closely monitored, with mitigation plans implemented, when necessary, by officers and Councillors.

### Designated Posts

experienced and qualified postholders in operation throughout the year include Data Protection Officer, Deputy Data Protection Officer, and Senior Information Risk Owner, Freedom of Information Strategic Lead and Infrastructure and Operations Manager. In addition, appointed Information Champions exist across all services.

### Policies

Key information governance documents are promoted across the organisation.

### General Data Protection Regulations (GDPR) and UK Data Protection Act 2018

Qualified and experienced staff in post. Any additional impact on GDPR from the UK exiting the EU continues to be monitored, and any Government guidance on this subject will be followed.

### Personal Data Breaches

The Data Protection Officer has investigated 109 potential personal data breaches, 62 were confirmed breaches. One data breach was reported to the Information Commissioners Office (ICO). The ICO is taking no further action and was satisfied with the immediate action taken by the Council.

### Data Protection Act

Subject Access Requests and requests for advice continued to increase over the year as expected given post Brexit data protection amendments to the General Data Protection Regulation. There is recognition that the process of capturing and reporting any breaches is operating effectively.

### Freedom of Information Act (FOI)

3,498 FOI (including Environmental Information Regulation) requests were received by the Council in 2022/2023 of which 99.06% were answered within 20 working days. Twenty cases required an internal review of which six were upheld, seven partly upheld and seven not upheld. Three requesters referred their cases to the Information Commissioners Office which concluded the Council had answered all cases appropriately in accordance with the legislation and no further action was required by the Council.

### Training

Data Protection Act and Freedom of Information Act training is provided throughout the year via e-learning and face to face training formats.

### Cyber Compliance

The Council acts upon any advice from the Cyber Security Information Sharing Partnership and National Cyber Security Centre. Internal ICT training has been provided to all staff and Councillors. Increased cyber security precautions including an e-learning training module for all staff and sponsoring a cyber security qualified officer demonstrates the Council's commitment to good information governance. Cyber resilience is managed and monitored continuously in accordance with the Council's risk management processes and Strategic Plan.

### Whistleblowing

The Council has a whistleblowing policy, which encourages staff and other concerned parties to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment. Zero whistleblowing cases were reported in 2022/23.

### Local Government Transparency Code

The Council provides all information that must be published to comply with this Code by ensuring local people can see and access data covering:

- How money is spent – for example, all spending transactions over £250, all Corporate Credit Card spend, and contracts valued over £5,000;
- Use of assets – ensuring that local people can scrutinise how well their local authority manages its assets enabling local people the information they need to ask questions about how their authority is managing its housing stock to ensure it is put to best use;
- Decision making – how decisions are taken and who is taking them, including how much senior staff are paid, and,
- Issues important to local people – for example, parking and the amount spent by an authority subsidising trade union activity.

## Risk Management

The East Suffolk Risk and Opportunity Management Strategy sets out the framework, arrangements and responsibilities in respect of how risks relating to the delivery of key outcomes and priorities are identified and managed. The Strategy assists officers to apply sound risk management principles and practices across their areas of responsibility recognising employees, Members and those who act on behalf of the Council have a role to play in effective management of risk. The Strategy was developed further to provide comprehensive details on governance and management of risks

which was approved at the Audit and Governance Committee on 13 December 2021. Independent experts, Zurich Insurance, undertook a health-check of the Strategy, which was very positive and resulted in minor amendments, providing further validation it was fit for purpose and meets good practice. The Audit and Governance Committee has responsibility to provide independent assurance on the adequacy of the risk and internal control framework. The Council also has an established risk management process/toolkit to evaluate and monitor the risk levels against the Council's risk matrix.

Risk Management covers all services and operations and is continuously monitored and managed across the Council by Corporate Governance Group (CGG) and as part of the governance arrangements for Strategic Plan Delivery Board and Strategic Theme Delivery Teams. The CGG meets bi-monthly and reviews the corporate risk register. The Council's risk management activity is co-ordinated and led by CGG, chaired by the Chief Executive and supported by CMT members who have delegated responsibilities along with other senior officers.

All corporate risks are reported annually to Audit and Governance Committee in December and provided with significant updates on each risk and what is being undertaken to manage risks accordingly. The annual report also provides high level details on developments relating to risk management within the Council. All the templates for all committee reports include a section which must be completed to identify what the risk is to the authority, and the project management framework includes risk management within its toolkit to ensure the same process is applied to managing risks within projects. Strategic Theme Board meetings are also advised of risks relevant to each theme of the Strategic Plan.

As part of the Risk Management Training Programme Zurich Insurance facilitate annual 'Horizon Scanning and Corporate Risk Challenge' sessions for CMT (and nominated senior officers), the most recent session was held on 31 October 2022. The session clearly demonstrated that risks relevant to the Council, and identified within the global risk report, are captured within the Corporate Risk Register (e.g., cyber-attacks). It was noted that the Council has a mature risk process and following the session work is underway and continuing in 2023/24 to develop the risk appetite within the authority.

## Procurement and Contract Management

Contract Procedure Rules have formed part of the Constitution since the creation of East Suffolk Council in April 2019. The Contract Procedure Rules support effective procurement by setting out key responsibilities, actions and minimum requirements for officers to undertake compliant procurement activities on behalf of the Council. The Transforming Public Procurement Bill is anticipated to go live in 2024, and the current Contract Procedure Rules will be reviewed and amended in order to align with the new procedures set out in the bill.

The Council's Procurement Strategy was approved by Cabinet in September 2022 for the period up to and including 2025 and the Procurement Manager is working on implementing the recommendations within the Strategy, focussing in the first year on the recruitment and upskilling of the Procurement Team and the training of officers in other service areas who undertake procurement activities.



Procurement guidance has been updated with more detail on the Procurement Team intranet pages, and tailored support is offered by the Procurement Team to any officer carrying out procurement activities. Contract management workshops ran for the first time in February 2023 and the Procurement Manager is introducing further training sessions beginning with "Introduction to Procurement" in June 2023 which is available for officers to enrol via Oracle. In addition, the corporate Contracts Register, maintained by the Procurement Team, has moved to an open Teams channel to enable service areas within the Council to more accurately record and track contract information whilst a longer-term solution is explored. A shared pipeline of procurement activities and a comprehensive contract management checklist is currently being worked on to provide further support to officers.

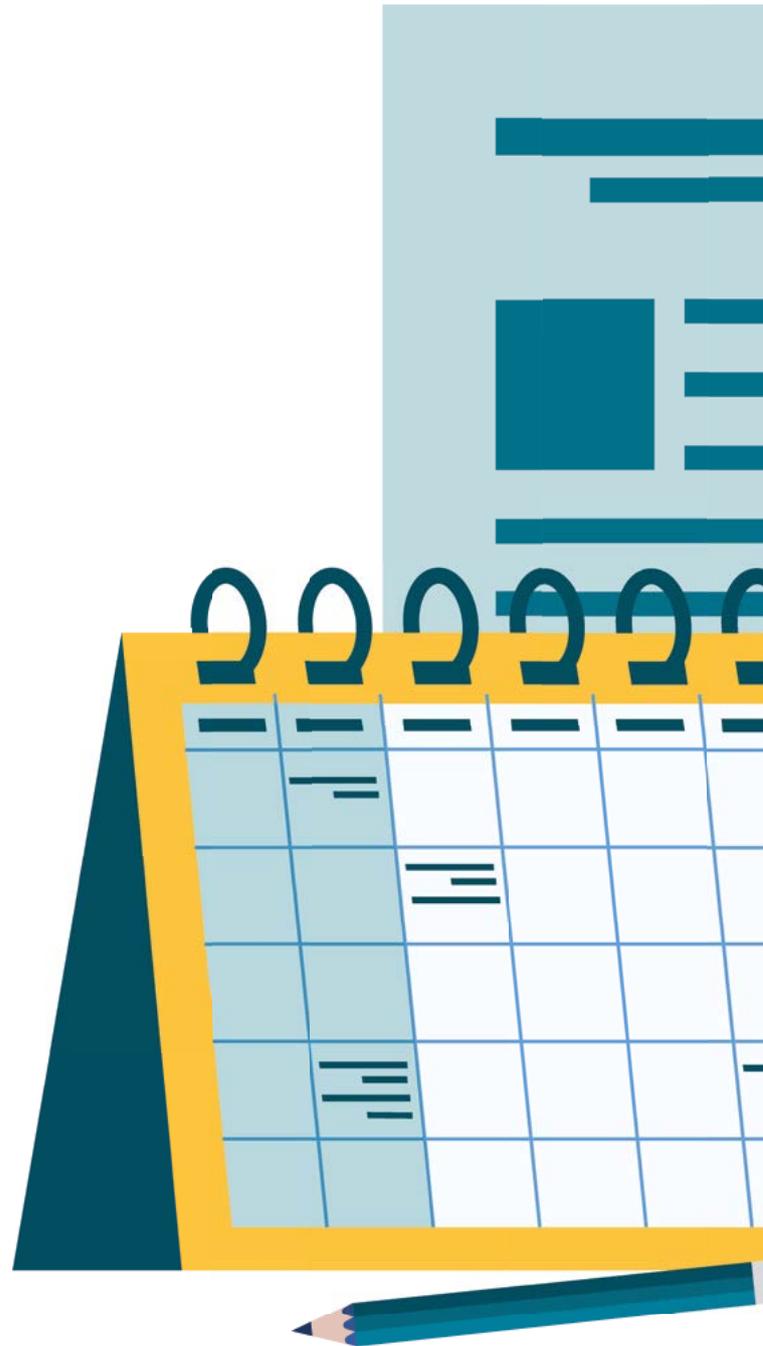
In addition, the Procurement Manager is working with Suffolk County Council's (SCC) Procurement Team to embed the use of SCC's Social Value Ask in East Suffolk's procurements. Ask provides a comprehensive list of ideas regarding how suppliers can deliver Social Value in Suffolk. An update to the Ask is currently being worked on by SCC and will be branded with ESC's logo once approved in 2023/24.

## Emergency Planning and Business Continuity

Emergency Planning and Business Continuity are the responsibility of the Head of Operations. Emergency Planning and internal Business Continuity Services for the Council are provided by the District Emergency Planning Officer and the Emergency Planning Officer, employed by the Suffolk Joint Emergency Planning Unit. This enables the Council to react effectively to infrequent Major Emergencies, in partnership with other agencies, as required by the Civil Contingencies Act 2004. Further information is available on the Council's intranet, while general information on the multi-agency response to Major Emergencies, together with plans available for public scrutiny are available at [www.suffolkresilience.com](http://www.suffolkresilience.com).

In 2022/23, to maintain effectiveness of the Council's contingency requirements for emergency planning incidents, a hybrid solution was put in place with the Activation Officer on call and switching to a rota when unavailable. As part of this action all Directors and Heads of Services completed training in 2022/23 which ensures appropriate cover for the Activation Officer.

A full review of business continuity plans was undertaken and tested in 2022/23 which included an exercise testing the plans should there be a national power outage or loss of IT systems.



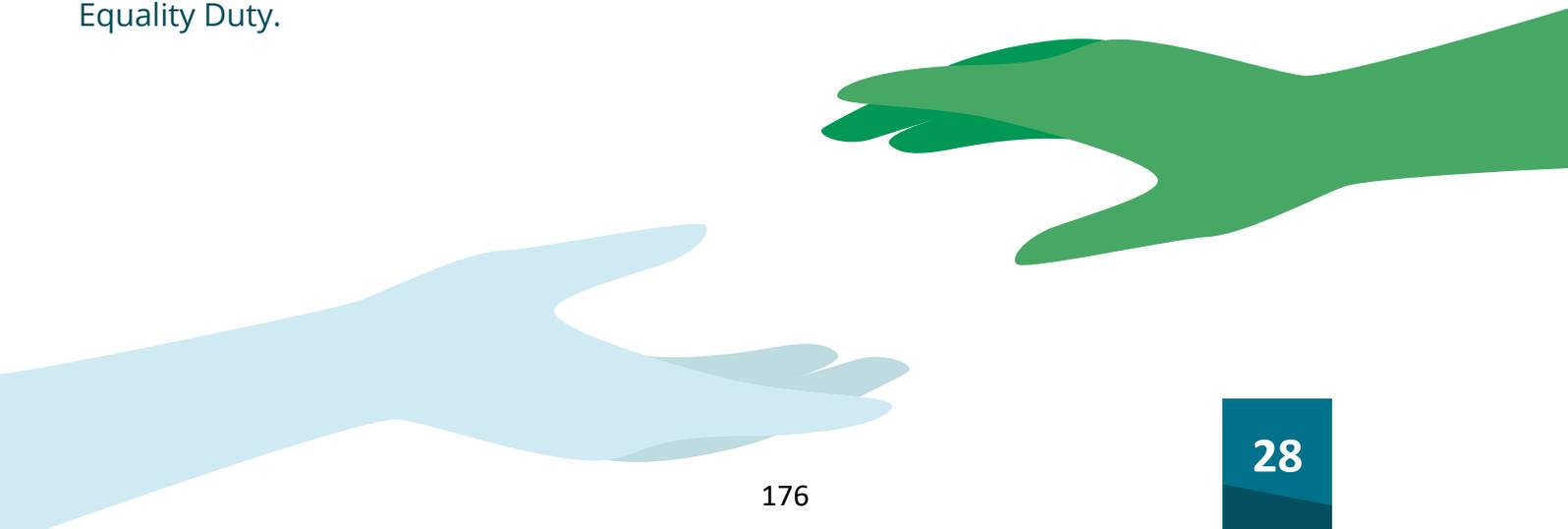
## Equality, Diversity and Inclusion

The Council undertook a self-assessment against the Equality Framework for Local Government (EFLG) in late 2021 and used this to identify fourteen key actions to progress. These actions will be included in a new Action Plan along with feedback from the Services for All Group (see below) and the outcome of a council-wide workshop on Equality and Diversity in April 2023. The workshop confirmed our ambition to work towards Equity, Diversity and Inclusion in all that we do – as an employer, as a service provider and as a community leader. This Action Plan will also include the actions that we have agreed to undertake in order to demonstrate our commitment to the Unison Race Equality Charter – we were one of the first authorities in the East of England to sign up to the Charter.

The Action Plan recommends a refresh of our both our key Equity, Diversity and Inclusion objectives and policy and identifies a range of actions that we can take to further embed equity, diversity and inclusion. These themes will be integral to the refreshed East Suffolk Strategic Plan and individual service plans. We remain committed to the use of Equality Impact Assessments to ensure that we understand the impact of our proposed actions, services and policies on the ten protected characteristic group (including economic disadvantage as well as the nine characteristics set out in the Equalities Act).

The Council's work around the Equity, Diversity and Inclusion Agenda is overseen by the CLT Equity and Inclusion Sub-Group and the Corporate Services for All Group. The latter includes representatives from across services and plays a key role in cascading key information to staff and capturing best practice, lessons learned and challenges to feed into the CLT Sub-Group. At a Councillor level this agenda is overseen by the Cabinet Member for Communities. We will be reviewing our training for Councillors and officers in 2023/24. We fund the two Disability Advice charities that work in East Suffolk, continue to work closely with groups such as the two Disability Forums in East Suffolk and Youth Voice, and to lead/support projects including Men's Sheds, intergenerational activities and Women's Groups. In 2023/24 we are working towards East Suffolk becoming an Age Friendly Community.

The activities outlined above will help to ensure that the Council continues to meet its legal obligations under the Equalities Act 2010, specifically Section 149, the Public Sector Equality Duty.



## Health and Safety

**Governance arrangements:** e.g. to meet the requirements of the Section 2(7) of the Health and Safety at Work etc Act 1974 and Health and Safety (Consultation with Employees) Regulations 1996 (as amended), the Council has a Health and Safety Committee chaired by the Council's Health and Safety Manager and Members include the Head of Environmental Services and Port Health, the Corporate Health and Safety Team, HR, Unison and employee Champions from all service areas across the Council. The function of the committee is to provide an open forum for exchange of information relating to health, safety and welfare. The minutes from the meeting are made available to all Council employees via Teams and SharePoint. The committee does not make decisions but will make recommendations when appropriate. The Head of Environmental Services and Port Health reports on the key matters via the Corporate Governance Group.

A Housing Health and Safety Board has been set up by the Head of Housing in response to the need to demonstrate effective and safe management of the Council's housing stock and in particular those that are deemed high risk either by their height, type of construction or the needs of the occupants. The Council's Health and Safety Manager attends the board meetings.

The Council's health and safety management function is subject to regulation by the Health and Safety Executive (HSE). Incidents such as accidents, injuries, verbal and physical threats and near misses are captured and reported via the Council's reporting and investigation system on DASH. The data from that system is reported to the Health and Safety Committee with a breakdown of type and service area along with summaries of any civil claims made. Some incidents are required to be reported to the HSE under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR). Over recent years the Council has reported very few incidents to the HSE each year. In 2022/23 there was only one incident that met the criteria for making a report to HSE and that involved an employee suffering injury as a result of the actions of an employee of another organisation in a shared workplace.

Two policies were consulted on with employees via the Health and Safety Committee, the Lone Working Policy and the Asbestos Policy, however they are documents to assist with statutory compliance rather than discretionary strategies.

The Corporate Health and Safety Team workplan along with recommendations are made to Corporate Leadership Team via the annual Health and Safety Report.



## Human Resources

East Suffolk Council has extensive employment policies, guidance, toolkits and procedures in place which are regularly reviewed, refreshed and promoted to ensure that they are relevant and used effectively by managers and staff. New policies implemented in 2022/23 include the Dignity at Work Policy to be incorporated in April 2023 replacing the old Bullying and Harassment Policy.

Oracle Fusion HR system was introduced which captures staff data and continues to evolve. The system monitors staff absence, leave, pay details and within 2022/23 training has been added. The system allows data for all staff to be monitored and managed effectively. We have a robust recruitment process in place and use Oracle to manage/upload details from potential candidates.

A system is in place (My Conversation) to ensure that performance management of staff can be monitor and managed.

The Council has a set of established values. The People Strategy incorporates the Council's values and behaviours, this was approved in 2019, reviewed in 2021/22 and is due to be updated in 2024.



**PROUD**



**DYNAMIC**



**TRUTHFUL**



**UNITED**



**GOOD  
VALUE**

Corporate learning and development is in place to ensure officers have the appropriate skills and training in order to carry out their roles. The Council's training programme has also been developed to align to the training needs of each Strategic Theme. As part of this process HR attended strategic theme meetings to ascertain the necessary requirements to deliver strategic themes and tailor training as required.

A new Member Development Programme is being developed following the Elections in May 2023. A number of key officers are responsible for delivering the training and raising awareness of key responsibilities of the authority. The overall programme is run by Democratic Services.

The Council continues to support the apprenticeship scheme and is committed to both the recruitment of new start apprentices and maximising the use of the apprenticeship levy to upskill existing staff and 'grow our own' particularly in positions and areas where recruitment has been difficult. In 2022/23, ESC had 13 new start apprenticeships, i.e., employees that have been appointed as 'Apprentices' to complete an apprenticeship qualification. However, including these 13, we have 42 employees who are undertaking apprenticeship qualifications from Level 2 – 7. We have been employing apprenticeships in group cohorts since 2012, and 45 of our current employees have new start apprentices and have remained in the organisation since completing their apprenticeship.

Our aspirations around flexible working had been accelerated as a result of covid-19 resulting in a number of significant gains in terms of our carbon footprint (e.g., reduction in travel/mileage, and printing/paper use). The Council has an Agile Working Guide in place which is regularly reviewed in line with capacity/use and functionality of our existing accommodation needs and operational requirements.

In order to ensure the wellbeing of our staff ESC regularly undertakes staff surveys and assess the results. The last survey took place in October 2022 and following a full analysis, the outcomes have been reported to the Corporate Management Team.



**Our 2022/2023  
Apprentices!**

## Information Technology and Data

The Council has recognised the importance of digital technology within the East Suffolk Strategic Plan with one of its five themes being 'delivering digital transformation'. Digital technology can transform the way we work and live; we will use technology to make services efficient and easily accessible to all, without excluding those who cannot use digital means of communication themselves. This theme is overseen by the Digital Theme Delivery Board which comprises of officers and meets monthly to monitor KPIs, core programme and risks. The Strategic Plan Delivery Board focuses one of its six meetings during the year on the Digital theme.

Key Performance Indicators have been developed to monitor the robustness and effectiveness of the digital services we have in place, both from an internal perspective to meet the needs of the authority and externally to meet the needs of our customers and district. An extensive digital programme is in place to deliver improvements to ensure technology remains relevant and our IT environment protected and governed appropriately.

A Digital Strategy states our approach to managing the priorities within this theme and is published on our website and intranet. All staff in the Digital and Programme Management service area throughout 2022/23 attended briefing sessions to understand the direction of our strategic aims and the programme of delivery to achieve it.

In 2022/23, many improvements and projects were delivered, using effective project management and delivery frameworks, key projects include:

- Upgrading and migrating our financial management system;
- Further implementation of a new GIS platform to provide improved insight via spatial data across the authority;
- The digital towns project successfully implemented with eleven towns enabled with public wifi, digital marketing sign-ups and footfall monitoring to provide greater insight on town centre visitor numbers and behaviours;
- Further increased resilience with 24/7 security monitoring of networks implemented to specifically address recognise increased cyber-security threats;
- A cyber response service procured as further assurance in the event of an incident;
- A new domain and tenant established to aid our lead authority role within Freeport East, delivering digital services to the entity;

The Digital and Programme Management service area is also part of the delivery team working on the LATCO project, in particular to establish all digital and ICT needs for the new trading company, East Suffolk Services Limited (ESSL) to ensure systems are in place and functioning effectively for a smooth transition for services on 1 July 2023.

A useful business continuity exercise took place in February 2023 using the subject of a cyber incident to test business continuity plans with various service areas, led by the Joint Emergency Planning Unit.

Demand for data and insight continues to be a key focus for the Council and during 2022/23 KPI dashboards, monitoring the Council's performance, were further developed and are now available on the Council's website using Power BI. A profile pack was also developed for the district to aid all services in decision making and demographics pulling together a number of external sources of data, which will aid the delivery of projects, funding bids and community partnerships going forward. The Council recognises the importance of data and an additional Data Analyst was recruited in 2022/23 with a Lead Data Analyst due to take up post in June 2023 to support this work.

### Wholly Owned Companies

The Council has established a number of companies within a group structure, included East Suffolk Services Limited (ESSL) which will take over services from the current Norse joint ventures from 1 July 2023.

In September 2022 Cabinet approved proposed governance arrangements in relation to its role as ultimate owner of its group companies. This ensures that the Council has appropriate controls in place for the good governance of ESSL and its other companies. In addition, this also assists with compliance with certain legal requirements that must be satisfied so that the Council can make a direct contract award to ESSL and any other Teckal companies.

The Council will enter into a shareholder agreement with each of the companies in the Group, as each company becomes "live"; and a committee of Cabinet, has been established, known as the Shareholder Reference Group (SRG). The SRG will exercise certain rights and controls of the Council in relation to its companies. The SRG held its first meeting on 4 October 2022.

In September 2022, Cabinet approved the business case for East Suffolk Holdings Limited to enable the company to become active and thereby undertake its monitoring and governance role of its Group companies.

Cabinet approved the business cases for East Suffolk Property Investments Limited in November 2022, and East Suffolk Property Developments Limited in December 2022. This was to enable the companies to operate/trade. However, no projects for investment/development have yet been activated in the companies.

East Suffolk Services Limited is wholly owned by the Council and was incorporated on 25 March 2022. The Director of East Suffolk Services Limited was appointed as a Director of the company in October 2022. The company became active during 2022/23 in preparation for the company to take over the operations of the East Suffolk Norse Joint Venture in 1 July 2023.

## External Assurance

### External Audit

The Council's auditors, Ernst & Young LLP (EY), independently audit the Council and provide an opinion on the truth and fairness of the financial statements, the Council's use of resources and providing value for money in the way services are delivered. In reaching an opinion EY take account of statutory requirements, national standards, their own audit work and the reports of Internal Audit.

The most recent Annual Audit Letter from EY dated 31 August 2021 gave the Council an unqualified opinion on their 2019/20 Statement of Accounts and issued an unqualified value for money conclusion. The auditors were satisfied that the Accounts had been prepared properly in accordance with the CIPFA /LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

The deadlines for the preparation of the Accounts was once again changed for 2020/21. The Accounts and Audit (Amendment) Regulations 2021 amended the Accounts and Audit Regulations 2015. The draft Accounts had to be available for inspection on or before 1 August 2021. The Council published its draft 2020/21 Statement of Account on the website on 2 July 2021. The Provisional Audit Results Report for and updated Statement of Accounts for 2020/21 were presented to the Audit and Governance Committee on 14 March 2022. The audit of the Accounts for 2020/21 is substantially complete and did not identify any corrected or uncorrected audit differences. EY sign off has been delayed due to the need to consider the correct accounting treatment and reporting of non-compliance with law and regulation regarding the Housing Regulation and Rents issue. This delayed compounded an already delayed position, due to the ongoing resourcing issues within EY. The draft Accounts for 2020/21 have been updated with the adjustment to the accounting treatment for the Housing Rents compliance matter and is currently awaiting EY's review and audit conclusion. The outcome of this review is likely to impact on EY's Value For Money conclusion. This delay has a knock-on impact for the audit of the 2021/22 Accounts. The Council completed and published its draft set of Accounts for 2021/22 by the statutory deadline of 1 August 2022. However, the audit of these Accounts is not yet scheduled. The Council is now working on the draft Accounts for 2022/23 and is working toward the statutory deadline of 31 May 2023. This deadline has been returned to its original date after the deadline was extended over the last two years due to the pandemic. The audit of 2022/23 Accounts is not scheduled to commence before November 2023, as it is EY's intention to prioritise the backlog of prior year audits. This approach is not limited to East Suffolk Council.

Delays to sign off the Accounts does mean that the Accounts remain liable to further amendment in respect of significant events after the balance sheet date. Late audits also delay the assurance that can be placed on them, and further costs can be incurred. The cumulative backlogs also impacts on future years.

## Housing External Assurances

**Governance Review of the Housing Services:** A legal consultant was commissioned to conduct a review of the governance arrangements in relation to the historical issues identified in 2021. The first draft of the governance review report was received March 2023 and the Council feedback comments on report. The final draft report will be shared with external auditor, EY, and reported to Audit and Governance Committee.

**Forensic Audit of Rents:** Following an initial high-level audit conducted in early 2022, a further detailed 'forensic' audit by independent consultants commenced in May 2022 covering the financial year from April 2010 to March 2022, completed in January 2023. It reviewed 5,008 properties and 9,983 separate tenancies. The consultants are currently undertaking the same work for 2022/23 due to be completed at the end of May 2023.

**Health check of Housing Maintenance Service:** External consultants carried out a health-check of the housing maintenance service and following their recommendations an overarching improvement plan has been implemented. A number of actions were identified including:

- Review of the Asset Management Strategy; revised operating structure.
- Project to develop proposed Logistics Hub at Barnards Way, Lowestoft. Workshops will be held with key stakeholders to develop and inform the business case. The project will include a review of current operations at Rotterdam Road to improve availability of relevant materials until a new fit for purpose facility is operational. Early timelines indicate the construction phase for the proposed Logistics Hub will be May 2024 to February 2026.
- Develop a clear asset information management protocol and engage with staff to define a business-critical data set, its owners and mechanisms to maintain the information.
- Recommended to revise the budget setting process and to assist the Council to undertake a zero-based budget review for 2023/24 across its asset management capital and revenue budgets. The formal process of budget approval will remain unaffected by project.
- Provide ad-hoc advice related to the successful, safe and affordable delivery of housing asset management and repairs to the Council. Aimed to provide best practice and knowledge sharing from across the housing sector to inform service improvement and operational efficiency.

**Keystone Audit:** External consultants carried out a review of the Council's Keystone Housing Asset Management System. The audit showed that the data and the system configuration are robust. The prime issue is that there are gaps in the data to be addressed, e.g. by re-starting the stock condition surveys.

### Port Health - BSI Quality Management System

Quality Management System ISO9001:2015 Certificate FS 83915 covering delivery of Port Health services including inspection and sampling of food, non-food, animal feed, ship inspections and infectious diseases. A successful Assessment Report was received in January 2023.

### Corporate Peer Review

The Council commissioned the Local Authority Government Association (LGA) to undertake a Corporate Peer Challenge in February 2022 which focused on five core elements (local priorities and outcomes; organisational and place leadership; governance and culture; financial planning and management; and capacity for improvement). Following the review weaknesses and improvements were identified and an action plan was implemented. Progress in 2022/23 included:

#### Overall capacity

- The 'hothouse' approach, used to create the Strategic Plan, is used to refresh the Strategic Plan and fully consider it in the context of prioritisation, capacity, capability, governance and oversight.
- Due to district council Elections in May 2023, it was agreed that planning for the review will commence immediately following the Elections, once the new Administration is in place.

#### Senior Capacity Gap

- A third Strategic Director, fully focused on corporate services, was successfully recruited and started in February 2023.
- In July 2022 the Council's Chief Executive gave notice of his retirement in December 2022. Although work on reviewing capacity had commenced, it was important to allow the new Chief Executive to take up post and have an opportunity to form their own views. Since his arrival in January 2023, the Chief Executive has undergone a thorough familiarisation process and will work with the new Administration from May 2023 to review capacity and prioritisation and will carry out a review of the Corporate Leadership Team.

#### Recruitment and Retention Plan

- Revised Recruitment and Retention Plan was approved by CLT in April 2023.

#### Compliance within the housing service

- Housing Peer Review to be held November 2023.

#### LGA Peer Review of Community Partnerships

The LGA also undertook a separate peer review of Community Partnerships in October 2021 resulting in development of a Delivery Plan led by the Community Partnership Delivery Group and will continue to be implemented during 2023/24.

## GOVERNANCE ACTION PLAN

In arriving at the areas to address during 2022/23, the Council has been informed by the results of the review of the effectiveness of the governance framework within the Council arising from last year's reports, by the outcomes of internal and external review bodies that report on the Council's performance to date, by undertaking a gap analysis of the seven core principles that underpin delivering good governance in local government, and by consulting Members.

### Areas for Improvement identified in 2019/20

A significant governance issue in 2019/20 was not reported in the AGS until 2020/21, details are below:

AGS Action	Issues/Challenges Identified	Progress 2022/23
<p><b>Housing Regulation</b></p>	<p>Breach of the Rent Standard and the 'Home' Consumer Standard.</p>	<p>Monthly progress meetings with the Regulator for Social Housing have continued with the attendance of the Chief Executive, Director and Head of Housing.</p> <p>Forensic audit of individual rent accounts and service charge levies completed in January 2023 - 5008 properties reviewed and 9983 separate tenancies.</p> <p>Revised operating structure for the Housing Management Team in place which aligns to key work streams.</p> <p>Review of our Keystone Asset Management System underway.</p> <p>Independent governance review commissioned - report received March 2023 and will be considered by the Audit &amp; Governance Committee in July 2023.</p>

AGS Action	Issues/Challenges Identified	Progress 2022/23
<p><b>Housing Regulation (continued)</b></p>	<p>Breach of the Rent Standard and the 'Home' Consumer Standard.</p>	<p>Housing Health and Safety Board has continued to evolve to fulfil and support our legal duties and to continuously improve our approach to successful Health, Safety and Compliance management.</p> <p>Housing Programme Board established (meeting monthly) to ensure the effective management and monitoring of the multiple programmes and projects currently ongoing within the Housing Service.</p> <p>A new Rent and Service Charge Policy adopted along with a Fire Strategy.</p> <p>Review of policies undertaken to ensure the right policies, processes and mechanisms for monitoring are in place to provide assurance that the housing stock is compliant with the Homes Standard.</p> <p>Significant and comprehensive report on the Council's housing service taken to Full Council in January 2023.</p> <p>Rents Development Group continues to oversee the refund programme and annual rent setting process. Refunds will commence in 2023/24.</p>

## Areas for Improvement identified in 2022/23

On the basis of assurance statements produced by the Heads of Service and the Council's Corporate Risk Register (CRR), the Corporate Governance arrangements are adequate and operating effectively. In 2022/23, issues under review with the intention to improve processes in 2023/24 were identified in the following areas:

AGS Action	Issues/Challenges Identified	Progress as at 2022/23
<b>Governance issues identified in 2021/22</b>		
<p><b>Fire Safety (in housing stock)</b></p>	<p>The Regulatory Reform (Fire Safety) Order 2003 Notification of Fire Safety Deficiencies (NOD) issued by Suffolk Fire and Rescue Service (SFRS)</p>	<p>Since August 2021 four Notifications of Fire Safety Deficiencies (NOD) for St Peter's Court, Amy Court, Wesley House and Harry Chamberlin Court were received, which had to be actioned within 6 months.</p> <p>Work on corrective actions at St Peter's Court is well in hand and further compartmentation and door surveys are starting first week of May 2023 at other sites. A contractor has also been appointed to undertake any fire stopping and door adjustment/replacements.</p> <p>Backlog of Fire Risk Assessments has been addressed. Contractors are being engaged to undertake a prioritised list of corrective actions.</p>
<p><b>Disclosure/ information sharing relating to taxi licensing</b></p>	<p>Disclosure/ information sharing by Police with Licensing Services to ensure licensed drivers are fit and proper persons to safeguard the travelling public.</p>	<p>Police reminded of need for prompt notification/ disclosure to the licensing authority when a licensed driver is stopped or arrested. Police have provided Licensing with a single point of contact for disclosure matters.</p>

AGS Action	Issues/Challenges Identified	Progress as at 2022/23
<b>Governance issues identified in 2021/22</b>		
<b>Local Authority Trading Companies (LATCo)</b>	Work continues on the business cases to enable the trading companies to operate/trade. Anticipated to commence in 2020/21 but slipped to 2022/23.	East Suffolk Services Limited (ESSL) is in place and work is progressing on bringing forward the other companies using the same model.
<b>East Suffolk Services Limited (ESSL)</b>	Developing a company to manage work currently delivered through the joint venture with Norse	<p>Following a Break Notice in the contract with Norse, services will be delivered by ESSL from 1 July 2023.</p> <p>ESSL, was incorporated with Articles of Association in March 2022.</p> <p>Shareholder Agreement approved by Cabinet in July 2022 and regular East Suffolk Services Limited Board meetings taking place. The first Shareholder Reference Group was held in October 2022.</p> <p>A new contract will be put in place setting out service standards, processes for dispute resolution and improvement plans.</p> <p>Full Council approved entering into a contract with ESSL in November 2022. Contract will be agreed and sealed as a deed in June 2023.</p>
<b>Brexit</b>	Uncertainty around the impact of Brexit on Port Health services	The Draft Border Target Operating Model (BTOM) was published in April 2023 after several delays. The document sets out how the Government intends to fundamentally change and develop border operations for both rest of the world and EU trade, including the Sanitary and Phytosanitary sector. The consultation closed on 19 May 2023 and final version is now awaited. The draft contained a cliff edge change to border regimes on 31 January 2024 which presents a high risk to continued successful operation without appropriate and sufficient testing of the future regime and supporting systems.

AGS Action	Issues/Challenges Identified	Progress as at 2022/23
<b>NEW for 2022/23</b>		
Introduction of Target Operating Model (TOM) for Port Health Services	Uncertainty due to introduction and what new target operating system will look like in future.	<p>Report due to be taken to Cabinet regarding impacts on staff and advising of the target operating market. The Portfolio Holder and relevant Members are kept informed of developments and currently lobbying DEFRA for clear guidance.</p> <p>BTOM released in April and impacts on the delivery of Port Health from October 2023 onwards being assessed and report to be taken to Cabinet in Quarter 2 of 2023/24 regarding impacts on staff and future delivery of Port Health service.</p>
Coastal Partnership East – awarding of contracts	Potential concerns identified in the process of awarding some contracts within the Coastal Partnership team	Review of CPE process for awarding of contracts in hand and training of relevant staff arranged.
Philis Replacement System (PRS)	The Port Health software system, PHILIS, is now 10 years old and needs to be redesigned if it is to remain a leading piece of software for imported food control	<p>Cabinet approved the investment in PRS and agreed the project governance arrangements and the Project Initiation Document(PID) has been agreed.</p> <p>ICT reorganisation in progress, and initial Business Analysis work commenced. Some delays experienced and also experienced staff recruitment challenges. Due date to be reviewed to align with AGILE process and phased deliveries.</p> <p>Good progress being made with recent successful migration to the Cloud.</p> <p>Quarterly meetings of Project Board held, most recently in May 2023. Project on track and no major issues identified.</p>

AGS Action	Issues/Challenges Identified	Progress as at 2022/23
<b>NEW for 2022/23</b>		
<b>Data governance around Asset Management records and processes</b>	Data governance around Asset Management records and processes	A corporate project has been proposed to address how the Council manages data and processes around Asset Management – this covers multiple areas including Housing, General Fund Assets and ESSL. Currently in the initial analysis stage, with a full proposal and project team to be in place later in year.
<b>Lack of access to data sharing from DWP</b>	Challenges to obtain permission to use data for the LIFT (Low Income Family Tracker) system fully	Permission from DWP for the risk to sit with Councils but still challenges with HMRC data. Ongoing conversations at ESC and Suffolk level (as potential investment through Collaborative Communities Board in LIFT).
<b>Disrepair Claims</b>	A number of disrepair litigation claims are outstanding.	<p>Process in place, managed by Legal and Housing Maintenance Manager. Referrals sent to Head of Service or Strategic Director for approval to be settled if appropriate.</p> <p>Following a review of the Housing Maintenance Service work continuing to improve the process.</p>
<b>Subsidy Control Compliance and Reporting</b>	Need to ensure ESC wide compliance with new post-January 2023 UK Subsidy Control (formerly State Aid) regime.	A corporate approach is required and this has been identified as corporate risk. The item was taken to CMT in December 2022 to raise corporate awareness. There is service specific knowledge but this needs to be shared corporately and corporate reporting arrangements established. Early discussions held between Legal, Finance, and some key service areas.

AGS Action	Issues/Challenges Identified	Progress as at 2022/23
<b>NEW for 2022/23</b>		
<b>Deben Meadows Development, Melton</b>	Potential Land Contamination Issues and possible Legal action and claims from householders	Potential land contamination issues and possible legal action and claims from householders regarding the Council's Planning and Environmental Health. The advice and views of the Council's insurers has been sought.
<b>Void / Empty HRA Homes</b>	Need for further improvement within the voids letting process	A new Void Standard has been adopted.  A project is underway aiming to reduce the average number of void days.



**AUDIT & GOVERNANCE COMMITTEE**  
**Monday, 10 July 2023**

<b>Subject</b>	TREASURY MANAGEMENT 2022/23 OUTTURN & 2023/24 QUARTER 1 REPORT
<b>Report by</b>	Councillor Vince Langdon-Morris Cabinet Member with Responsibility for Resources and Value for Money
<b>Supporting Officer</b>	Lorraine Rogers Acting Chief Finance Officer and Section 151 Officer <a href="mailto:lorraine.rogers@eastsoffolk.gov.uk">lorraine.rogers@eastsoffolk.gov.uk</a>  Chris Bally Chief Executive <a href="mailto:Chris.bally@eastsoffolk.gov.uk">Chris.bally@eastsoffolk.gov.uk</a>

Is the report Open or Exempt?	OPEN
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Category of Exempt Information and reason why it is <b>NOT</b> in the public interest to disclose the exempt information.	Not applicable
<b>Wards Affected:</b>	All Wards

## Purpose and high-level overview

### **Purpose of Report:**

The Authority adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Authority to approve, as a minimum, treasury management semi-annual and annual outturn reports.

The Authority's treasury management strategy for 2023/24 was approved at a meeting on 25<sup>th</sup> January 2023. The Authority has previously borrowed and currently invests substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

### **Options:**

To comply with the CIPFA Treasury Management code the report is required to be produced and presented to members, and consequently, no other options have been considered.

### **Recommendation/s:**

1. That having commented on the 2022/23 Outturn Report incorporating the 2023/24 Quarter 1 Report on the Council's Treasury Management activity, the Audit and Governance Committee note its contents.
2. That the revised Treasury Management Investment Strategy in Appendix B be approved

## Corporate Impact Assessment

### **Governance:**

The report complies with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management code to provide information and scrutiny on the Councils Treasury Management function.

### **ESC policies and strategies that directly apply to the proposal:**

East Suffolk Council Strategic Plan

### **Environmental:**

No impacts.

### **Equalities and Diversity:**

No impacts.

### **Financial:**

Management of the Council's cash flows; banking; and capital market transactions.

<b>Human Resources:</b> No impacts.
<b>ICT:</b> No impacts.
<b>Legal:</b> No impacts.
<b>Risk:</b> Treasury Management in Local Government is governed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in the Public Services and in this context is the “management of the Council’s cash flows, its banking and its capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.” This Council has adopted the Code and complies with its requirements.

<b>External Consultees:</b> None
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## Strategic Plan Priorities

Select the priorities of the <a href="#">Strategic Plan</a> which are supported by this proposal: <i>(Select only one primary and as many secondary as appropriate)</i>		Primary priority	Secondary priorities
<b>T01</b>	<b>Growing our Economy</b>		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T02</b>	<b>Enabling our Communities</b>		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input type="checkbox"/>
P08	Maximising health, well-being, and safety in our District	<input type="checkbox"/>	<input type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
<b>T03</b>	<b>Maintaining Financial Sustainability</b>		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input type="checkbox"/>
<b>T04</b>	<b>Delivering Digital Transformation</b>		

P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T05</b>	<b>Caring for our Environment</b>		
P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education, and influence	<input type="checkbox"/>	<input type="checkbox"/>
<b>XXX</b>	<b>Governance</b>		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>How does this proposal support the priorities selected?</b>			
The investment activity of the Treasury Management function supports the financial stability of the Council with any increase in return on investment providing additional income above budget to the general fund.			

## Background and Justification for Recommendation

<b>1 Background facts</b>	
1.1	<p>The Treasury Management Policy Statement for 2022/23 requires an Outturn report on the Treasury Management function to be produced annually.</p> <p>The report reviews performance of the treasury management function including prudential indicators for 2022/2 and incorporates a quarter 1 review of 2023/24.</p> <p><b>2022/23 Summary:</b></p> <ul style="list-style-type: none"> <li>• East Suffolk Council's short-term Investments totalled £73m, long term investments totalled £24.9m and liquidity investments totalled £15m as at 31st March 2023</li> <li>• Total Investments as at 31st March 2023 was £112.9m</li> <li>• Interest received on investment balances during the year totalled £2.59m.</li> <li>• East Suffolk Council operated within its approved Prudential Indicator Limits for 2022/23.</li> </ul> <p><b>2023/24 Summary to date:</b></p> <ul style="list-style-type: none"> <li>• Total investments at 30<sup>th</sup> June 2023 totalled £118.56m.</li> <li>• These investments are summarised as Short-term Investments £68.00m, Long-term Investments £24.89m and Liquidity Investments £25.67m.</li> <li>• Interest received to 30<sup>th</sup> June 2023 totals £0.25m.</li> </ul>

## 2 Current position

### 2.1 TREASURY MANAGEMENT OUTTURN 2022/23

### 2.2 BORROWING

During 2022/23 the Council did not enter any new external borrowing arrangements.

The Councils loan portfolio for 2022/23 can be seen in the table below and is summarised by £60.40m attributable to the HRA which includes £58m of Self-Financing loans taken out in 2011/12 and £5.25m of General Fund loans.

Loans as at 31 <sup>st</sup> March 2023	Principal £m	Rate Range %	Maturity Range (years)
PWLB Fixed Rate Maturity/Equal Instalments of Principal Loans	65.65	3.01 - 8.38	1.0- 40.0
<b>Total</b>	<b>65.65</b>	<b>3.01 - 8.38</b>	<b>1.0 - 40.0</b>

### 2.3 INVESTMENT ACTIVITY

The average cash balances held during the year was £149.02m with investment income received of £2.59m which exceeded the planned budget of £1.54m. This is mainly due to further short-term investments in the last quarter of 2022/23 benefiting from the continues upward trajectory in the Bank of England base rate combined with increased market competition during February and March.

	Balance at 1 <sup>st</sup> April 2022	Investment made	Investments repaid	Balance at 31 <sup>st</sup> March 2023
<b>INVESTMENTS</b>	£m	£m	£m	£m
Term Investments (liquidity & term <60 months)	107.50	250.30	-244.91	112.89

Details of the Councils investment balances at 31<sup>st</sup> March 2023 are shown in the table below.

Counterparty	Type of investment	Principal Balance	Duration	Start Date	Effective Maturity	Interest Rate
Bank 1	Instant Access	5,000,000	Overnight	N/A	N/A	2.15%
		<b>5,000,000</b>				
DMO	Fixed Term	5,000,000	6 Months (182 days)	02/12/2022	02/06/2023	3.400%
		<b>5,000,000</b>				
Local Authority - Peterborough C	Fixed Term	5,000,000	1 Year	14/04/2022	13/04/2023	1.20%
Local Authority - London Boroug	Fixed Term	5,000,000	1 Year	29/06/2022	28/06/2023	1.35%
Local Authority - London Boroug	Fixed Term	5,000,000	1 Year	27/07/2022	26/07/2023	1.60%
Local Authority - Darlington Borc	Fixed Term	5,000,000	364 days	01/09/2022	31/08/2023	2.30%
Local Authority - Cheltenham Bo	Fixed Term	3,000,000	6 months	13/10/2022	13/04/2023	3.00%
Local Authority - Suffolk County	Fixed Term	5,000,000	1 year	30/09/2022	29/09/2023	3.15%
Local Authority - Epping Forest D	Fixed Term	2,000,000	6 months	03/10/2022	14/04/2023	3.55%
Local Authority - Epping Forest D	Fixed Term	4,000,000	9 months	18/10/2022	18/07/2023	4.10%
Local Authority - London Boroug	Fixed Term	5,000,000	6 months	14/11/2022	15/05/2023	3.40%
Local Authority - Kirklees Council	Fixed Term	5,000,000	6 months	15/12/2022	15/06/2023	3.60%
Local Authority - North Lanarksh	Fixed Term	5,000,000	5 months	20/02/2023	20/07/2023	3.94%
Local Authority - West Berkshire	Fixed Term	2,000,000	6 months	23/02/2023	23/08/2023	3.95%
Local Authority - Fareham Borou	Fixed Term	5,000,000	6 months	23/02/2023	23/08/2023	3.96%
Local Authority - London Boroug	Fixed Term	5,000,000	6 months	15/03/2023	15/09/2023	4.40%
Local Authority - Harlow District	Fixed Term	2,000,000	114 days	08/03/2023	30/06/2023	4.30%
Local Authority - Blackpool Coun	Fixed Term	5,000,000	3 months	27/03/2023	27/06/2023	4.30%
		<b>68,000,000</b>				
Money Market Fund (MMF)	Instant Access	10,000,000	Overnight	N/A	N/A	3.35%
		<b>10,000,000</b>				
Pooled Property Fund 1	Notice - Long Term	9,035,485	N/A	29/11/2017	N/A	3.91%
Pooled DIF 1	Notice - Long Term	4,502,353	N/A	25/11/2019	N/A	3.91%
Pooled DIF 2	Notice - Long Term	4,551,806	N/A	17/10/2019	N/A	2.60%
		<b>18,089,643</b>				
Local Authority - Watford Council		5,000,000	2 Years	29/09/2021	29/09/2023	0.20%
East Suffolk Services Ltd		1,800,000	10 years	02/03/2023	02/03/2033	7.35%
		<b>6,800,000</b>				
		<b>112,889,643</b>				

Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2022/23.

Investments during the year included call accounts, deposits with UK Banks and Building Societies and Local Authorities, CCLA and NinetyOne. During the year there were no investments placed with counterparties outside of the UK. Externally Managed Pooled Funds: £19.90m of investments are held in externally managed strategic pooled multi-asset and property funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability.

#### 2.4 COMPLIANCE WITH PRUDENTIAL INDICATORS

The Council complied with its Prudential Indicators for 2022/23, these were approved by Full Council on 26<sup>th</sup> January 2022. The Prudential Indicators for 2022/23 can be found at Appendix A.

### 3 How to address current situation

#### 3.1 TREASURY MANAGEMENT QUARTER 1 REVIEW 2023/24

The East Suffolk Council Treasury Management Strategy Statement (TMSS) for 2023/24 was approved by Council on 25<sup>th</sup> January 2023.

**3.2 DAILY CASH MANAGEMENT**

The Council’s counterparty list (investment list) is continuously reviewed and updated taking into account published credit rating information, financial accounts, share prices, asset size, Government support and information from the Council’s Treasury Advisors, Arlingclose.

**3.3 INVESTMENT PORTFOLIO 2023/24**

The Council held £118.56m of investments at the 30<sup>th</sup> June 2023; the table below illustrates the maturity of investments over the forthcoming months and the average interest rate achieved on the investment.

	1st April 2023 £m	1st April Interest Rate %	30th June 2023 £m	30th June Interest Rate %
Call Accounts (Liquidity Funds)	18.77	3.40%	15.67	1.70%
Money Market Funds	10.00	3.35%	10.00	4.76%
Term Investments: upto 12 months	73.00	1.20% - 4.40%	68.00	1.60% - 4.60%
Term Investments: over 12 months	6.80	0.20% - 7.35%	6.80	0.20% - 7.35%
Property Investment Fund	9.04	4.49%	9.04	4.49%
Multi Asset Fund	9.75	3.36% - 3.82%	9.05	3.36% - 3.82%
<b>Total</b>	<b>127.36</b>		<b>118.56</b>	

**3.4 COMPLIANCE**

The Acting Chief Finance Officer reports that all treasury management activities undertaken during the first quarter of the financial year complied fully with the principles in the TM Code and the Authority’s approved Treasury Management Strategy.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 7 below.

	2023/24 Quarter 1	2023/24 Operational Boundary	2023/24 Authorised Limit	Complied? Yes/No
<b>Borrowing</b>	£65.57m	£153m	£155m	Yes

Compliance with specific investment limits is demonstrated in the table below.

	2023/24 Q1 Maximum	30.6.2023 Actual	2023/24 Limit per Counterparty	Complied Yes/No
Any single organisation, except the UK Government	£525m	£76m	£25m	Yes
Unsecured investments with building societies	£15m	£0	£15m	Yes
Money Market Funds	£20m	£10m	£20m	Yes
Strategic Pooled funds	£60m	£18.09m	£20m	Yes
Subsidiaries	£10m	£1.6m	£10m	Yes

The Council measures and manages its exposures to treasury management risks using the following indicators.

**Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	30.6.2023	2023/24 Target	Complied Yes/No
Portfolio average credit score	<b>4.8</b>	<b>4</b>	<b>Yes</b>

**Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

**Interest Rate Exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests was:

	30.06.2023 £m	Impact of a +/- 1%	2023/24 Target £m	Complied Yes/No
sums subject to variable interest rates:				
Investments	15.00	-0.1/0.1	-0.15/0.15	Yes
Borrowing	0	0	-0.15/0.15	Yes

**Principal Sums Invested for Periods Longer than a year:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

3.5	<p><b>REVISED TREASURY MANAGEMENT INVESTMENT STRATEGY</b></p> <p>Following a review of the Treasury Management Strategy for 2023/24 a revised strategy at appendix B includes a requirement for any loans to businesses, subsidiaries, charities, parish councils and housing associations be approved by the Chief Finance Officer/S151 Officer rather than the Audit &amp; Governance Committee as previously adopted. Any new in year approvals will be reported back as part of the quarterly monitoring report to the Audit &amp; Governance Committee. This refinement to the policy aligns the process with the Financial Procedure rules included within the Councils constitution.</p>	Price risk indicator Q1	2023/24
		Limit on principal invested beyond year end	£5.0m
		Actual principal invested beyond year end	£1.8m
		Complied	Yes

#### 4 Reason/s for recommendation

4.1	The CIPFA Treasury Management code requires a report to be produced and noted by the Audit & Governance Committee of the Treasury Management outturn position for the previous financial year and a quarterly update on the current year.
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## Appendices

### Appendices:

<b>Appendix A</b>	Prudential Indicators Outturn position for 2022/23
<b>Appendix B</b>	Investment Strategy 2023/24

### Background reference papers:

None
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## East Suffolk Council - Compliance with Prudential Indicators 2022/23

### 1 ESTIMATED AND ACTUAL CAPITAL EXPENDITURE

- 1.1 This indicator is set to ensure that the level of proposed investment in capital assets remains within sustainable limits and in particular to consider the impact on the Council Tax and in the case of the HRA, housing rent levels.

	2022/23	2022/23	2022/23
	Estimated £m	In Year Forecast	Outturn £m
<b>Capital Expenditure</b>			
Non-HRA	43.15	39.94	<b>25.11</b>
HRA	24.64	6.64	<b>3.74</b>
<b>Total Capital Expenditure</b>	<b>67.79</b>	<b>46.58</b>	<b>28.85</b>

- 1.2 The £14.83m variance on non-HRA and the £2.9m HRA variance relates to programme delivery being deferred until 2023/24. These are reported as part of the Councils Outturn report for 2022/23.

### 2 ESTIMATED AND ACTUAL RATIO OF FINANCING COSTS TO NET REVENUE STREAM

- 2.1 This is an indicator of affordability and demonstrates the revenue implications of capital investment decisions by highlighting the proportion of the revenue budget required to meet the borrowing costs associated with capital spending. The financing costs include existing and proposed capital commitments. Any increase in the percentages requires an increased contribution from the revenue account to meet the borrowing cost. The variances are primarily related to how the expenditure has been financed, with both the non-HRA and HRA benefiting from increased external financing and Reserve financing.

	2022/23	2022/23
	Estimated %	Outturn %
<b>Ratio of Financing Costs to Net Revenue Stream</b>		
Non-HRA	8.30	<b>1.61</b>
HRA	16.84	<b>14.74</b>

### 3 CAPITAL FINANCING REQUIREMENT

- 3.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. In order to ensure that over the medium-term net borrowing will only be for a capital purpose, the Council ensures that net external borrowing does not, except in the short term, exceed the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years.

3.2 The Council met this requirement in 2022/23.

	2022/23	2022/23
	Estimated £m	Outturn £m
<b>Capital Financing Requirement</b>		
Non-HRA	70.44	<b>69.31</b>
HRA	60.40	<b>60.40</b>
<b>Total</b>	130.84	<b>129.71</b>

#### 4 AFFORDABLE BORROWING LIMIT, AUTHORISED LIMIT AND OPERATIONAL BOUNDARY FOR EXTERNAL DEBT

4.1 **Authorised Limit:** This is the maximum amount of external debt that can be outstanding at one time during the financial year. The limit, which is expressed gross of investments, is consistent with the Council's existing commitments, proposals for capital expenditure and financing and with its approved treasury policy and strategy and provides headroom over and above for unusual cash movements. This limit was set at £175m for 2022/23, with the actual total borrowing being £65.65m.

4.2 **Operational Boundary:** This limit is set to reflect the Council's best view of the most likely prudent (i.e., not worst case) levels of borrowing activity and was set at £173m for 2022/23 with the actual borrowing amount being £65.65m.

4.3 The levels of debt are measured on an ongoing basis during the year for compliance with the Authorised Limit and the Operational Boundary. The Council maintained its total external borrowing and other long-term liabilities within both limits.

#### 5 UPPER LIMITS FOR FIXED INTEREST RATE EXPOSURE AND VARIABLE INTEREST RATE EXPOSURE

5.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The exposures are calculated on a net basis, i.e., fixed rate debt net of fixed rate investments. The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	2022/23	2022/23
	Estimated %	Outturn %
<b>Upper Limit for Fixed Rate Exposure</b>	100	<b>100</b>
<b>Upper Limit for Variable Rate Exposure</b>	50	<b>0</b>

#### 6 MATURITY STRUCTURE OF FIXED RATE BORROWING

6.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period and in particular in the course of the next ten years.

6.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.

<b>Maturity structure of fixed rate borrowing</b>	<b>Upper limit %</b>	<b>Lower limit %</b>	<b>Actual Borrowing as at 31 March 2023 £m</b>	<b>Percentage of total as at 31 March 2023 %</b>
under 12 months	50	0	<b>0</b>	<b>0</b>
1 year and within 2 years	50	0	<b>2.0</b>	<b>3</b>
2 years and within 5 years	75	0	<b>10.0</b>	<b>15</b>
5 years and within 10 years	75	0	<b>10.0</b>	<b>15</b>
10 years and within 20 years	75	0	<b>40.64</b>	<b>62</b>
20 years and above	100	0	<b>3.0</b>	<b>5</b>

6.3 All borrowing has been taken in conjunction with advice from the Council's Treasury Management Advisors.

## **7 TOTAL PRINCIPAL SUMS INVESTED FOR PERIODS LONGER THAN 364 DAYS**

7.1 The Council has £9.35m invested in a long-term property fund, £9.05m invested in long-term multi asset income fund, £5m invested with local authorities and £1.8m with East Suffolk Services.

## Investment Strategy Report 2023/24

### Introduction

The Council invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
- to support local public services by lending to or buying shares in other organisations (service investments), and
- to regenerate and provide service delivery in the locality.

This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

### Treasury Management Investments

The Council typically receives its income in cash (e.g., from taxes and grants) before it pays for its expenditure in cash (e.g., through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and Central Government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £100 million and £130 million during the 2023/24 financial year.

**Contribution:** The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

**Further details:** Full details of the Council's policies and its plan for 2023/24 for treasury management investments are covered in a separate document, the treasury management strategy.

### Service Investments: Loans

**Contribution:** The Council may lend money to its subsidiaries, its suppliers, local businesses, local charities, housing associations, local residents and its employees to support local public services and stimulate local economic growth.

**Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk and ensure that total exposure to service loans remains proportionate to the size of the Council, upper limits on the outstanding loans to each category of borrower have been set as follows.

Category of borrower	31.3.2023 actual			2023/24
	Balance owing £000	Loss allowance £000	Net figure in accounts £000	Approved Limit £000
Subsidiaries	1,800	0	1,800	10,000
Suppliers	0	0	0	0
Local businesses	0	0	0	10,000
Local charities & Community Groups	0	0	0	500
Parish Councils	0	0	0	500
Housing associations	0	0	0	5,000
Residents	0	0	0	0
Employees	0	0	0	0
<b>TOTAL</b>	<b>1,800</b>	<b>0</b>	<b>1,800</b>	<b>26,000</b>

Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Councils statement of accounts are shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

**Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding service loans by presenting a full business detailing.

- Market assessment – evidencing an independent assessment of the market that the Council is/will be competing in, the nature and level of competition, how the market/customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements.
- External Advisor Assessment – All service loans will be subject to assessment by the Council’s External Treasury Advisor and a report will be included within the business case.
- Credit Ratings may be used to assess the risk appetite and will be subject to regular monthly review.
- All loans require the approval of the Chief Finance Officer/S151 Officer.

**Reporting:**

- In year loans will be reported within the next available quarterly Treasury Management reporting to the Audit & Governance committee.

### **Service Investments: Shares**

**Contribution:** The Council may invest in the shares of its subsidiaries, its suppliers, and local businesses to support local public services and stimulate local economic growth.

**Security:** One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Category of company	31.3.2023 actual			2023/24
	Amounts invested £000	Gains or losses £000	Value in accounts £000	Approved Limit £000
Subsidiaries	0	0	0	5,000
Suppliers	0	0	0	500
Local businesses	0	0	0	500
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,000</b>

**Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding shares by presenting a full business detailing.

- Market assessment – evidencing an independent assessment of the market that the Council is/will be competing in, the nature and level of competition, how the market/customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements.
- External Advisor Assessment – All service investment shares will be subject to assessment by the Council’s External Treasury Advisor.
- Credit Ratings may be used to assess the risk appetite and will be subject to regular monthly review.
- All service investment shares require the approval of the Chief Finance Officer/S151 Officer.

### **Reporting:**

- In year service investment shares will be reported within the next available quarterly Treasury Management reporting to the Audit & Governance committee.

**Liquidity:** The maximum period for which funds may be prudently committed is for 5 years, after which subject to satisfactory review this may be renewed annually for a 1-year period.

**Non-specified Investments:** Shares are the only investment type that the Council has identified that meets the definition of a non-specified investment in the government

guidance. The limits above on share investments are therefore also the Councils upper limits on non-specified investments. The Council has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

### **Regeneration/Service Investments: Property**

**Contribution:** The Council invests in local property to facilitate regeneration and provide service delivery. The income from these investments will repay any borrowing used in the purchase and to provide a maintenance budget without putting further pressure on the Councils finances.

*Table 1: Property held for investment purposes in £ millions.*

Property	Actual	31.3.2023 Actual	
	Purchase cost £000	Gains or (losses) £000	Value in accounts £000
Investment Property – shop Lowestoft	166	34	200
Investment Property – shop Lowestoft	1,433	-1,113	320
Investment Property – shop Lowestoft	2,358	-1,438	920
Investment Property - Business Park Beccles	2,355	194	2,549
Investment Property - Business Centre Lowestoft	965	335	1,300
<b>TOTAL</b>	<b>7,277</b>	<b>-1,988</b>	<b>5,289</b>

**Security:** In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

The fair value of the Council’s investment property portfolio is no longer sufficient to provide security against loss. However, the Council fully expects the fair value to increase following significant works to the adjoining car park, with the fair value expected to increase to that nearing the original purchase price.

**Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding property investments by assessing the viability of the cost of financing the investment against the return on investment in terms of receivable income. Investments that are subject to short leases are unlikely to be considered due to the high risk of potential voids.

**Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market

conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed; the Council ensures that borrowing is on an equal instalment basis and that revenue budgets cover the cost of the loan repayment.

### **Loan Commitments and Financial Guarantees**

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council and are included here for completeness.

The Council does not have any current financial guarantees and all loans are through the Public Works Loan Board (PWLB).

### **Capacity, Skills, and Culture**

**Elected members and statutory officers:** It is important that the members and officers involved in the Treasury Management function have appropriate capacity, skills, and information to enable them to take informed decisions on specific investments, to assess the risk and strategic objectives and to ensure that the Council’s risk exposure is managed. Periodically the Council’s external Treasury advisors, Arlingclose will hold member training sessions which will provide members with a raft of technical advice specifically designed for the Council’s environment. Additionally, Officers have a wide range of information available to them from various sources such as the Chartered Institute of Public Finance and Accountancy (CIPFA), Arlingclose and Room 151. Officers will also attend a number of courses/seminars throughout the year and have periodical strategic meetings with the Council’s treasury advisors.

**Property Investment deals:** Officers negotiating commercial deals are aware of the core principles of the prudential framework and of the regulatory regime within which local Authorities operate and have access to a number of external bodies who can provide specific advice and direction.

**Corporate governance:** All of the Council’s procedures provide a corporate governance arrangement that ensure accountability and for decision making on investment activities and ensure that the Council’s Chief Finance Officer/Section 151 Officer is fully briefed on the Council’s investment position at any one time.

### **Investment Indicators**

The Council has set the following quantitative indicators to allow elected members and the public to assess the Council’s total risk exposure as a result of its investment decisions.

**Total risk exposure:** The first indicator shows the Council’s total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down and guarantees the Council has issued over third-party loans.

*Table 2: Total investment exposure in Emillions*

	<b>31.03.2023 Actual £000</b>	<b>31.03.2024 Forecast £000</b>	<b>31.03.2025 Forecast £000</b>
<b>Total investment exposure</b>			
Treasury management investments	112.90	120.00	120.00
<b>TOTAL INVESTMENTS</b>	<b>112.90</b>	<b>120.00</b>	<b>120.00</b>
Guarantees issued on loans	65.65	65.49	65.33

<b>TOTAL EXPOSURE</b>	<b>-47.25</b>	<b>-54.10</b>	<b>-54.67</b>
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**How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.

*Table 3: Investments funded by borrowing in £millions.*

<b>Investments funded by borrowing</b>	<b>31.03.2023 Actual £000</b>	<b>31.03.2024 Forecast £000</b>	<b>31.03.2025 Forecast £000</b>
Property Investments	2.64	2.48	2.32

**Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

*Table 4: Investment rate of return (net of all costs)*

<b>Investments net rate of return</b>	<b>2022/23 Actual</b>	<b>2023/2024 Forecast</b>
Short & Long Term Treasury Management investments	2.29%	2.50%
Long Term Treasury Management property investments	4.49%	3.50%
Long Term Treasury Management multi asset investments	3.59%	2.70%
Property Asset Investments	10.91%	8.00%
<b>ALL INVESTMENTS</b>	<b>21.28%</b>	<b>16.70%</b>



**AUDIT & GOVERNANCE COMMITTEE**

**Monday, 10 July 2023**

<b>Subject</b>	ANNUAL INTERNAL AUDIT OPINION 2022/23
<b>Report by</b>	Councillor Vince Langdon-Morris Cabinet Member with Responsibility for Resources and Value for Money
<b>Supporting Officer</b>	Siobhan Martin Head of Internal Audit <a href="mailto:siobhan.martin@eastsoffolk.gov.uk">siobhan.martin@eastsoffolk.gov.uk</a>

Is the report Open or Exempt?	OPEN
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Category of Exempt Information and reason why it is <b>NOT</b> in the public interest to disclose the exempt information.	Not applicable
<b>Wards Affected:</b>	All Wards

## Purpose and high-level overview

### **Purpose of Report:**

To provide an overall annual internal audit opinion of the overall adequacy and effectiveness of the Council's framework of governance, risk management and control during 2022/23.

### **Options:**

There are no options to be considered in relation to this report.

### **Recommendation/s:**

That having considered the Head of Internal Audit's Annual Opinion Report for 2022/23, the Committee notes its contents.

## Corporate Impact Assessment

### **Governance:**

This report is being presented to the Audit & Governance Committee to support and inform Members' review of corporate governance arrangements, and in accordance with the Committee's terms of reference:

*"To consider the Head of Internal Audit's Annual Report:*

- *The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement.*
- *The opinion of the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of work supporting the opinion – these will assist the Committee in reviewing the Annual Governance Statement."*

### **ESC policies and strategies that directly apply to the proposal:**

The Annual Internal Audit Opinion directly links to the Council's framework of corporate governance, which encompasses the East Suffolk Strategic Plan and all ESC policies and strategies that direct and manage East Suffolk Council activities.

### **Environmental:**

The Annual Internal Audit Opinion directly links to the Council's framework of corporate governance, which encompasses the East Suffolk Strategic Plan and activities that support the Caring for our Environmental Theme, where applicable.

### **Equalities and Diversity:**

There are no direct equalities and diversity implications within this report

### **Financial:**

The Annual Internal Audit Opinion directly links to the Council’s framework of corporate governance, which encompasses the East Suffolk Strategic Plan and activities that support the Maintaining Financial Sustainability Theme, where applicable.

**Human Resources:**

There are no direct staffing implications within this report

**ICT:**

The Annual Internal Audit Opinion directly links to the Council’s framework of corporate governance, which encompasses the East Suffolk Strategic Plan and activities that support the Council’s technical controls over applications, information, infrastructure and people, where applicable.

**Legal:**

The provision of an Annual Internal Audit Opinion is a duty under the Accounts and Audit Regulations 2015, which requires an “effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”

The Annual Internal Audit Opinion directly links to the Council’s framework of corporate governance, which encompasses the East Suffolk Strategic Plan and activities that support the Council’s legal and regulatory responsibilities, where applicable.

**Risk:**

The Annual Internal Audit Opinion directly links to the Council’s framework of risk management, including an independent, objective evaluation on the effectiveness of the organisation’s risk management.

Internal Audit is considered the third line in the Institute of Internal Auditors “Three Line Model”, providing an independent assessment of Management’s operational activity and oversight arrangements. Further details are provided within this report and Appendix A.

<b>External Consultees:</b>	No external parties were consulted in the preparation of this report
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## Strategic Plan Priorities

Select the priorities of the <a href="#">Strategic Plan</a> which are supported by this proposal: <i>(Select only one primary and as many secondary as appropriate)</i>		Primary priority	Secondary priorities
<b>T01</b>	<b>Growing our Economy</b>		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T02</b>	<b>Enabling our Communities</b>		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>

P07	Taking positive action on what matters most	<input type="checkbox"/>	<input type="checkbox"/>
P08	Maximising health, well-being and safety in our District	<input type="checkbox"/>	<input type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
<b>T03</b>	<b>Maintaining Financial Sustainability</b>		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>T04</b>	<b>Delivering Digital Transformation</b>		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T05</b>	<b>Caring for our Environment</b>		
P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education and influence	<input type="checkbox"/>	<input type="checkbox"/>
<b>XXX</b>	<b>Governance</b>		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>How does this proposal support the priorities selected?</b>			
<p>The Annual Internal Audit Opinion is based on a risk-based review of Council activities over the financial year. The core responsibility on Internal Audit is to help an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.</p> <p>The priority Internal Audit links to most strongly is therefore governance, although the scope of governance and therefore Internal Audit can extend to all Council activities and all activities that support the delivery of the East Suffolk Strategic Plan.</p>			

## Background and Justification for Recommendation

<b>1</b>	<b>Background facts</b>
1.1	The Accounts and Audit Regulations 2015 require the Council to provide an effective internal audit, taking into account public sector internal auditing standards or guidance.
1.2	In England, public authority Internal Audit standards are set out in CIPFA's Public Sector Internal Audit Standards (2017)
1.3	Standard 2450 requires that within the public sector: <i>The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.</i>

	<p><i>The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.</i></p> <p><i>The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.</i></p>
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## 2 Current position

2.1	In order to provide an annual internal audit opinion for 2022/23, the Head of Internal Audit established a risk-based plan that took account of the Council’s objectives and risks, and prioritised the Internal Audit activity for the year.
2.2	The risk based Internal Audit Plan was initially agreed on 14 March 2022 and revised on 12 December 2022. Both instances were endorsed by the Audit and Governance Committee.
2.3	Detailed reports for each audit completed provide an assurance opinion for the area reviewed and highlight key issues. These detailed reports are provided to the Audit and Governance Committee throughout the year and are used to support the annual internal audit opinion.

## 3 How to address current situation

3.1	The Head of Internal Audit’s annual opinion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control in 2022/23 is <b>Reasonable</b> .
3.2	The Audit and Governance Committee is asked to acknowledge the annual internal audit opinion, taking into consideration the risk and control areas reviewed during the year that support the overall opinion and are set out in the detailed report within Appendix A.
3.3	The Audit and Governance Committee is asked to note the statement on conformance with the PSIAS and the results of the Quality Assurance and Improvement Programme, also set out in Appendix A

## 4 Reason/s for recommendation

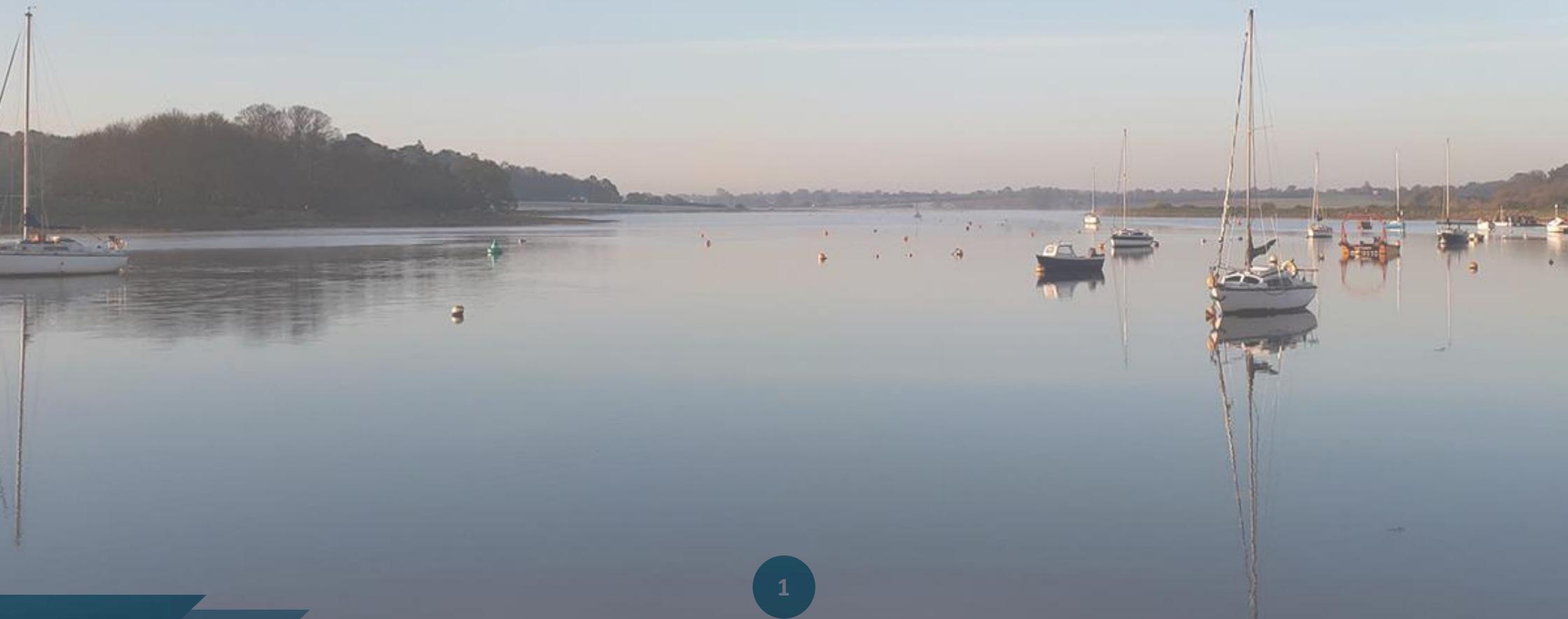
4.1	To ensure the Committee fulfils its terms of reference, ensuring that the Internal Audit process feeds into the Council’s governance framework and enabling good governance over public funds.
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## Appendices

<b>Appendices:</b>	
<b>Appendix A</b>	Internal Audit Annual Opinion Report 2022/23

<b>Background reference papers:</b>	
None	

# Internal Audit Annual Opinion Report 2022/23



## Head of Internal Audit's Annual Opinion 2022/23



<b>Effective</b>	Evaluated controls are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives are being met.
<b>Reasonable</b>	<b>Some specific control weaknesses were noted and some improvement is needed; evaluated controls are generally adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.</b>
<b>Limited</b>	Evaluated controls are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
<b>Ineffective</b>	Evaluated controls are not adequate, appropriate, or effective. Internal Audit cannot provide reasonable assurance that risks are being managed.

This report is the Head of Internal Audit's annual statement on the adequacy and effectiveness of the systems of governance, risk management and internal control within East Suffolk Council for the year ended 31 March 2023.

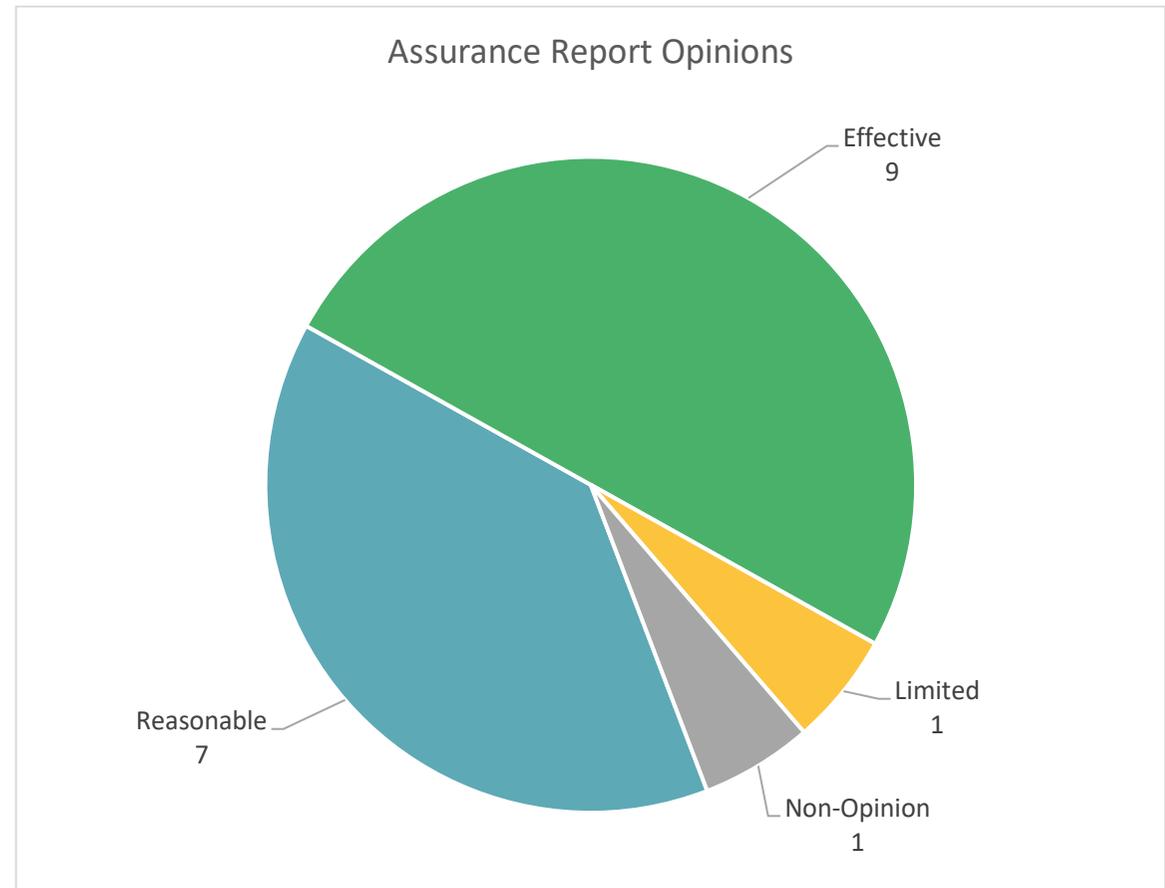
It is my opinion that **reasonable assurance** can be placed upon the systems in place that ensure risks are being managed and objectives should be met.

In giving the audit opinion it should be noted that assurance can never be absolute, and the opinion is professional judgement based on the results of a number of individual engagements and other activities for the specific time interval. The most that can be provided is a reasonable assurance that objectives and goals may be achieved.

.....  
 Siobhan Martin  
 Head of Internal Audit

## Summary of Internal Audit Activity 2022/23 “At a Glance”

	<p><b>27</b> audit activities finalised</p> <ul style="list-style-type: none"> <li>• <b>18</b> Assurance Reports issued</li> <li>• <b>9</b> Consulting activities completed</li> </ul>
	<p><b>7</b> Grant declarations issued to other organisations</p>
	<p><b>39</b> New Actions Raised</p>
	<p>Conforms with the Public Sector Internal Audit Standards</p>



## Audits Forming the Basis of the Annual Opinion

### Role of Internal Audit and Added Value

The primary role of Internal Audit is the provision of assurance services. To support this the Head of Internal Audit provides an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

Internal Audit, in line with the requirements set out in the national Public Sector Internal Audit Standards (PSIAS), evaluates and contributes to the improvement of the organisation’s governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. The PSIAS outline each of these three elements as follows:

Governance	Risk Management	Control
<ul style="list-style-type: none"> <li>• making strategic and operational decisions</li> <li>• overseeing risk management and control</li> <li>• promoting appropriate ethics and values within the organisation</li> <li>• ensuring effective organisational performance management and accountability</li> <li>• communicating risk and control information to appropriate areas of the organisation, and</li> <li>• coordinating the activities of and communicating information among the board, external and internal auditors other assurance providers and management.</li> </ul>	<ul style="list-style-type: none"> <li>• organisational objectives support and align with the organisation’s mission</li> <li>• significant risks are identified and assessed</li> <li>• appropriate risk responses are selected that align risks with the organisation’s risk appetite, and</li> <li>• relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities.</li> </ul>	<ul style="list-style-type: none"> <li>• achievement of the organisation’s strategic objectives</li> <li>• reliability and integrity of financial and operational information</li> <li>• effectiveness and efficiency of operations and programmes</li> <li>• safeguarding of assets, and</li> <li>• compliance with laws, regulations, policies, procedures and contracts.</li> </ul>

It is a core expectation that Internal Audit adds value to the Council through the provision of objective and relevant assurance, and contribution to the effectiveness and efficiency of governance, risk management and control processes. Internal audit reviews are therefore designed to focus on one or more of the areas above, assess the records and evidence available, and use sufficient, reliable, relevant and useful information to provide an assurance opinion and/or recommendations for improvement. The value of internal audit is the reassurance that stakeholders can be confident in the Council’s activities, and the role of catalyst for evidence-based improvements and strengthening of controls and governance.

## Audits Forming the Basis of the Annual Opinion

### Risk Management and Internal Audit

Risk Management is a core aspect supporting organisational governance, and every audit considers whether risks to the Council’s objectives have been either identified or managed correctly. Internal Audit undertakes an annual risk review as part of its annual planning process and where possible and appropriate may use the Council’s risk registers to identify risks for review. However, Internal Audit is duty-bound to recognise that failures in risk identification would result in gaps within a risk register and therefore the Corporate Risk Register contributes, but is not absolute, in directing Internal Audit assurance on risk management.

Where internal audit is providing assurance on areas that link to a risk identified by Management these are considered at the audit planning stage. Details of relevant corporate or theme risks have been noted in the below section listing all audits completed during 2022/23. These are risks that have been identified and are actively monitored by Management prior to the internal audit review, where the audit opinion contributes to assurance on risk management arrangements.

### Performance

The primary performance output of the Internal Audit Service is delivery of the annual risk-based plan, which forms the basis of the annual audit opinion. The 2022/23 annual audit plan was revised and agreed by the Audit and Governance Committee in December 2022, and provides the necessary coverage to deliver the Annual Audit Opinion.

At the time of reporting 18 audits have been completed, with four additional audits in the process of being reported and five deferrals. Audits currently being finalised will contribute to the 2023/24 annual audit opinion. Audits that have been deferred due to service or operational needs will be reassessed and considered for inclusion in the 2023/24 dynamic risk-based annual audit plan.

2022/23 Audits in Progress, to be reported in 2023/24	
Taxi Licensing	Reporting – Reasonable (DRAFT Opinion)
Port Health Fee Setting and Budget Control	Reporting – Limited (DRAFT Opinion)
Towns Fund Governance	In Progress
Housing Compliance (Gas, Electrical etc.)	In Progress

2022/23 Deferrals
Grant Funding
Housing Repair and Maintenance (Planned Building Work)
Gifts and Hospitality / Declarations of Interest
Contracts and Contract Management

The Head of Internal Audit has not received any formal reports or been advised of internal frauds or Whistleblowing cases during 2022/23.

## Audits Forming the Basis of the Annual Opinion

### Audits with a Formal Opinion and Issued Report

The below table sets out all formal reports issued during 2022/23. Definitions are provided in Annex 1 of this document.

Service Area	Audit	Corporate and Theme Risks	Opinion	No of Agreed Actions
Corporate Services	Payroll (system migration) 2022/23	<p>CORPORATE: Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget due to uncertainty over Government funding</p> <p>Theme Risk – Failure to deliver digital transformational services</p> <p>Theme Risk - Failure to effectively manage the impact of supply chain issues on digital solutions and equipment</p>	<b>Reasonable</b>	<p>2 Observations</p> <p>[Observations are made where lessons can be learnt but no immediate action required]</p>
Communities	Safeguarding 2022/23	<p>CORPORATE: Safeguarding - Failure to protect the most vulnerable in our communities and ensure they receive appropriate help from the relevant authorities/ organisations when safeguarding concerns are identified.</p>	<b>Reasonable</b>	6
Finance	Budgetary Control 2022/23	<p>CORPORATE: Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget due to uncertainty over Government funding</p> <p>CORPORATE: Risk to effectively manage and control the Council's finances due to ongoing and uncertain significant increases in inflation rates</p> <p>Theme Risk - Failure to have the right skills to meet financial challenges and ensure efficient use of Council's finances</p>	<b>Effective</b>	1

## Audits Forming the Basis of the Annual Opinion

Service Area	Audit	Corporate and Theme Risks	Opinion	No of Agreed Actions
	Key Financial Controls 2022/23	CORPORATE: Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget due to uncertainty over Government funding	Effective	0
	SCC COVID-19 Grant Support (Certification) 2022/23	Grant Certification	Effective	0
	COVID 19 – Test and Trace Self Isolation Certification 2022/23 (covering the 2020/21 and 2021/22 FY)	Grant Certification	Reasonable	1
	COMF Certification (31/5518) Certification 2022/23	Grant Certification	Effective	0
Finance (ARP)	Business Rates (NNDR) 2022/23	CORPORATE: Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget due to uncertainty over Government funding  CORPORATE: Frontline services not delivered if significant delivery contracts/ partnerships fail	Reasonable	3
	Recovery of Council Tax and Housing Benefit Overpayments 2022/23  (Completed in partnership with West Suffolk Council)	CORPORATE: Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget due to uncertainty over Government funding  CORPORATE: Frontline services not delivered if significant delivery contracts/ partnerships fail	Reasonable	5
	Council Tax Billing, Housing Benefit and LCTRS 2022/23  (Completed in partnership with West Suffolk Council)	CORPORATE: Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget due to uncertainty over Government funding  CORPORATE: Frontline services not delivered if significant delivery contracts/ partnerships fail	Reasonable	11

## Audits Forming the Basis of the Annual Opinion

Service Area	Audit	Corporate and Theme Risks	Opinion	No of Agreed Actions
	Bailiff Services 2022/23  (Completed in partnership with Fenland District Council)	CORPORATE: Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget due to uncertainty over Government funding  CORPORATE: Frontline services not delivered if significant delivery contracts/ partnerships fail	<b>Effective</b>	0
Environmental Services & Port Health	Port Health Income Collection 2022/23	CORPORATE: Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget due to uncertainty over Government funding  CORPORATE: Failure to deliver import checks required in new target operating model (TOM)	<b>Reasonable</b>	5
Housing	Disabled Facilities Grant (Governance) Home Improvement Agency 2022/23	No Corporate or Theme Risk Recorded  Risk identified prior to audit relating to the continuation of service provision after the previously outsourced function was brought in house.	<b>Effective</b>	0
	Disabled Facilities Grant (Certification) 2022/23	CORPORATE: Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget due to uncertainty over Government funding  Grant Certification	<b>Effective</b>	0
	Homelessness Prevention Grant (Uplift) certification 2022/23	Grant Certification	<b>Non-Opinion</b>	0
	Homelessness Prevention Grant Initial Funding Allocation for 2021/22 (31/5546) Certification 2022/23	Grant Certification	<b>Effective</b>	0

## Audits Forming the Basis of the Annual Opinion

Service Area	Audit	Corporate and Theme Risks	Opinion	No of Agreed Actions
Operations	Commercial Rents (Income) 2022/23	CORPORATE: Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget due to uncertainty over Government funding	Limited	7
Planning and Coastal Management	Biodiversity Net Gain Grant 2022/23 Certification	Grant Certification	Effective	0

### Consultancy undertaken where no Formal Report or Opinion has been required

The below table sets out all audit support and activities where no formal report or audit opinion has been required. The definition of Audit Consultancy is provided in Annex 1. Although these audits have no formal individual opinion, the observations and results of the work undertaken inform the overall annual audit opinion.

Service Area	Audit	Corporate Risk	Summary of Work
Corporate and Cross-Cutting	Strategic and Commercial Partnerships	CORPORATE: Failure to successfully implement, exploit development and business opportunities by creating LATCOs	Externally commissioned advice and guidance on LATCo Governance arrangements
	Local Authority Trading Company (LATCo) Hothouse 2022/23	CORPORATE: Failure to successfully implement, exploit development and business opportunities by creating LATCOs	Supporting the ESSL LATCo development process
Economic Regeneration and Development	UK Shared Prosperity Fund - Advice on Fraud Risk and Scheme Assurance 2022/23	Theme Risk - Reduction in business support delivery as a result of reduced grant funding	Provision of consultancy support on assurance and fraud risk during scheme implementation phase
Finance	Covid-19 Business Grants Post Payment Assurance (Restart and ARG Schemes)	CORPORATE: Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget due to uncertainty over Government funding	Supporting the assurance requirements of the former government Department for Business, Energy and Industrial Strategy
	Covid-19 Business Grants Post Payment Assurance (OHL Scheme)	CORPORATE: Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget due to uncertainty over Government funding	Supporting the assurance requirements of the former government Department for Business, Energy and Industrial Strategy

## Audits Forming the Basis of the Annual Opinion



Service Area	Audit	Corporate Risk	Summary of Work
Fraud	Corporate Fraud Support	No Corporate or Theme Risk Recorded	Supporting the work of the Corporate Fraud Service in fraud risk assessment and fraud risk assurance
	NFI – Upload	Protecting against fraud risk is a pillar of good corporate governance and protecting the public purse.	Data collection coordination and submission to the National Fraud Initiative run by the Cabinet Office
	NFI – Matches		Review of potential matches and pre-investigation enquiries for the identification of fraud through data matching exercises with the Cabinet Office.
Environmental	Port Health PRS Project Due Diligence	No Corporate or Theme Risk Recorded  Project Risks recorded separately	Attendance at Project Board meetings for due diligence for the Philis Replacement System

## Conformance with Public Sector Internal Audit Standards and the Quality Assurance and Improvement Plan

### Quality Assurance and Improvement Programme

The Internal Audit department has adopted a culture of continuing improvement in order to maintain and enhance its services. This aligns to the requirements of the Public Sector Internal Audit Standards (PSIAS) and comprises the following elements:

Internal Quality Processes	<p>Routine activity of the Internal Audit function is designed to ensure internal quality standards are maintained and includes:</p> <ul style="list-style-type: none"> <li>• Maintenance of policies and procedures at operational and strategic levels</li> <li>• Training and professional development support</li> <li>• Allocation of work to audit staff with the appropriate skills and competencies</li> <li>• Audit staff supervision by senior members of the team</li> <li>• Peer and management review of internal audit work</li> <li>• Individual self-assessment reviews of audit work</li> <li>• Stakeholder feedback</li> <li>• Periodic formal internal quality assessment</li> <li>• Informal and ad-hoc progress monitoring</li> <li>• Open invitation to all audit staff to make quality improvement proposals</li> <li>• Formal quarterly progress monitoring and quality improvement review</li> </ul>
Internal Quality Assessment	<p>A formal internal self-assessment of the internal audit function is undertaken annually. This was completed using CIPFA guidance as its basis in December 2022 and confirmed that the Internal Audit service conforms to the PSIAS. One action was identified and incorporated into the Improvement Plan:</p> <ul style="list-style-type: none"> <li>• <i>Std 2110.A2: The internal audit activity must assess whether the information technology governance of the organisation supports the organisation's strategies and objectives.</i></li> </ul> <p>At present the position of ICT Principal Auditor remains open. Recruitment is planned for Q1/Q2 of 2023/24</p>
Improvement Plan	<p>The Internal Audit Improvement Plan records internal improvements planned and delivered each year. During 2022/23 these were primarily sourced from quality assessments, informal quality improvement proposals, and auditee feedback.</p> <p>Fourteen actions were active during 2022/23, of which eight have been closed and six carried forward into 2023/24.</p>

## Conformance with Public Sector Internal Audit Standards and the Quality Assurance and Improvement Plan

### External Quality Assessment

An EQA is required every five years. The last EQA was completed in 2019/20 and confirmed the Internal Audit service conforms to the Public Sector Internal Audit Standards. The next EQA is planned for 2024/25.

### Conformance with the Public Sector Internal Audit Standards

The Public Sector Internal Audit Standards (PSIAS) are the national guidelines issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) applicable to all internal audit providers within local government. The PSIAS set core definitions and requirements for the provision of internal audit, including the requirement for the Head of Internal Audit to formally report on compliance to the Audit and Governance Committee.

During 2022/23 all audit activity undertaken by East Suffolk Council internal audit was conducted in conformance with the Public Sector Internal Audit Standards.

## Annex 1: Audit Definitions

### Public Sector Internal Audit Standards Definitions of the Nature of Audit Work

**Assurance** An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements.

**Consultancy** Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training

Assurance Opinions		
East Suffolk Council Definitions		Equivalent Anglia Revenues Partnership Definitions
Effective	Evaluated controls are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives are being met.	Good / Substantial: System control objectives are achieved with no significant (medium risk) or fundamental (high risk) control issues or risks raised.
Reasonable	Some specific control weaknesses were noted and some improvement is needed; evaluated controls are generally adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.	Adequate / Reasonable: In general, system control objectives are achieved. A number of significant (medium risk) control issues and risks have been raised.
Limited	Evaluated controls are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.	Limited: System control objectives are only partially achieved. Fundamental (high risk) and/or significant (medium risk) control issues and risks have been raised.
Ineffective	Evaluated controls are not adequate, appropriate, or effective. Internal Audit cannot provide reasonable assurance that risks are being managed.	No Assurance: System control objectives are not achieved. Fundamental (high risk) and significant control issues and risks have been raised.

## Annex 1: Audit Definitions

Actions	
East Suffolk Council Audit Definitions	Equivalent Anglia Revenues Partnership (ARP) Definitions
<p>Priority 1 Findings indicate a significant control weakness that could mean objectives fundamental to the operation of the service may not be met. Urgent attention is required from strategic management.</p>	<p>HIGH A fundamental control process, or statutory obligation, creating the risk that significant fraud, error or malpractice could go undetected. It is expected that correction action to resolve these will be commenced immediately</p>
<p>Priority 2 Findings indicate an important control weakness could mean that objectives central to the operation of the service may not be met. Prompt management attention is required</p>	
<p>Priority 3 Findings indicate a control weakness that could mean service objectives may not be met. Management attention is required.</p>	<p>MEDIUM A control process that contributes towards providing an adequate system of internal control. It is expected that correct action to resolve these will be implemented within three to six months.</p>
<p>Priority 4 Findings indicate a minor control weakness that, although not essential to an effective control framework, would benefit from low-cost improvements. Any Priority 4 issues identified during the course of an audit have been reported to the relevant Service team prior to the issue of the final report and are available from the Internal Audit team upon request.</p>	<p>LOW These issues would contribute towards improving the system under review. These are classed as verbal points and are raised at draft report discussion but not included in the final report.</p>



## AUDIT & GOVERNANCE COMMITTEE

Monday, 10 July 2023

<b>Subject</b>	CORPORATE FRAUD ANNUAL REPORT 2022/23
<b>Report by</b>	Councillor Vince Langdon-Morris Cabinet Member with Responsibility for Resources and Value for Money
<b>Supporting Officer</b>	Siobhan Martin Head of Internal Audit <a href="mailto:siobhan.martin@eastsoffolk.gov.uk">siobhan.martin@eastsoffolk.gov.uk</a>

Is the report Open or Exempt?	OPEN
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Category of Exempt Information and reason why it is <b>NOT</b> in the public interest to disclose the exempt information.	Not applicable
<b>Wards Affected:</b>	All Wards

## Purpose and high-level overview

**Purpose of Report:**

This report provides a summary of the performance of the Corporate Fraud Service for the period 1st April 2022 to 31st March 2023.

**Options:**

There are no options to be considered in relation to this report.

**Recommendation/s:**

That having commented on the activity of the Corporate Fraud Service for the year 2022/23, the Audit and Governance Committee notes the contents of the Corporate Fraud Annual Report.

## Corporate Impact Assessment

**Governance:**

The corporate governance of the Council will be supported by embedding effective standards and strong safeguards for countering fraud and corruption.

This report has been prepared in accordance with the Audit and Governance Committee's terms of reference to: *"Monitor the counter-fraud strategy, activity and resources."*

**ESC policies and strategies that directly apply to the proposal:**

This report represents the work of the Corporate Fraud Service which supports the delivery of all services across the Council as described in the East Suffolk Strategic Plan.

Associated policies are the Council's Anti-Fraud and Corruption Strategy, Anti-Bribery Policy, Whistleblowing Policy, Covert Surveillance Policy and Anti-Money Laundering Policy.

**Environmental:**

There are no known environmental impacts arising from this report.

**Equalities and Diversity:**

There are no known Equality and Diversity implications arising from this report.

**Financial:**

The prevention, detection and recovery of fraud will help reduce the financial pressure on the Council.

**Human Resources:**

There are no known human resources implications arising from this report.

**ICT:**

There are no known ICT implications arising from this report.

**Legal:**

The Corporate Fraud Service conducts investigations in accordance with the Police and Criminal Evidence Act 1984, Criminal Procedures and Investigations Act 1996, Data Protection Act 2018, UK General Data Protection Regulation, Human Rights Act 1998, Regulation of Investigatory Powers Act 2000, Investigatory Powers Act 2019, Criminal Justice Act 2003, Social Security Administration (Fraud) Act 2001, Council Tax Reduction Scheme (Regulations) 2012, Bribery Act 2010, Prevention of Social Housing Fraud Act 2013, Proceeds of Crime Act 2002, Money Laundering & Terrorist Financing (amendment) Regulations 2019 and the Criminal Finance Act 2017.

**Risk:**

This report provides the results of the Council’s response to fraud risk management during the financial year. The provision of an effective Corporate Fraud Service reduces the Council’s risks related to fraudulent activity.

**External Consultees:**

No external parties were consulted in the preparation of this report.

## Strategic Plan Priorities

Select the priorities of the <a href="#">Strategic Plan</a> which are supported by this proposal: <i>(Select only one primary and as many secondary as appropriate)</i>		Primary priority	Secondary priorities
<b>T01</b>	<b>Growing our Economy</b>		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T02</b>	<b>Enabling our Communities</b>		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input type="checkbox"/>
P08	Maximising health, well-being and safety in our District	<input type="checkbox"/>	<input type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
<b>T03</b>	<b>Maintaining Financial Sustainability</b>		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input type="checkbox"/>
<b>T04</b>	<b>Delivering Digital Transformation</b>		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input type="checkbox"/>

P17	Effective use of data	<input type="checkbox"/>	<input type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T05</b>	<b>Caring for our Environment</b>		
P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education and influence	<input type="checkbox"/>	<input type="checkbox"/>
<b>XXX</b>	<b>Governance</b>		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**How does this proposal support the priorities selected?**

The embedding of strong safeguards for countering fraud and corruption supports good governance and demonstrates effective financial management.

## Background and Justification for Recommendation

<b>1 Background facts</b>	
1.1	East Suffolk Council has a zero-tolerance approach to fraud and corruption, and has a dedicated Corporate Fraud Service with a comprehensive programme of proactive and reactive anti-fraud work.
1.2	The Corporate Fraud Service will investigate any aspects of fraud activity relating to the Council, partnerships and their services, whilst considering the risk of loss to the Council, loss of the services to its residents and reputational damage this may cause.
<b>2 Current position</b>	
2.1	Each year the Corporate Fraud Service expects to recover at least two times the cost of the Service from preventing fraudulent cases or identifying fraudulent payments for recovery. Full details of the value of the anti-fraud work carried out during 2022/23 can be seen in Appendix A of this report.
<b>3 How to address current situation</b>	
3.1	The Council will continue to uphold its zero-tolerance approach in working towards the prevention, detection and prosecution of fraud and corruption, as set out in the Corporate Anti-Fraud Business Plan 2022/23 presented to the Committee in March 2022.
<b>4 Reason/s for recommendation</b>	
4.1	This report is being presented to the Audit & Governance Committee to ensure the Committee is apprised of the Corporate Fraud Service work and performance over the last year, and in accordance with the Committee's terms of reference which stipulate (amongst other functions) that the Committee shall: 'Review the

	assessment of fraud risks and potential harm to the Council from fraud and corruption; and 'Monitor the counter-fraud strategy, activity and resources'.
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## Appendices

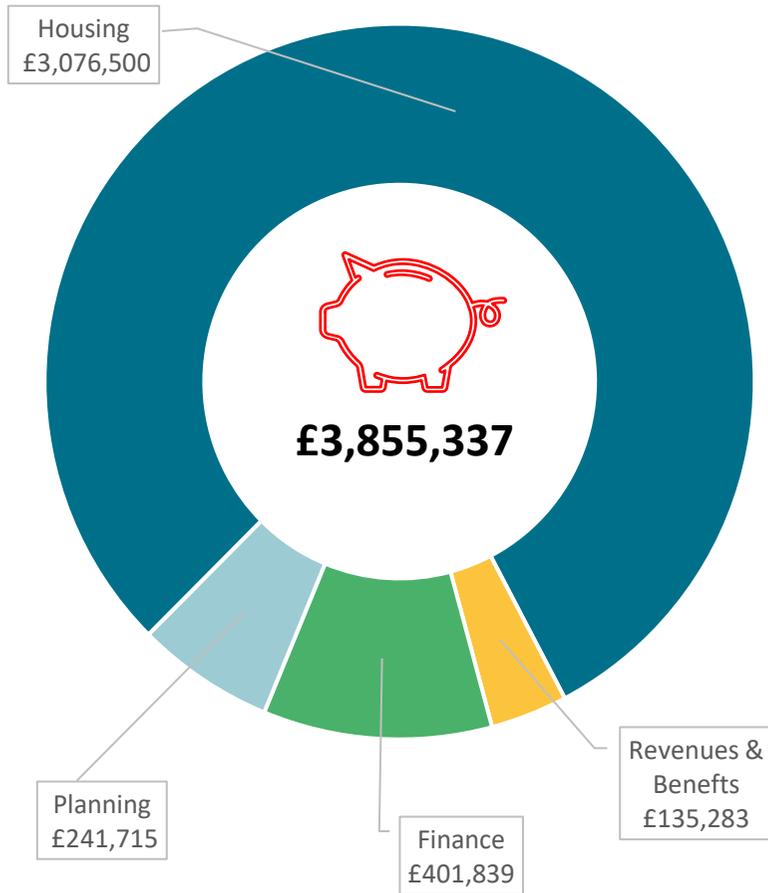
Appendices:	
<b>Appendix A</b>	Corporate Fraud Annual Report 2022/23

Background reference papers:		
Date	Type	Available From
Mar 2022	Corporate Anti-Fraud Business Plan 2022/23	CMIS

# Corporate Fraud Annual Report 2022/23

# Annual Corporate Fraud Activity 2022/23 “At a Glance”

Impact of Fraud Intervention by Service Area



**GOVERN**

Robust arrangements and executive support ensure all anti-fraud, bribery and corruption measures are embedded throughout the organisation

Continuing review of Fraud Policies/Procedures

**ACKNOWLEDGE**

Assessing and understanding fraud risks

Committing the right support and tackling fraud and corruption.

New Service-level Fraud Risk Assessments developed

Training Council Officials in respect of Fraud issues

**PREVENT**

Making the best use of information and technology

Enhancing fraud controls and processes

Right To Buy due diligence cases

Corporate Fraud cases investigated

COVID-19 grant cases investigated

**PURSUE**

Consider Court Prosecutions or other sanctions

Support to other Service Area Court Prosecutions

Financial Impact of Fraud Interventions closed in 2022/23, see left

## National and Local Context

Fraud is the crime most experienced in the UK. Fraud costs the UK many billions of pounds every year. The impact of fraud and related offences such as market abuse and counterfeiting, can be devastating, ranging from unaffordable personal losses suffered by vulnerable victims to impacting the ability of organisations to stay in business. Data breaches continue to be a key enabler of fraud. Personal and financial information obtained in a breach can be used to commit frauds affecting individuals, the private and public sectors alike. By harvesting personal and financial information through data breaches, criminals are able to commit fraud and damage people, businesses and services. (National Crime Agency).

CIPFA Fraud and Corruption Tracker (2020) report, recognises that each pound lost to fraud represents a loss to the public purse and reduces the ability of the public sector to provide services to people who need them. According to the Annual Fraud Indicator in 2017, with the then latest figures, estimates fraud costs the public sector at least £40.3 bn annually with £7.3 bn of this total being lost on local government. This continues to grow with the increasing threat of fraud within the UK.

East Suffolk Council has a commitment from the top to an overall zero-tolerance approach to fraud, corruption, bribery, and other irregularity to ensure the protection of public funds and has an effective system of prevention and detection.

There is a dedicated Corporate Fraud Service whose function is to investigate any aspects of fraud activity relating to the Council, Employees, Elected Members, Partnerships and direct Contractors. To manage the risk of fraud and corruption the Council must follow the best ethical practices, procedures, and principles, therefore maintaining a high level of integrity throughout the Council. We have a duty to protect our residents within our community and protect the essential funds to help them.

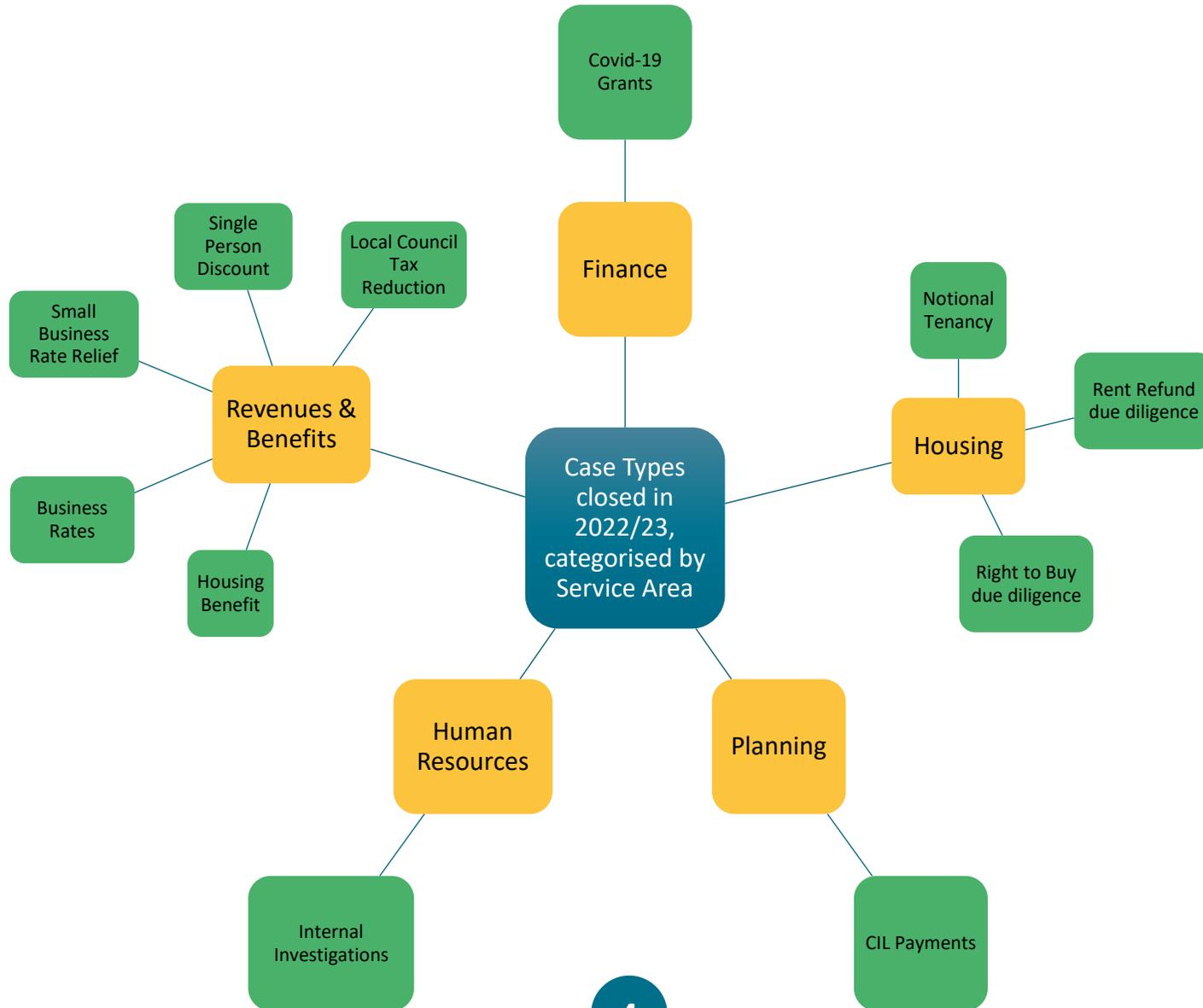
This report is to present the Audit and Governance Committee with a summary of the Council's Corporate Fraud activities and successes during 2022/23. An overall summary is provided in the "At a Glance" page preceding this. A detailed breakdown is provided in the following pages.

The Corporate Fraud team's work has been completed in line with the Corporate Fraud Business Plan 2022/23, which set out the four pillars of counter fraud activity: nationally recognised standards set out by the Chartered Institute of Public Finance and Accountancy (CIPFA). These key principles underpin the Council's approach to support the management of Fraud Risk and Counter Fraud Activity.

Each year the Corporate Fraud Service expects to recover at least twice the cost of the Service by preventing/identifying fraudulent cases. This has been achieved.

A continued focus during 2022/23 has been to maintain closer working relationships across specific areas to understand the risks of fraud awareness and how fraud can permeate any area of work. The Team has access to the National Anti-Fraud Network which provides current data updates on identified fraud nationally.

# Activity and Performance 2022/23: Cases Closed



## Activity and Performance 2022/23

### Breakdown of Fraud Interventions closed in 2022/23

#### Housing

##### *Right to Buy Due Diligence*

The Corporate Fraud team support the Housing Right to Buy (RTB) team with due diligence assessments to prevent and detect crime e.g. false declarations etc and consider money laundering prevention. All RTB applications undergo the due diligence checks to identify potential fraud issues or irregularities. This may result in a recommendation by the Corporate Fraud team to Housing either to proceed or not to progress with the transfer sale for various reasons advised to them.

As a result of Corporate Fraud team intervention, thirteen RTB applications were recommended to the Housing Team not to proceed for various reasons. This enabled the Housing Team to consider the recommendation and issue notices to the relevant applicants to cancel their RTB application.

Any RTBs that were not recommended for processing can re-apply at a later stage and be treated as a new application: repeat due diligence procedures would apply and the property valued accordingly.

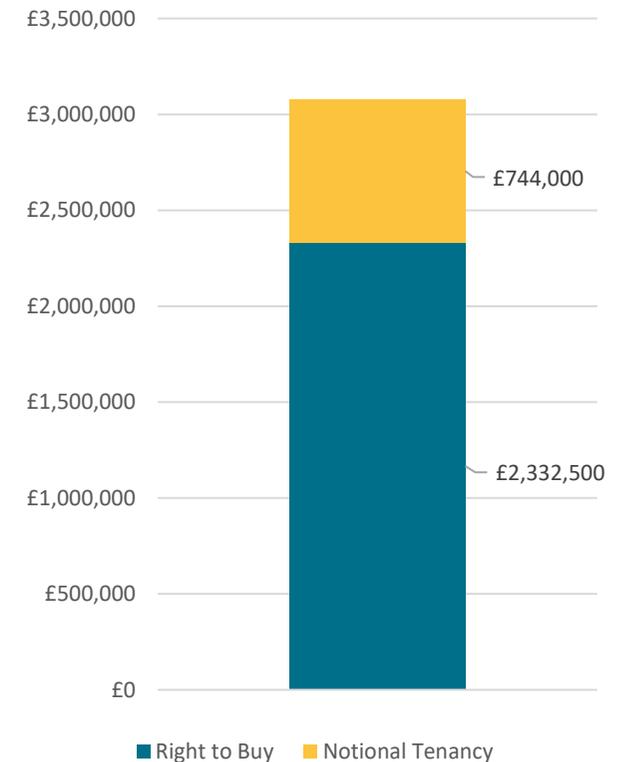
The thirteen RTB applications not recommended for sale equated to property values (current market value) of **£2,332,500** before any tenants' discount was applied.

Potentially if the thirteen properties had been sold the tenants would have paid £1,269,920 to the Council.

The collective tenants' discounts in these cases all differ with each RTB application depending on the qualifying years served as a social tenant. Accordingly, the thirteen properties not recommended to proceed would have amounted to the tenants receiving discounts totalling £1,062,580.

The intervention of the Corporate Fraud team has currently assisted by safeguarding the actual market value of each of these properties. These properties are retained within the housing portfolio and continue to receive the monthly rental income from rent payments.

Breakdown of Fraud Intervention in Housing 2022/23



*Details of each category are provided on pages 5 and 6 of this report*

## Activity and Performance 2022/23



### *Tenancy Fraud*

Social Housing Fraud deprives legitimate tenants of access to affordable homes and has a direct impact on local people, their families, and communities.

Investigations are performed under the Prevention of Social Housing Fraud Act 2013 to prevent fraudulent activity to establish whether any criminal offences have been committed in respect of the tenancy (not living in the property as their main and principal home). All Corporate Fraud Investigators have been trained to use their additional powers under this Act to establish the facts.

Following investigations by the Corporate Fraud team concluding with a joint visit to the tenant at the property in question to advise the enquiries along with the relevant Housing Officer; eight ESC Social Housing properties were recovered, with the keys handed back / or the tenants gave up their tenancy when advised of the fraud enquires and facts uncovered. Using Cabinet Office guidelines, the notional value of £93,000 per recovered tenancy is applied, giving a fraud intervention value of  $8 \times £93,000 = \mathbf{£744,000}$ .

These properties were then brought back into the Council's Housing Stock to enable other eligible families to come off the waiting list and become a tenant. The number of applications on the register currently stands at 4548.

### *Rents*

Where a tenant overpays rent due and accrues a credit, Council procedures require that Fraud Investigators undertake due diligence checks to ensure there are no irregularity or money laundering concerns before a refund is processed.

Credit refunds that pass due diligence checks can be used to offset other debts owed by the tenant to the Council.

All refund referrals successfully passed due diligence in 2022/23.

## Human Resources

### *Internal Investigations*

All Corporate Fraud team members have the professional expertise to assist in any internal irregularity cases and will investigate to a criminal standard as normal procedure.

One case was referred during 2022/23. Following relevant enquiries, a report providing the relevant facts was accepted by Management.

## Activity and Performance 2022/23



### Planning and Coastal Management

#### *Community Infrastructure Levy Payments*

The Community Infrastructure Levy (CIL) allows East Suffolk Council to collect financial contributions from developers to help pay for new and improved infrastructure. It is charged on all new eligible residential development. However, when building a new home to be used as your main or sole residence you will not have to pay CIL for that development. Similarly, if you plan to build an extension to your house or an annexe in the grounds of your house you will also be exempt from paying CIL. These exemptions are conditional, and an application is required to be submitted to the Council.

The Community Infrastructure Levy team is supported by the Corporate Fraud team, who use their powers to prevent and detect crime by identifying specific properties where the applicant applied for exemption from the liability to pay CIL but has not fulfilled the conditions relating to their declaration.

As a result of the Teams enquiries, the CIL team have been able to issue notices to the relevant applicants reclaiming sums due of **£241,715** in total.

### Finance

#### *COVID-19 Business Grants*

In response to the Coronavirus pandemic, the Government announced there would be financial support for small businesses to be administered by Local Authorities. East Suffolk Council made 32,031 payments totalling £135,335,554 in support of businesses affected by the COVID-19 lockdowns. The Corporate Fraud team supported the administration of these COVID-19 business grants by undertaking pre and post payment checks as necessary.

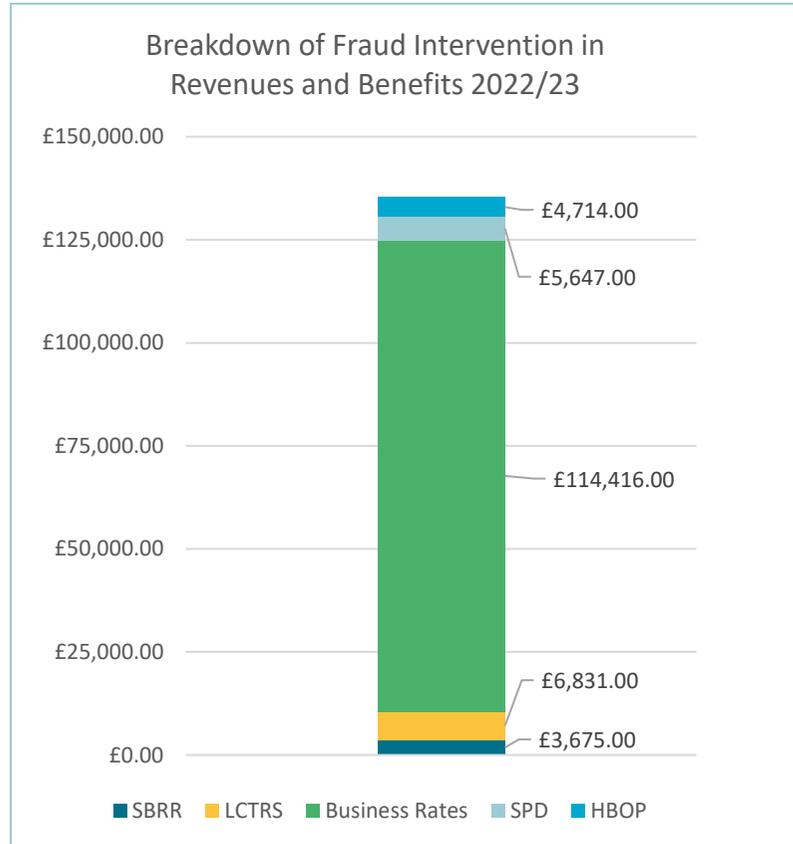
Where these were identified the Council undertook initial recovery of incorrectly (or fraudulent) claimed grant funds. In line with governmental Debt Recovery Guidance the Corporate Fraud team has provided evidence to the Finance Dept of the relevant fraud enquires undertaken.

The combined value of prevented and detected irregularity or fraud in COVID-19 business grant cases closed during 2022/23 is **£401,839**.

For other various Government Grant schemes, the Fraud /Audit Team have also provided strategic advice on fraud risks, due to their experience with the Council's fraud risk assessment and also co-ordinated intelligence-gathering where necessary.

## Activity and Performance 2022/23

### Revenues and Benefits



#### Business Rates

Investigations identified businesses properties that had not been listed by the Valuation Office Agency. These businesses have now been brought into the listing for Business Rate purposes resulting in new bills totalling **£114,416**.

#### Small Business Rates Relief (SBRR)

Investigations identified businesses with additional undeclared premises resulting in the Small Business Rate Relief being removed and bills of **£3,675** raised.

#### Single Person Discount (SPD)

Investigations identified people claiming single person discount when in fact, more than one person lived there as their main and principal home resulting in bills of **£5,647** raised.

#### Local Council Tax Reduction Scheme (LCTRS)

Investigations identified individuals claiming Local Council Tax Reduction when in fact they were not entitled to it, resulting in recovery of an overpayments totalling **£6,831**.

#### Housing Benefit Overpayment (HBOP)

Investigations identified housing benefit irregularities that required amendment resulting in overpayment recovery from claimants totalling **£4,714**.

## Anglia Revenues Partnership (ARP)

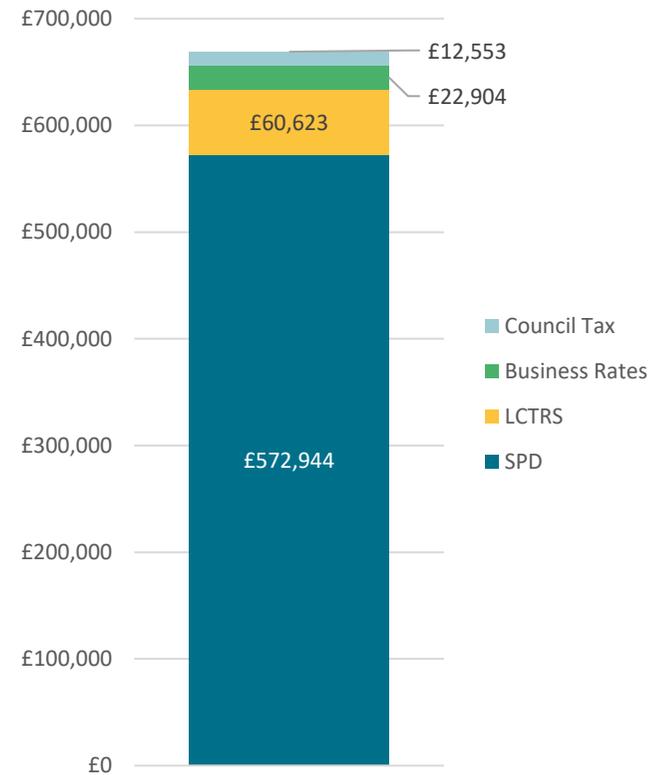
The Anglia Revenues Partnership delivers the Revenues and Benefits function for five 5 partner local authorities in the Breckland, Fenland, East Cambridgeshire, East Suffolk, and West Suffolk areas. The work of ARP is presented here for information only as a summary of work the undertaken by East Suffolk Council’s shared service provider in addition to the work of the internal Corporate Fraud team.

Responsibility for investigating allegations of Housing Benefit Fraud was transferred to the Single Fraud Investigations Service, namely the Department for Works and Pensions (DWP), on 1<sup>st</sup> May 2015. From this date Anglia Revenues Partnership cover investigations into Revenues and Benefits cases with the DWP. However, fraud and error cases investigated by the East Suffolk Council Corporate Fraud team may be cross-cutting and involve all areas of East Suffolk Council including Revenues and Benefits.

ARP are the designated single point of contact for DWP investigations of revenues and benefits cases. The chart to the right shows the results of the work undertaken on behalf of East Suffolk Council by ARP as the Council’s shared service partner for the year 2022/23.

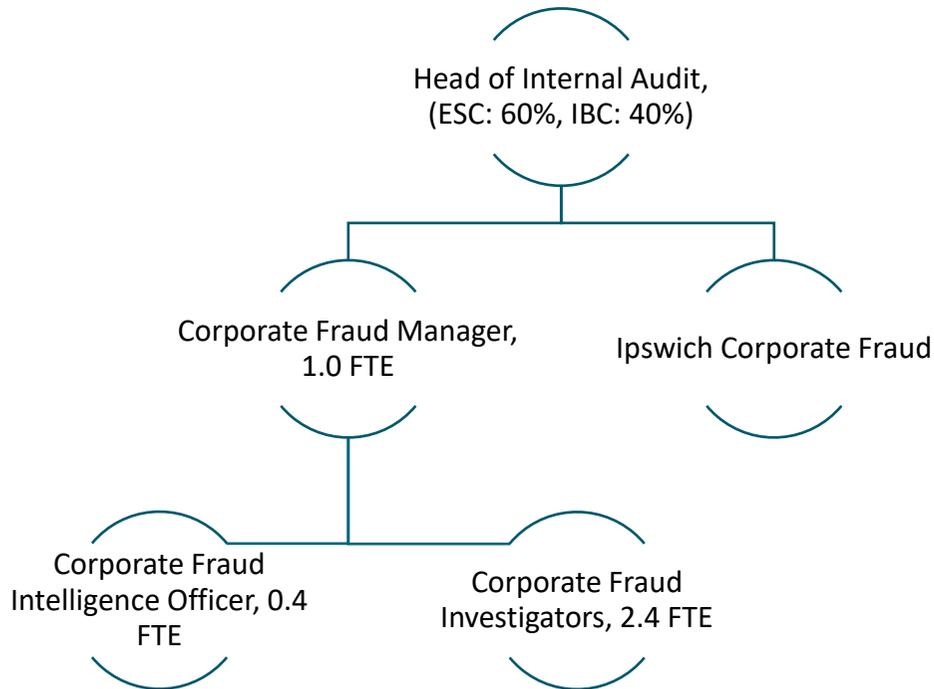
In addition, ARP have contributed to East Suffolk Council’s work under the “Pursue” theme through one administrative penalty, two cautions and two prosecutions. One of these prosecutions into a fraudulent benefits claim was undertaken jointly with the DWP and resulted in a court fine of £25,000.

Breakdown of Anglia Revenues Partnership case impacts



## Activity and Performance 2022/23

### Resources and Staffing



Each year the Corporate Fraud team expects to recover at least two times the cost of the Service from preventing fraudulent cases or identifying fraudulent payments for recovery.

The net direct cost of the Corporate Fraud function during 2022/23 was £208,339.

East Suffolk Council in Partnership with Ipswich Borough Council can call upon the additional services of a Financial Investigator accredited by the National Crime Agency to undertake enquires under the Proceeds of Crime Act 2002.

The Head of Service is also accredited as a “Authorised Officer” by the National Crime Agency.

We have the ability to pool resources with Ipswich Borough Council as a Partner along with our Audit colleagues.

## Activity and Performance 2022/23

### Transparency data 01 April 2022 to 31 March 2023

The Local Government Code of Transparency requires of counter fraud activity to be published annually.

#### Information which must be published

Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers	6
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud	4 staff (3.8 Full Time Equivalents)
Total number of professionally accredited counter fraud specialists	4 staff (3.8 Full Time Equivalents)
Total amount spent by the authority on the investigation and prosecution of fraud	£208,339 net
Total number of fraud cases investigated	318 fraud and irregularity cases have been investigated by the Corporate Fraud team

#### Information recommended for publication

Total number of cases of irregularity investigated	Not recorded separately
Total number of occasions on which a) fraud and b) irregularity was identified	66
Total monetary value of a) the fraud and b) the irregularity that was detected	£3,855,337
Total monetary value of the a) the fraud and b) the irregularity that was recovered	To be confirmed

### Other Activities

#### *Enabling Referrals*

**Whistleblowing – A confidential telephone hotline (without fear of reprisal) on 01394 444222 is available to report concerns in respect of the Council’s standard of openness, propriety and integrity and commitment etc.**

**Fraud - A confidential telephone “fraud” hotline number is 01394 444444 and email: [fraud@eastsoffolk.gov.uk](mailto:fraud@eastsoffolk.gov.uk) is available to report any suspicion of fraud. Please leave a message and someone will get back to you as soon as possible.**

Electronic forms are also available on the Council’s website to enable concerns to be reported by members of the public.

#### *Intelligence Enquires – Data Protection*

The Corporate Fraud team received and answered 347 separate GDPR requests in 2022/23 from other government organisations under the heading to prevent and detect crime. These may require the completion of a witness statement to supplement the enquiry for criminal purposes.

#### *National Fraud Initiative (Mandatory)*

The Corporate Fraud team continues to participate in the 2022/23 Cabinet Office National Fraud Initiative statutory government data matching exercises. Data matches were received in Quarter 4 of 2022/23 and are currently being worked upon by the Team. East Suffolk Council received 1,473 matches and approximately 740 were identified as having potential fraud risk issues by the NFI. The Anglia Revenues Partnership supports the work of the Corporate Fraud team and undertake checks on specific matches relating to revenues and benefits.

## Activity and Performance 2022/23



### Training

The Corporate Fraud team facilitated additional staff training to raise awareness of the Regulation of Investigatory Powers Act and Money Laundering for staff guidance involved in official surveillance and money laundering awareness.

<i>RIPA (Regulation of Investigatory Powers Act 2000)</i> 5 Authorised Officers trained 49 Investigations Officers trained	<i>Money Laundering</i> 82 Officers provided with Anti-Money Laundering Training
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### *International Fraud Awareness Week*

We participate in the International Fraud Awareness week on a yearly basis, and this takes place in November. Proactive Exercises were undertaken to promote awareness to Landlords, NHS Surgeries and others.

### Partnership working

The Team receives Intelligence reports for the entire UK of the latest fraud trends/issues which they share with relevant teams. The team maintains contact with relevant fraud support and partners includes National Anti-Fraud Network, Police, National Crime Agency, Home Office (Border Force), HMRC, National Health Service, National Fraud Initiative, Suffolk County Council, other teams within East Suffolk Council, Norse Group, other Local Government Authorities, and Social Housing Providers.

### *Enforcement Officers Group (Internal)*

The Head of Internal Audit led the reintroduction of this Group with the first meeting for Enforcement Officers held in December 2022. The group meets quarterly and allows all Enforcement Officers working within East Suffolk Council area and Partnerships to discuss best practice, review cases affecting multiple services and develop cross-cutting improvements.



**AUDIT & GOVERNANCE COMMITTEE**  
**Monday, 10 July 2023**

<b>Subject</b>	DATA PROTECTION STATUS UPDATE
<b>Report by</b>	Councillor Paul Ashton Cabinet Member with Responsibility for Corporate Services - Digital, Customer Services, HR and Assets
<b>Supporting Officer</b>	Siobhan Martin Head of Internal Audit siobhan.martin@eastsoffolk.gov.uk

Is the report Open or Exempt?	OPEN
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Category of Exempt Information and reason why it is <b>NOT</b> in the public interest to disclose the exempt information.	Not applicable
<b>Wards Affected:</b>	All Wards

## Purpose and high-level overview

### **Purpose of Report:**

To provide Members with an overview of the work undertaken from April 2022 to March 2023 by the Data Protection team on all Data Protection activities. Detailed statistical information is included within this report of the time and resources that have been allocated to this work during this period.

### **Options:**

There are no options to be considered in relation to this report.

### **Recommendation/s:**

That having considered the information in the report, the Audit and Governance Committee notes its contents.

## Corporate Impact Assessment

### **Governance:**

This report is being presented to the Audit & Governance Committee to inform Members of corporate governance arrangements specifically data protection, and in accordance with the Committee's terms of reference.

### **ESC policies and strategies that directly apply to the proposal:**

The Data Protection report directly links to the Council's framework of corporate governance, which encompasses the East Suffolk Strategic Plan and all ESC policies and strategies that direct and manage East Suffolk Council activities.

### **Environmental:**

There are no environmental implications.

### **Equalities and Diversity:**

There are no equalities and diversity implications.

### **Financial:**

The Data Protection report directly links to the Council's framework of corporate governance, which encompasses the East Suffolk Strategic Plan and activities that support the Maintaining Financial Sustainability Theme, where applicable.

### **Human Resources:**

The Data Protection report directly links to the Council's framework of corporate governance, which encompasses the East Suffolk Strategic Plan and activities that support Officers training and to support Human Resources with disciplinary's should the need arise relating to data protection.

### **ICT:**

The Data Protection report directly links to the Council's framework of corporate governance, which encompasses the East Suffolk Strategic Plan and activities that support

the Council’s technical controls over applications, information, infrastructure and people, where applicable.

**Legal:**

The UK General Data Protection Regulation and the Data Protection Act 2018 are legal frameworks which all organisations nationally must adhere to. The Data Protection report evidences how the Council is meeting and adhering to its legal obligations under both pieces of legislation.

Data Protection actions completed in line with the above legislations are fundamental to support the Council’s foundations of corporate governance, risk and control.

**Risk:**

Non-compliance with UK General Data Protection Regulation and the Data Protection Act 2018 could result in personal distress to customers, potential damage to the Council’s reputation and possible fines by the Information Commissioner’s Office (ICO).

**External Consultees:** No external parties were consulted in the preparation of this report.

## Strategic Plan Priorities

Select the priorities of the <a href="#">Strategic Plan</a> which are supported by this proposal: <i>(Select only one primary and as many secondary as appropriate)</i>		Primary priority	Secondary priorities
<b>T01</b>	<b>Growing our Economy</b>		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T02</b>	<b>Enabling our Communities</b>		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input type="checkbox"/>
P08	Maximising health, well-being and safety in our District	<input type="checkbox"/>	<input type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
<b>T03</b>	<b>Maintaining Financial Sustainability</b>		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input type="checkbox"/>
<b>T04</b>	<b>Delivering Digital Transformation</b>		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>

P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T05</b>	<b>Caring for our Environment</b>		
P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education and influence	<input type="checkbox"/>	<input type="checkbox"/>
<b>XXX</b>	<b>Governance</b>		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**How does this proposal support the priorities selected?**

The Data Protection report is an overview of the Council’s data protection activities over the financial year. The core responsibility on the Data Protection team is to ensure the organisation is in compliance with UK General Data Protection Regulation and the Data Protection Act 2018 by bringing a systematic, disciplined approach to improve the effectiveness of data protection arrangements within the Council.

The priority above that Data Protection links to most strongly is therefore governance, although the scope of governance and therefore Data Protection can extend to all Council activities and all activities that support the delivery of the East Suffolk Strategic Plan.

## Background and Justification for Recommendation

<b>1 Background facts</b>	
1.1	<p>The Data Protection team forms part of the wider Internal Audit team but remains independent in its reviewing, advice and reporting. The Data Protection team is responsible for supporting the Council arrangements for data protection, providing support, advice and guidance in adhering to and complying with the Data Protection Act 2018 and UK General Data Protection Regulation.</p> <p>The Head of Internal Audit has the strategic responsibility of Data Protection Officer as the Council’s lead for information governance. The Data Protection team support this role to ensure the Council’s compliance with data protection legislation.</p>
<b>2 Current position</b>	
2.1	<p>The figures below demonstrate the proactive work and support carried out by the Data Protection team which ensure the Council’s compliance with data protection legislation. The figures also demonstrate an increase in the complexity of data subject interactions, reporting of breaches, and provision of advice, guidance and training to officers across the Council. The resource required to process data protection activities is necessary to ensure that the Council is compliant with data protection legislation, and to minimise the risk of significant fines for non-compliance.</p>

### 3 How to address current situation

3.1	No elements to address; this report is for consideration and to provide information on the current situation.
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### 4 Reason/s for recommendation

4.1	To update the Committee on the work of the Data Protection for the period April 2022 – March 2023.
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## Appendices

### Appendices:

<b>Appendix A</b>	Data Protection Annual Report 2022-23
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### Background Papers

None

# Data Protection Annual Report 2022/23



## Activity and Performance 2022/23 “At a Glance”

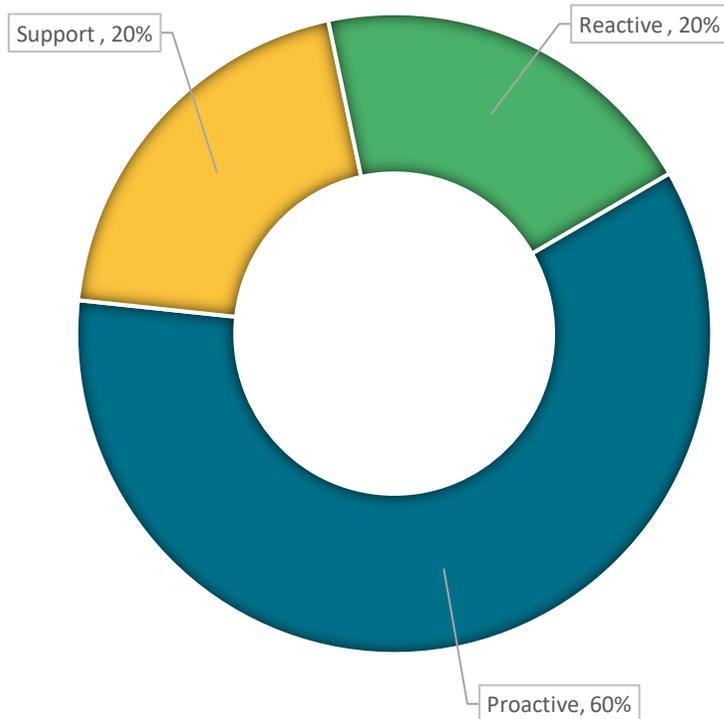
### Compliance with Data Protection Legislation

Provision of independent strategic and operation-level advice, support and guidance on data protection, risk and control processes.

Day to day management of the internal data protection function and ongoing quality control of data protection services.

The monitoring of internal compliance with UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018.

**A vast amount of proactive work and support has been undertaken with service areas to increase knowledge and awareness, resulting in a reduced amount of reactive work i.e. data breaches and ensuring the Council is compliant with Data Protection legislation.**



#### Proactive

Data Protection advice covers a wide scope of work such as Data Protection Impact Assessments (DPIA), Data Sharing Agreements and general advice on topics such as privacy notices, releasing of information and how long information should be held for.

Building knowledge and awareness through early intervention with projects to ensure data protection compliance. Other activities such as involvement in the tendering process and review of new contracts.

Keeping up to date with changes to data protection legislation. Engagement with professional groups across the county identifying common trends and sharing best practice.

#### Support

Bespoke training on the importance of DPIAs and when and how to complete. Bespoke Customers Services and induction training for new officers. New Data Protection E-Learning modules rolled out to all officers and members.

#### Reactive

Data Protection breaches require the Data Protection team to act quickly in response, completing a risk assessment to ascertain whether the breach is a risk to the rights and freedoms of the data subject and whether it is to be reported to Information Commissioners Office (ICO) within 72 hours.

## Activity and Performance 2022/23

### Data Protection Requests

A data subject has rights under data protection legislation, and can make requests including:

- Right to erasure
- Right to rectification
- Right to access

Table 1, columns 1 to 4 show no real change year on year.

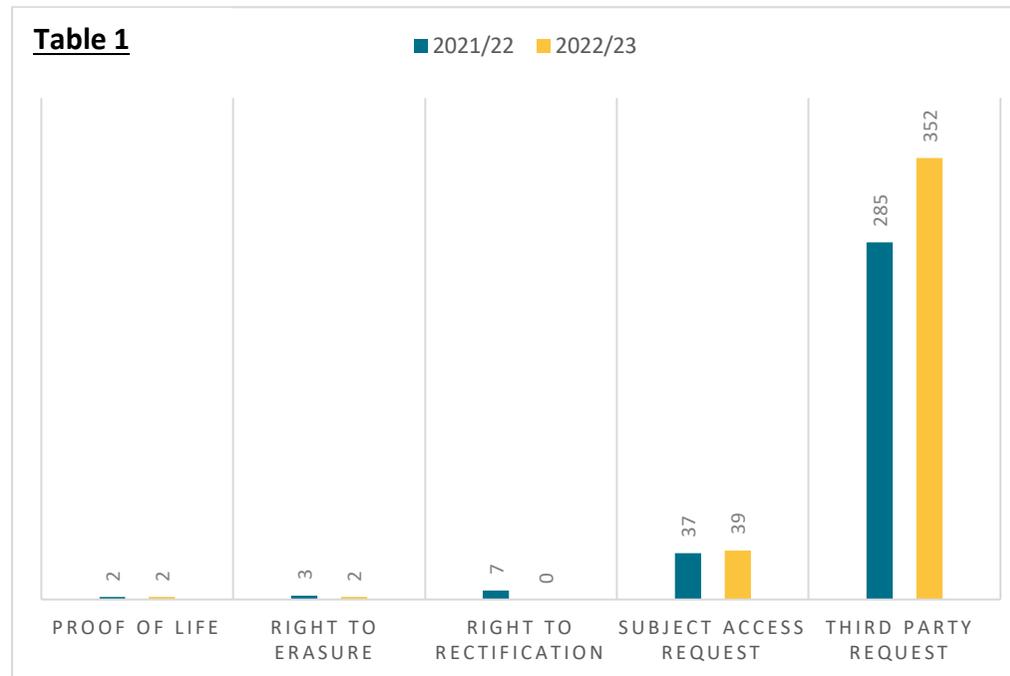
The Data Protection team processed 37 data subject access requests in 2021/2022. Table 1, column 4 demonstrates a slight increase in the number of data subject access requests processed in 2022/2023. However, for the period 1 April 2022 to 31 March 2023 a total of 41 days was spent processing data subject access requests. For each data subject access request received, all relevant data requires collation and retrieval, reviewing for application of exemptions, and redaction of third-party information. Such requests can involve processing hundreds of documents.

The Data Protection team on average spent 1.05 days per data subject access request. However, the complexity and volume of data requested under the right of access has also increased. For example, one data subject access request for the period 1 April 2022 to 31 March 2023 took 10.2 days to complete. In conclusion every data subject access request is different resulting in challenges regarding resourcing this area as you can never predict the complexity and or volume of data that will be requested until the data subject access request comes in.

In addition to data subject requests, data protection legislation allows for third party requests. These are requests received by the Council for personal information relating to another individual, and can be received from other local authorities, the police, and utility companies.

The Data Protection team has seen a sharp increase in the number of third-party requests, table 1 column 5, this is due to the Department of Work and Pensions (DWP) increasing their requests for information from 48 in 2021/2022 to 139 for the period 1 April 2022 to 31 March 2023.

**Table 1**



## Activity and Performance 2022/23

### Data Protection Reactive Work/Breaches

The Data Protection team investigates and risk assesses all potential breaches to determine the likelihood that the data breach will affect the data subject. A data breach which results in a risk to the rights and freedoms of the data subject must be reported to the ICO within 72 hours of the Council becoming aware of the breach.

Table 2, column 1 demonstrates an increase in the number of confirmed breaches reported in 2022/2023. This could be due to:

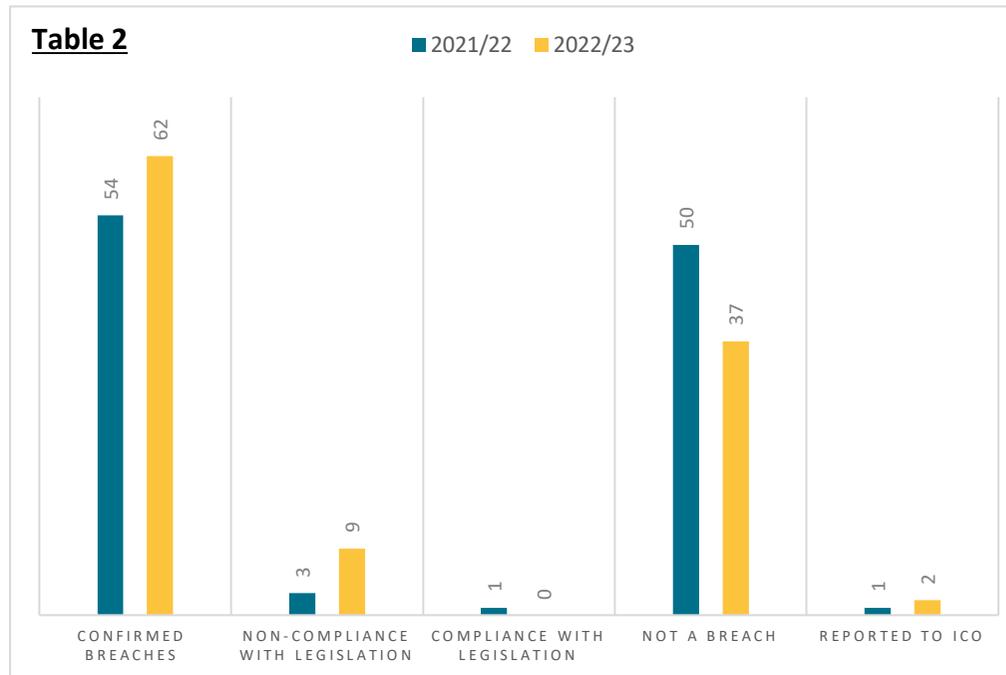
- A positive increase in approaches made by the Service Area's to the Data Protection team for general data protection advice and guidance including a noticeable increase in engagement at the start of projects. Resulting in more effective working relationships and rapport building.
- Officers are being more transparent and reporting concerns immediately not waiting to investigate themselves or trying to resolve themselves.

The Data Protection team have reviewed all confirmed breaches for the period 1 April 2022 to 31 March 2023 and note the following trends:

- Top three most common type of breaches 1) emails being sent to the incorrect recipient, 2) letters sent to incorrect addresses/recipients due to incorrect name or contact details updated (which includes accounts set up incorrectly) or multiple letters in one envelope and 3) improper publication of information on the Councils website. All the breaches following investigation have been due to human error, and none have been due to malicious intent. The majority of which following risk assessment have not required being reported to the ICO.
- Most breaches are in the services areas that are customer facing, under time pressures to respond and have high interactions daily with customers which are time restricted. To mitigate some of the risk, bespoke training is delivered to the service areas that have high interactions daily with customers such as Customer Services and all new officers receive bespoke induction training as well as the e-learning modules.

Table 2, column 4 demonstrates a decrease in the number of reported breaches that upon investigation were not a breach 2022/2023. This could be due to:

- Proactive work and engagement with service areas increasing knowledge and vigilance resulting in less errors/near misses by officers.



## Activity and Performance 2022/23

Table 2, column 5 shows the two data breaches that were reported to the ICO by the Data Protection Officer (DPO) for the period 1 April 2022 to 31 March 2023: 1) the improper publication of information on the Council's website and 2) the incorrect release of personal data.

- c) The ICO have not taken any further action but have provided the DPO with recommendations to consider preventing these types of breaches reoccurring. On both occasions the Council had demonstrated to the ICO that prompt action had been taken to mitigate the risk to the data subjects, and the ICO acknowledged the actions taken by the Council to resolve the breach at the time of reporting.

Table 2, columns 2 and 3 show no real change year on year.

## Activity and Performance 2022/23

### Data Protection Proactive Work, Support and Advice

The Data Protection legislation states that the Council is required to complete Data Protection Impact Assessments (DPIA), have data sharing agreements (DSA) and contracts in place, and are required to have privacy notices available to data subjects. The Data Protection team have been greatly involved in providing advice and guidance to service areas and assisting in completion of these documents.

The Data Protection team for the period 1 April 2022 to 31 March 2023 has delivered bespoke DPIA training sessions to over 70% of the Council's service areas focusing on the importance of DPIAs, their legal function under data protection legislation and when and how to complete. This is evidenced in table 3, column 1 in the number of DPIAs received by the Data Protection team increasing significantly for the period 1 April 2022 to 31 March 2023.

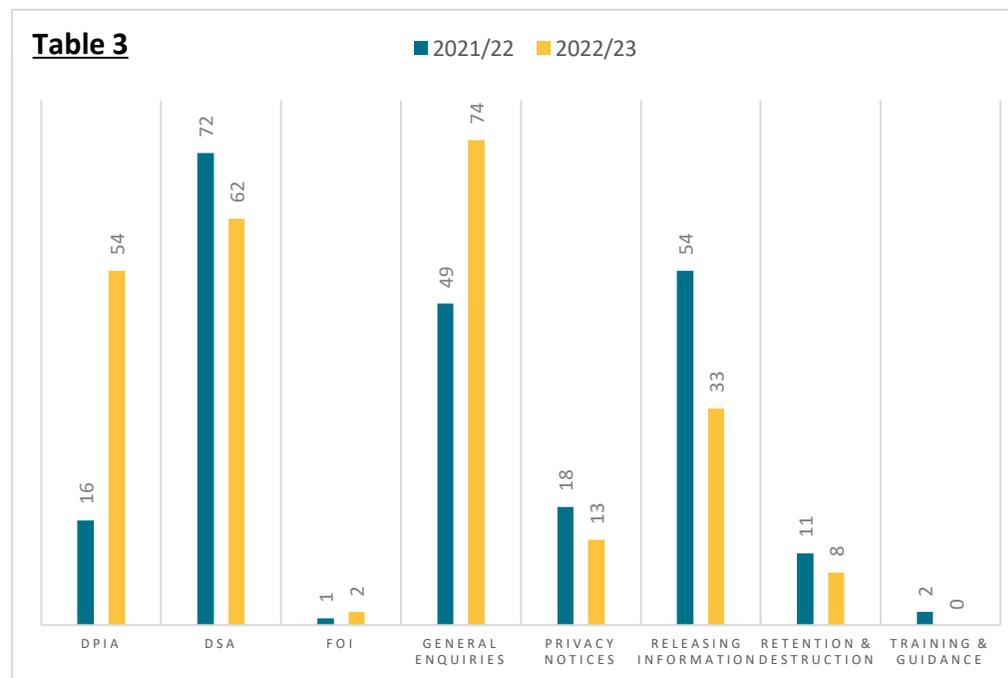
We continue to deliver further bespoke in-depth training as part of new Customer Services officer onboarding/enrolment process and bespoke training as part of all new officer's induction process in conjunction with the Data Protection e-learning modules.

This financial year has seen an increase in not only the number of internal requests for advice, such as DPIAs (table 3, column 1) and general enquiries (table 3, column 4), but also an increase in the complexity on the internal requests for advice for the period 1 April 2022 to 31 March 2023.

Table 2, column 6 shows a decrease in requests for advice regarding the releasing of information this could be due to:

- a) Proactive work and engagement with service areas through the bespoke DPIA training resulting in officers knowing when to complete a DPIA and therefore not needing to ask regarding the release of information in the first instance.

Table 2, columns 2, 3, 5, 7 and 8 show no real change year on year.



## Activity and Performance 2022/23

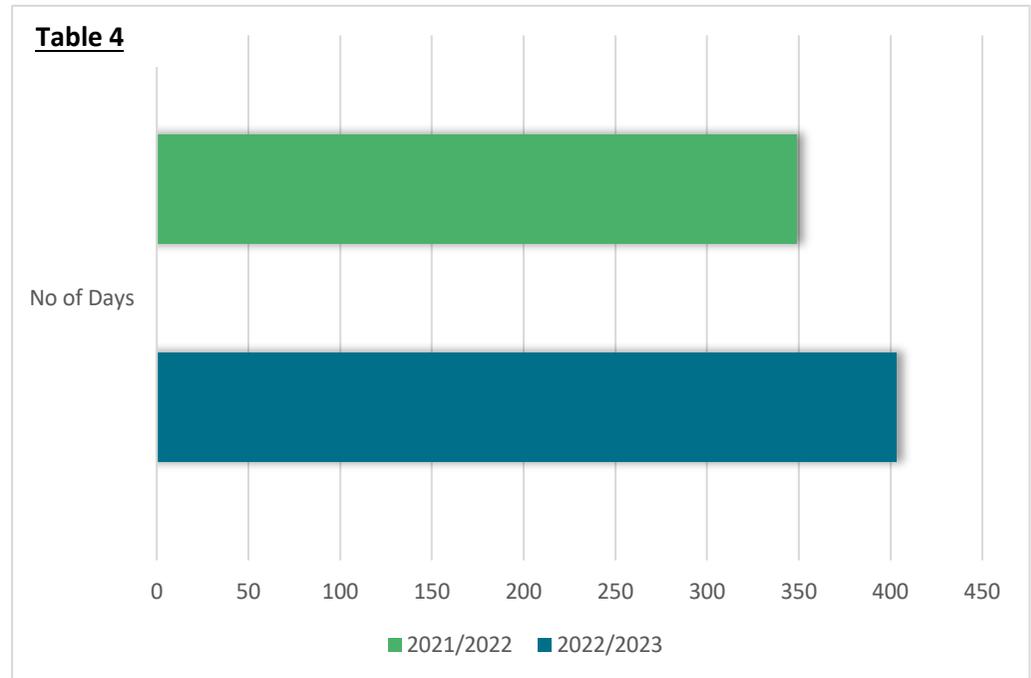
### Resources

The Data Protection team consists of an Information Governance Officer and an Information Governance Administrator the equivalent of 2 FTE. The Data Protection team successfully recruited the Information Governance Administrator mid 2022/2023.

As demonstrated in table 4 the total resources used by the Data Protection team in 2021/2022 for direct Data Protection activities was 349 working days. For the period 1 April 2022 to 31 March 2023 total resources used by the Data Protection team for direct Data Protection activities is 403 working days. This excludes time taken by the Data Protection Officer and Deputy Data Protection Officer.

This increase of 54 working days demonstrates that Data Protection team is currently resourced sufficiently.

**Table 4**





## AUDIT & GOVERNANCE COMMITTEE

Monday, 10 July 2023

<b>Subject</b>	INTERNAL AUDIT REPORTS RECENTLY ISSUED
<b>Report by</b>	Councillor Vince Langdon-Morris Cabinet Member with Responsibility for Resources and Value for Money
<b>Supporting Officer</b>	Siobhan Martin Head of Internal Audit <a href="mailto:siobhan.martin@eastsoffolk.gov.uk">siobhan.martin@eastsoffolk.gov.uk</a>

Is the report Open or Exempt?	OPEN
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Category of Exempt Information and reason why it is <b>NOT</b> in the public interest to disclose the exempt information.	Not applicable.
<b>Wards Affected:</b>	All Wards

## Purpose and high-level overview

**Purpose of Report:**

Internal Audit reports are issued to the Audit and Governance Committee to enable the Committee to fulfil its Terms of Reference: 'To consider reports from the Head of Internal Audit....'

**Options:**

There are no options to be considered in relation to this report.

**Recommendation:**

That having commented upon their contents, the Audit and Governance Committee notes the internal audit reports:

- Biodiversity Net Gain Grant Certification 2022-23
- Budgetary Control 2022-23
- Home Improvement Agency Governance 2022-23
- Key Financial Controls 2022-23

## Corporate Impact Assessment

**Governance:**

Each Internal Audit report details any applicable governance implications.

**ESC policies and strategies that directly apply to the proposal:**

The findings within each Internal Audit report are linked to good governance arrangements and practices at the Council, which underpin the Council's strategic and operational workings including the East Suffolk Strategic Plan.

**Environmental:**

There are no environmental implications.

**Equalities and Diversity:**

There are no equalities and diversity implications.

**Financial:**

Each Internal Audit report details any applicable financial implications.

**Human Resources:**

There are no human resources implications.

**ICT:**

There are no ICT implications.

**Legal:**

The Local Government Act 1972 and the Accounts and Audit Regulations 2015 require a relevant authority to '...undertake an effective internal audit to evaluate the effectiveness

of its risk management, control and governance processes, considering public sector internal auditing standards or guidance.'

**Risk:**

1. The Internal Audit reports presented to this Committee set out the main risks associated with the scope and objectives of that individual audit. A mechanism exists, including meetings between the Head of Internal Audit and Senior Management Team, to ensure that any remaining uncovered risks are fed back into the Audit risk model to ensure these are covered within the Strategic Audit Plan.
2. Any significant findings within individual reports will clearly state the associated risk that the Council is exposing itself to.
3. A crucial element within the Council's risk environment is the implementation of the recommendations put forward by Internal Audit and agreed by Management.

**External Consultees:** No external parties were consulted in the preparation of this report.

## Strategic Plan Priorities

Select the priorities of the <a href="#">Strategic Plan</a> which are supported by this proposal: <i>(Select only one primary and as many secondary as appropriate)</i>		Primary priority	Secondary priorities
<b>T01</b>	<b>Growing our Economy</b>		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T02</b>	<b>Enabling our Communities</b>		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input type="checkbox"/>
P08	Maximising health, well-being, and safety in our District	<input type="checkbox"/>	<input type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
<b>T03</b>	<b>Maintaining Financial Sustainability</b>		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input type="checkbox"/>
<b>T04</b>	<b>Delivering Digital Transformation</b>		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T05</b>	<b>Caring for our Environment</b>		

P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education, and influence	<input type="checkbox"/>	<input type="checkbox"/>
<b>XXX</b>	<b>Governance</b>		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>How does this proposal support the priorities selected?</b>			
<p>1 Internal Audit recommendations and advice support a robust corporate governance framework. The work of Internal Audit Services represents a fundamental function in delivering the Council’s Corporate Governance responsibilities.</p> <p>2 The implications and benefits of agreed recommendations produced by Internal Audit affect all areas by improving controls and processes, which contribute towards efficient and effective management of services.</p> <p>3 The primary function of Internal Audit reports is to provide independent and objective assurance, supporting the Council’s governance, risk management and control processes. Where Internal Audit reports provide assurance on the achievement of business objectives by service areas and within the agreed scope of audit work, these have been recognised as secondary priorities in the above list.</p>			

## Background and Justification for Recommendation

<b>1 Background facts</b>	
1.1	Internal Audit reports are independent, evidence-based documents that provide assurance on the level of governance in operation and a clear roadmap for improvement if required.
1.2	The Internal Audit reports attached have recently been issued to those listed on the report distribution list.

<b>2 Current position</b>	
2.1	The conclusion and assurance level of each Audit is set out in each individual Internal Audit report.
2.2	Full copies of Internal Audit reports are forwarded to the Chief Executive and relevant senior officers, including the Section 151 Officer where appropriate. Full reports are also sent to the relevant Portfolio Holder and all Members of the Audit and Governance Committee once the reports are finalised.
2.3	All agreed recommendations are recorded on a database maintained by Internal Audit. This database provides the Head of Internal Audit with the mechanism to both track and follow up outstanding recommendations. Overdue recommendations which have poor governance implications are reported regularly to the Audit and Governance Committee.

### 3 How to address current situation

3.1	Recommendations relating to the findings arising from each Internal Audit can be seen on the reports, for the consideration of relevant lead officers.
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### 4 Reasons for recommendation

4.1	To ensure that this report is considered within the overall control environment operated within the Council.
4.2	To enable the Audit and Governance Committee to assure itself that the coverage by Internal Audit as outlined in the Audit Plan is adequate, and to enable the Committee to comment upon the contents of the attached Internal Audit Report in support of effective corporate governance.

## Appendices

### Appendices:

<b>Appendix A</b>	Biodiversity Net Gain Grant Certification 2022-23
<b>Appendix B</b>	Budgetary Control 2022-23
<b>Appendix C</b>	Home Improvement Agency Governance 2022-23
<b>Appendix D</b>	Key Financial Controls 2022-23

### Background reference papers:

Date	Type	Available From
2017	Public Sector Internal Audit Standards	Chartered Institute of Public Finance and Accountancy
March 2022	Internal Audit Charter	Head of Internal Audit <a href="mailto:siobhan.martin@eastsoffolk.gov.uk">siobhan.martin@eastsoffolk.gov.uk</a>

## Biodiversity Net Gain Grant 2022/23 Certification

<b>Issued to:</b>	Head of Planning and Coastal Management, P Ridley Planning Manager – Policy, Delivery and Specialist Services, A McMillan Chief Finance Officer and S151 Officer, L Rogers
<b>Issued by:</b>	Head of Internal Audit, S Martin
<b>CC:</b>  (For Information Only)	Chief Executive, C Bally Strategic Directors, K Blakemore, A Jarvis, N Khan Audit and Governance Committee Cabinet Member with responsibility for Planning and Coastal Management, Cllr K Yule Ernst & Young (External Auditor), M Russell
<b>Date:</b>	May 2023

### 1. Scope and Objective of Review

- 1.1 This review provides certification in relation to Biodiversity Net Gain Grant 2022/23, and will be reported in addition to the 2022/23 Annual Internal Audit Plan, which was approved by the East Suffolk Council Audit and Governance Committee on 14 March 2022.

The business objective for this review was to use government funding in accordance with the required grant conditions.

This review will undertake appropriate investigations and checks that in all significant respects the required grant conditions set by the Department for Environment, Food and Rural Affairs (DEFRA) have been complied with.

East Suffolk Council was allocated £43,467 for the Biodiversity Net Gain Grant.

### 2. Audit Assurance Opinion

- 2.1 The overall assurance of **Effective** has been given, which means evaluated controls are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives are being met.

### 3. Grant Condition Compliance

Grant Condition Summary	Opinion
(1) Funding is spent to prepare for the introduction of Biodiversity Net Gain.	Full compliance
(2) Grant agreement and Evidence of Spend to be submitted to DEFRA.	Full compliance
(3) Chief Executive and Head of Internal Audit to submit a declaration.	Full compliance
(4) and (5) Repayment of grant to Minister of State if notified.	n/a – not required
(6) Carry forward of funds.	Full compliance

- 3.1 As detailed on the 'Evidence of Spend', the total expenditure declared to DEFRA as at 30 March 2023 is £15,118.13. The remaining allocation of £28,348.87 will be carried over into 2023/24 as per condition 6.
- 3.2 The Chief Executive and Head of Internal Audit of ESC are required to provide an assurance declaration to DEFRA confirming grant conditions have been met. The results of this audit have been used to provide a declaration to DEFRA.

### 4. Additional Considerations

- 4.1 The expenditure declared to DEFRA may be subject to change due to the declaration being required by 30<sup>th</sup> March 2023 which is prior to both the end of the funding period (31<sup>st</sup> March 2023) and year end accounts being finalised. This observation was included in the declaration to DEFRA.
- 4.2 Two Priority 4 recommendations have been provided to the service area as advice to enhance the return should a further certification be required in 2023/24.

Audit reports contain confidential information which may highlight weaknesses in the Council's internal control environment, and if released could increase the Council's exposure to risk. All distributed draft and final Internal Audit reports remain the property of the Head of Internal Audit and relevant Head of Service and may not be shared without agreement.



# Internal Audit Report

## Budgetary Control 2022/23

Issued by the Head of Internal Audit, May 2023

<b>Audit Assurance Opinion</b>	<b>Effective</b>	Evaluated controls are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives are being met.
	<b>Reasonable</b>	Some specific control weaknesses were noted and some improvement is needed; evaluated controls are generally adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
	<b>Limited</b>	Evaluated controls are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
	<b>Ineffective</b>	Evaluated controls are not adequate, appropriate, or effective. Internal Audit cannot provide reasonable assurance that risks are being managed.

<b>Distribution List</b>	<b>Accountable Officers: (Draft and Final)</b>	Chief Finance Officer & Section 151 Officer, L Rogers Deputy Chief Finance Officer, M Hone Finance Planning Manager, D Bastos
	<b>For Information: (Final)</b>	Chief Executive, C Bally Strategic Directors, K Blakemore, A Jarvis, N Khan Cabinet Member with responsibility for Resources, Cllr V Langdon-Morris Audit and Governance Committee Ernst & Young (External Auditor), M Russell

## Adequacy of Individual Control Areas

Audit Scope by Control Area	Findings with a Potential Corporate Risk Level of:			Control Adequacy
	High	Medium	Low	
Procedures and Guidance	0	0	0	Effective
Budget Setting	0	0	0	Effective
Budget Monitoring	0	0	0	Effective
Virements	0	0	1	Reasonable
<b>OVERALL</b>				<b>Effective</b>

### 1. Executive Summary

- 1.1 The objective of the audit was to ensure that the Council sets and manages its general fund revenue budgets so that income balances to expenditure and the Council meets its corporate objectives and financial sustainability.
- 1.2 The overall assurance of **Effective** has been made on the basis of the control framework in place and supporting risk management. Although one control area shown above has a lower levels of assurance, the audit opinion gives greater weighting to controls that mitigate more serious levels of risk.
- 1.3 One low risk finding has been raised in relation to virements to improve clarity on their identification and reporting; Internal Audit was unable to obtain a report to readily identify the movement of approved budget between budget headings, and therefore the correct application of the approval process for virements has not been tested in this review.

## ACTION PLAN FOR SERVICE AND OPERATIONAL RISKS

All identified control weaknesses have been risk assessed, with potential High and Medium corporate risks reported in the Actions Relevant to Potential Corporate Risks above. The following action plan sets out control improvements relevant to the service area where the internal audit assessment using the corporate risk toolkit has concluded the potential corporate risk is Low. The definition of each priority level is given in the Council’s Audit Framework.

VIREMENTS					
REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
1	<p>A report of virements was requested from finance to enable verification of virement authorisation. However, it was found in those virements sampled were re-profiling of budget rather than actual virements.</p> <p>Virements are difficult to identify in the financial accounting system and are not differentiated from other types of adjustment.</p> <p>It is understood that the Finance Team have a new procedure planned to ensure that each budget change type, including virements, is uniquely marked in Business Central at point of entry.</p>	<p>Lack of clarity on identifying and reporting Virements which may make it difficult to independently review them after they have been processed.</p> <p>Erroneous or fraudulent transactions may go undetected, leading to errors in the accounts and an impact on budget management.</p>	<p>The team has now set up unique codes to specify each budget change time. Our initial commitment is to post the initial batch of 23/24 budget changes on business central using the new unique references by the end of May 2023. We will then run reports to assess the effectiveness of the approach.</p> <p>Once successful, we will roll out to the end of Q2 and provide an update report to the internal audit team in August 2023, confirming the completion of agreed action.</p>	<b>2</b>	<p><b>Responsibility:</b> Deputy Chief Finance Officer</p> <p><b>Target Date:</b> 30 August 2023</p>

## PROCEDURES AND GUIDANCE

REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
No service-level reportable findings relevant to this Control Area were identified					

## BUDGET SETTING

REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
No service-level reportable findings relevant to this Control Area were identified					

## BUDGET MONITORING

REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
No service-level reportable findings relevant to this Control Area were identified					

## 2. Supporting Details

### 2.1 Links to Council Service Delivery

This review considered achievement of the organisations strategic objectives and risks, specifically this audit contributes towards:

- Business Objective - To ensure that the Council sets and manages its general fund revenue budgets so that income balances to expenditure and the Council meets its corporate objectives and financial sustainability.
- East Suffolk Business Plan – 1. Growing our Economy 2. Remaining Financially Sustainable
- Corporate Risk Register – Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget due to uncertainty over Government funding

### 2.2 Scope of Internal Audit Activity

The following control areas were assessed:

- Procedures and guidance
- Budget setting
- Budget monitoring
- Virements

The period under review was from April 2022 to 31 January 2023.

Internal Audit seeks to enhance and protect organisational value by providing risk based and objective assurance. Internal Audit assurance is a professional service focusing on functions, processes and controls. It does not replace professional advice from other key services such as the financial or legal functions. The work performed by Internal Audit provides an opportunity to make significant improvements to governance arrangements, risk management and control processes.

This audit has been undertaken as part of the Annual Audit Plan 2022/23, approved by the East Suffolk Council Audit and Governance Committee on 14 March 2022.

This audit has been conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, and the UK's current Public Sector Internal Audit Standards.

### 2.3 Definitions of Risk and Control

This audit uses the definition of Risk set out in the Council's Risk Management Strategy.

The definition of Control is taken from the Chartered Institute of Internal Audit:

“Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.”

In addition to a risk assessment using the corporate risk matrix, each agreed action is allocated a priority level for use within the service area. The allocation of each priority level is based on:

<b>Priority 1</b>	Findings indicate a significant control weakness that could mean objectives fundamental to the operation of the service may not be met. Urgent attention is required from strategic management.
<b>Priority 2</b>	Findings indicate an important control weakness could mean that objectives central to the operation of the service may not be met. Prompt management attention is required.
<b>Priority 3</b>	Findings indicate a control weakness that could mean service objectives may not be met. Management attention is required.
<b>Priority 4</b>	Findings indicate a minor control weakness that, although not essential to an effective control framework, would benefit from low-cost improvements. Any Priority 4 issues identified during the course of this audit have been reported to the relevant Service team prior to the issue of this report, and are available from the Internal Audit team upon request.

## 2.4 Effectively Functioning Controls

We would like to draw management attention to the controls in operation over processes and procedures that were confirmed via audit testing as operating effectively and efficiently:

- Timetable for Setting - Budget set and presented to Cabinet in good time.
- Guidance for Setting - Guidance clear and well laid out
- Budget Monitoring - In the interviews with Budget Holders, it was requested that we make a special mention for the amazing level of support provided by the Finance Team, particularly Democratic Services who stated that Danielle Patterson is “brilliant in her role”, and Environmental Protection who stated that Georgina Peck is an “absolute star”.
- Budget Monitoring Management Information - Financial reports prepared to a high standard

## 2.5 Audit Team

The audit team for this review comprised

Audit Manager	L Fuller
Senior Auditor	J Metcalfe
Auditor	J Irvine

## 2.6 Acknowledgements

We would like to thank the management and staff of the Finance Team contacted for their co-operation and time during the course of this audit.



This audit has been undertaken in accordance with the Internal Audit Partnership arrangements between East Suffolk Council and Ipswich Borough Council.

# Internal Audit Report

ES/137

## Home Improvement Agency Governance 2022/23



Issued by the Head of Internal Audit, March 2023

<b>Audit Assurance Opinion</b>	<b>Effective</b>	<b>Evaluated controls are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives are being met.</b>
	<b>Reasonable</b>	Some specific control weaknesses were noted, and some improvement is needed; evaluated controls are generally adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
	<b>Limited</b>	Evaluated controls are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
	<b>Ineffective</b>	Evaluated controls are not adequate, appropriate, or effective. Internal Audit cannot provide reasonable assurance that risks are being managed.

<b>Distribution List</b>	<b>Accountable Officers:</b>	Head of Housing, H Fisk Strategic Lead – Private Sector Housing, T Howarth
	<b>For Information:</b>	Strategic Management Team Cabinet Member with responsibility for Housing, R Kerry Audit and Governance Committee Chief Finance Officer and Section 151 Officer, B Mew External Auditor, M Russell

## Adequacy of Individual Control Areas

Audit Scope by Control Area	Findings with a Potential Corporate Risk Level of:			Control Adequacy
	High	Medium	Low	
Roles and Responsibility	-	-	-	Effective
Decision Making in Supplier Selection	-	-	-	Effective
Monitoring and Completion of Works	-	-	-	Effective
Budget Monitoring	-	-	-	Effective
<b>OVERALL</b>				<b>Effective</b>

### 1. Executive Summary

- 1.1 The East Suffolk Independent Living Agency supports clients with Disabled Facilities Grant (DFG) applications through to completion of the building works. ESC's DFG allocation for 2022/23 is £2,721,389.
- 1.2 The objective of the audit was to evaluate the operation of controls within the East Suffolk Council Home Improvement Agency (HIA), and assess their effectiveness in mitigating risks to the business objective.
- 1.3 The overall assurance of **Effective** has been made on the basis of the control framework in place and supporting risk management. No high or medium level findings have been raised, however, low level advice regarding internal guidance notes has been provided to the service area.

## 2. Supporting Details

### 2.1 Links to Council Service Delivery

This review considered achievement of the organisation's strategic objectives and risks, specifically this audit contributes towards:

- Business Objective – To act as an agent in supporting vulnerable residents with housing related issues.
- East Suffolk Business Plan – Enabling our communities, and remaining financially sustainable.
- Corporate Risk Register – Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balances Annual Budget due to uncertainty over Government funding.

### 2.2 Scope of Internal Audit Activity

This audit assessed systems and records in place from 1 April 2022 to 31 August 2022, and the following control areas were assessed:

- Roles and responsibility
- Decision making in supplier selection<sup>1</sup>
- Monitoring and completion of works
- Budget monitoring

Internal Audit will seek to enhance and protect organisational value by providing risk based and objective assurance. The work performed by Internal Audit provides an opportunity to make significant improvements to governance arrangements, risk management and control processes.

This audit has been undertaken as part of the Annual Audit Plan 2022/23, approved by the East Suffolk Council Audit and Governance Committee on 14 March 2022.

This audit has been conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, and the UK's current Public Sector Internal Audit Standards.

### 2.3 Definitions of Risk and Control

This audit uses the definition of Risk set out in the Council's Risk Management Strategy.

The definition of Control is taken from the Chartered Institute of Internal Audit:

“Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved.

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<sup>1</sup> Internal Audit testing focussed on whether the best value quote had been selected for the applications reviewed. A full review of the 'Intend' Dynamic Purchasing System (DPS) was not undertaken by Internal Audit as part of this audit.

Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.”

In addition to a risk assessment using the corporate risk matrix, each agreed action is allocated a priority level for use within the service area. The allocation of each priority level is based on:

<b>Priority 1</b>	Findings indicate a significant control weakness that could mean objectives fundamental to the operation of the service may not be met. Urgent attention is required from strategic management.
<b>Priority 2</b>	Findings indicate an important control weakness could mean that objectives central to the operation of the service may not be met. Prompt management attention is required.
<b>Priority 3</b>	Findings indicate a control weakness that could mean service objectives may not be met. Management attention is required.
<b>Priority 4</b>	Findings indicate a minor control weakness that, although not essential to an effective control framework, would benefit from low-cost improvements. Any Priority 4 issues identified during the course of this audit have been reported to the relevant Service team prior to the issue of this report, and are available from the Internal Audit team upon request.

## 2.4 Effectively Functioning Controls

We would like to draw management attention to the controls in operation over processes and procedures that were confirmed via audit testing as operating effectively and efficiently:

- There is a Service Level Agreement in place which outlines the role of the HIA and confirms independence between the administrative functions and HIA functions.
- Performance and budgets are monitored regularly by appropriate officers.
- Customer guidance is easy to understand and correctly reflects government guidance.
- Suppliers are selected via the Procurement DPS, and for the samples reviewed, the best value quote was selected.
- For the cases reviewed, inspections were completed at the completion of works by appropriate officers, and any issues were rectified to the clients’ satisfaction.

## 2.5 Audit Team

The audit team for this review comprised

Audit Manager	L Fuller
Senior Auditor	S Potter
Auditor	J Irvine

## 2.6 Acknowledgements

We would like to thank the management and staff of Private Sector Housing contacted for their co-operation and time during the course of this audit.



This audit has been undertaken in accordance with the Internal Audit Partnership arrangements between East Suffolk Council and Ipswich Borough Council.



# Internal Audit Report

## Key Financial Controls 2022/2023

Issued by the Head of Internal Audit, May 2023

<b>Audit Assurance Opinion</b>	<b>Effective</b>	Evaluated controls are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives are being met.
	<b>Reasonable</b>	Some specific control weaknesses were noted and some improvement is needed; evaluated controls are generally adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
	<b>Limited</b>	Evaluated controls are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
	<b>Ineffective</b>	Evaluated controls are not adequate, appropriate, or effective. Internal Audit cannot provide reasonable assurance that risks are being managed.

<b>Distribution List</b>	<b>Accountable Officers:</b>	Chief Finance Officer and S151 Officer, L Rogers
	<b>For Information:</b>	Chief Executive, C Bally Strategic Directors, K Blakemore, A Jarvis, N Khan Cabinet Member with responsibility for Resources, Cllr V Langdon-Morris Audit and Governance Committee Ernst & Young (External Auditor), M Russell

## Adequacy of Individual Control Areas

Audit Scope by Control Area	Findings with a Potential Corporate Risk Level of:			Control Adequacy
	High	Medium	Low	
Feeder Systems	-	-	-	Effective
Control Account Reconciliations	-	-	-	Effective
Bank Reconciliations	-	-	-	Effective
Accounts Receivable Invoice Approval	-	-	-	Effective
Accounts Payable Invoice Approval	-	-	-	Effective
BACS Processing	-	-	-	Effective
<b>OVERALL</b>				<b>Effective</b>

### 1. Executive Summary

- 1.1 The Council has an ongoing strategic theme of Remaining Financially Sustainable. During 2022/23, there was significant financial activity and the Council's gross income totalled £112.4 million and gross expenditure totalled £185.5 million.
- 1.2 The objective of the audit was to evaluate the operation of controls within the Council's Main Financial System and assess their effectiveness in mitigating risks, and thus provide assurance that core processes to support financial record-keeping are adequate.
- 1.3 The overall assurance of **Effective** has been made on the basis of the control framework in place and supporting risk management. No high or medium level findings have been raised, however, low level advice regarding data quality has been provided to the service area.

## 2. Supporting Details

### 2.1 Links to Council Service Delivery

This review considered achievement of the organisation's strategic objectives and risks, specifically this audit contributes towards:

- Business Objective – To support the Council's financial stability and maintain a high standard of financial governance in accordance with the Council's Financial Procedure Rules.
- East Suffolk Business Plan – Remaining financially sustainable.
- Corporate Risk Register – Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balance Annual Budget.

### 2.2 Scope of Internal Audit Activity

This audit assessed systems and records in place from 1 April 2022 to 31 March 2023, and the following control areas were assessed:

- Feeder systems
- Control account reconciliations
- Bank reconciliations
- Accounts receivable invoice approval
- Accounts payable invoice approval
- BACS processing

Housing Rent setting was excluded as there is currently an external review underway. Port Health Income was excluded as this has been assessed as a separate audit in 2022/23. Treasury Management, Capital Accounting and Car Park Income was excluded, and will be risk assessed and considered as standalone audits in 2023/24.

The audit was undertaken using Navision records and not Business Central which became live on 14 March 2023. The implementation of Business Central will be reviewed by Internal Audit in 2023/24.

Internal Audit will seek to enhance and protect organisational value by providing risk based and objective assurance. The work performed by Internal Audit provides an opportunity to make significant improvements to governance arrangements, risk management and control processes.

This audit has been undertaken as part of the Annual Audit Plan 2022/23, approved by the East Suffolk Council Audit and Governance Committee on 14 March 2022.

This audit has been conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, and the UK's current Public Sector Internal Audit Standards.

## 2.3 Definitions of Risk and Control

This audit uses the definition of Risk set out in the Council’s Risk Management Strategy.

The definition of Control is taken from the Chartered Institute of Internal Audit:

“Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.”

In addition to a risk assessment using the corporate risk matrix, each agreed action is allocated a priority level for use within the service area. The allocation of each priority level is based on:

<b>Priority 1</b>	Findings indicate a significant control weakness that could mean objectives fundamental to the operation of the service may not be met. Urgent attention is required from strategic management.
<b>Priority 2</b>	Findings indicate an important control weakness could mean that objectives central to the operation of the service may not be met. Prompt management attention is required.
<b>Priority 3</b>	Findings indicate a control weakness that could mean service objectives may not be met. Management attention is required.
<b>Priority 4</b>	Findings indicate a minor control weakness that, although not essential to an effective control framework, would benefit from low-cost improvements. Any Priority 4 issues identified during the course of this audit have been reported to the relevant Service team prior to the issue of this report, and are available from the Internal Audit team upon request.

## 2.4 Effectively Functioning Controls

We would like to draw management attention to the controls in operation over processes and procedures that were confirmed via audit testing as operating effectively and efficiently:

- The Navision General Ledger matched the feeder system totals for Housing Maintenance (expenditure) and payroll for the months sampled.
- Control accounts reconciliations between the Navision General Ledger and Accounts Payable, Accounts Receivable, cash (paye.net) and bank accounts were accurate to supporting evidence, prepared promptly, and approved by appropriate officers.
- Accounts Receivable and Payable invoices reviewed were authorised appropriately by a second officer and had been coded to appropriate general ledger codes.
- The BACS payments made agreed to supporting documentation and had been checked by appropriate officers.

## 2.5 Audit Team

The audit team for this review comprised:

Audit Manager	L Fuller
Senior Auditor	S Potter
Auditor	J Irvine
Assistant Auditor	L Maton

## 2.6 Acknowledgements

We would like to thank the management and staff of Financial Services contacted for their co-operation and time during the course of this audit.



This audit has been undertaken in accordance with the Internal Audit Partnership arrangements between East Suffolk Council and Ipswich Borough Council.



**AUDIT & GOVERNANCE COMMITTEE**  
**Monday, 10 July 2023**

<b>Subject</b>	HOUSING GOVERNANCE REVIEW
<b>Report by</b>	Councillor David Beavan Deputy Leader and Cabinet Member with Responsibility for Housing
<b>Supporting Officer</b>	Andrew Jarvis Strategic Director <a href="mailto:andrew.jarvis@eastsoffolk.gov.uk">andrew.jarvis@eastsoffolk.gov.uk</a>  Chris Bing Head of Legal and Democratic Services & Monitoring Officer <a href="mailto:chris.bing@eastsoffolk.gov.uk">chris.bing@eastsoffolk.gov.uk</a>  Heather Fisk Head of Housing <a href="mailto:heather.fisk@eastsoffolk.gov.uk">heather.fisk@eastsoffolk.gov.uk</a>

Is the report Open or Exempt?	OPEN
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<b>Wards Affected:</b>	All Wards Although, the housing regulation matters predominantly affects the former Waveney District Council area only.
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## Purpose and high-level overview

### **Purpose of Report:**

In February 2022, East Suffolk Council (ESC) self-referred to the Regulator of Social Housing (RSH) because it had acted, or may have acted, in breach of two relevant standards set by the Regulator; the "Rent Standard" and the "Home Consumer Standard". Having investigated, the Regulator confirmed the reported breaches of Housing Regulations, [they published a Regulatory Notice in May 2022](#).

Within the self-referral letter to the RSH, the Council committed to, amongst other things, an independent governance review, with the following Terms of Reference:

1. Establish why there was a delay in ESC identifying and acting upon compliance breaches.
2. Consider the scope and sufficiency of changes made to ESC's Housing management arrangements to address the concerns identified by David Tolson Partnership (DTP) consultancy in February 2022 and the Social Housing Regulator in May 2022.
3. Recommend any structural and/or cultural changes which could be made to ESC's governance arrangements moving forward so that regulatory and statutory contraventions are, as far as reasonably possible, prevented from occurring and if/when they do occur, that they are identified and addressed at the earliest opportunity.

This report provides the Audit and Governance Committee with the findings of the independent governance review, and the Officer response to the report's conclusion and to each of the ten recommendations.

### **Recommendation/s:**

Audit and Governance Committee resolves to:

1. Note and accept the findings of the independent governance review report.
2. Endorse the ten recommendations, and the linked officer actions in response, as set out in this report

## Corporate Impact Assessment

### **Governance:**

The Council commissioned an external, independent review of the governance, which this report focusses on.

East Suffolk Council has a constitution, which sets out how decisions should be made and what constitutes a 'Key Decision'. The independent review found that there was a failure to make/record a Key Decision, when the decision was made to convert properties from Social Rent to Affordable Rent upon re-let. It states that if a Key Decision had been made,

that mechanisms would have been put in place, which would have prevented too many properties from being converted.

Following a review of the circumstances and matters that led the Council to self-report to the RSH, in April 2022, a new Housing, Health and Safety Board (HHASB) was created. A monthly 'compliance' dashboard is produced, which is used to both monitor and demonstrate ESC's levels of Housing Revenue Account (HRA) stock compliance. Going forward, this dashboard will be provided to the Cabinet Member for Housing, so he will also have oversight.

It was agreed at Council in January 2023 that quarterly updates on regulatory matters would be provided to Cabinet Members until the Regulatory Notice is no longer applicable. The next update is being presented to Cabinet on 11<sup>th</sup> July 2023.

In Summer 2022, a Rents Development Group was created. This Group developed a Rent and Service Charge Policy, which was approved by Cabinet in March 2023. This is the first Rent and Service Charge Policy for East Suffolk Council and sets out the approach taken, in line with relevant legislation and guidance to Rent and Service Charge setting.

The Rents Development Group will oversee the refund programme, which will commence imminently. It will also review the annual rent setting process and ensure an annual sample audit is conducted by external specialists, who specialise in rent regulation.

**ESC policies and strategies that directly apply to the proposal:**

The [Housing Strategy 2017-2023](#) sets out the Council's commitment to investing and improving its housing stock.

The [HRA Business Plan](#) sets out the proposed investment in the Housing Stock over a 30-year period.

**Environmental:**

There are no environmental factors affected by this issue.

**Equalities and Diversity:**

An EQIA was completed to accompany the report to Full Council in January 2023, where certain policy decisions were made. The reference for this EQIA was 'EQIA477820335'. As this report is in relation to the Governance Review and no decisions are required that will directly impact on residents, a further EQIA is not required.

**Financial:**

The Council can charge two types of rent: Social Rent and Affordable Rent.

A Social Rent (SR) should not be higher than 'formula rent', which is calculated based on the relative value of the property, relative low-income levels, and the size of the property. An aim of this formula-based approach is to ensure that similar rents are charged for similar socially rented homes, throughout the country taking account of regional factors.

For an Affordable Rent (AR), the initial rent should not be set higher than 80% of market rent (inclusive of service charges), as well as at any future relet.

There are 145 properties within the East Suffolk HRA stock that are legitimately being charged an affordable rent and indeed are required to be charged such a rent as the properties were either a new build or an acquisition with the use of Right to Buy (RTB) receipts to fund the purchase. These properties are therefore outside of the rent repayment matters being updated on in this report.

It was agreed at Full Council in January 2023, that properties previously converted from Social to Affordable Rent would have their rent re-set back to Formula Rent plus flexibility. This was completed at the start of the new Financial Year, in April 2023.

ESC had been charging additional charges in relation to heating servicing. ESC received specialist legal advice that these charges should not have been levied and therefore, a full refund must be administered to all affected current and former tenants. These charges were removed from all Rent Accounts at the start of the new Financial Year, in April 2023.

A comprehensive update on the financial impact of the Housing Regulation matters, will be presented to Cabinet on 11<sup>th</sup> July 2023.

#### **Human Resources:**

Since the issues were first identified, significant officer time has been spent working intensively to resolve them. In addition to this, interim support was employed to support the work programme. This included external specialists to deliver the forensic audit, and compliance experts to support the work related to stock compliance.

To enable the refund process to happen at pace, the Council has recruited additional staff on a fixed term basis to support this work.

A new team has been created to manage the compliance of our housing assets. The team consists of Contract Managers for Fire Safety, Asbestos and Legionella, and Heating. They manage the external contracts and third party assurance for their specialisms, to ensure we remain compliant.

#### **ICT:**

As part of this programme of work, ESC has identified that significant work is required to improve the quality of data held electronically in relation to the effective management of the housing stock. Therefore, system updates are being planned and implemented as required.

#### **Legal:**

The Housing and Regeneration Act 2008 sets out that local authorities with social housing stock are “registered providers of social housing”. Registered Providers are governed by the [Regulator of Social Housing](#).

There are a multitude of legislative and regulatory responsibilities that Registered Providers of Social Housing must ensure they adhere to including the Regulator of Social Housing Standards as well as Policy Statements issued by the Department for Levelling Up Housing and Communities.

The regulation of Social Housing is increasing significantly and there are many changes, which it is essential that ESC complies with.

The [Smoke and Carbon Monoxide Alarm \(Amendment\) Regulations 2022](#), which effectively amend the Smoke and Carbon Monoxide Regulations 2015 to remove the exemption of social landlords, so that from 1 October 2022 housing associations and local authorities were subject to the 2015 Regs. This means that from this date ESC must ensure:

- At least one smoke alarm is equipped on each storey of their homes where there is a room used as living accommodation: and
- A carbon monoxide alarm is equipped in any room used as living accommodation which contains a fixed combustion appliance (excluding gas cookers).

We have attempted to install CO alarms in all properties, where there is a legal requirement to have one. Most properties had these installed by the end of October 2022. Where we have struggled to gain access, we are now installing them routinely as part of their annual heating service. By early Autumn, every property will have a CO alarm installed.

In addition to this, there is new legislation either planned or recently approved, which will shortly be enacted. These include:

The [Social Housing Regulation Bill](#), which has now passed through Parliament and is awaiting Royal Assent, introduces a stronger regulatory regime for Registered Providers and delivers the measures set out in the [Social Housing White Paper](#).

There are two key pieces of Legislation, which have received Royal Assent, following the review of the Grenfell Tragedy in 2017.

The new duties set out in the Building Safety Act 2022 and Fire Safety Order (England) 2022, will require the Council to carry out new programmes of work, to ensure they meet the duties.

**Risk:**

The key risk is if we don't address the issues raised in the notice served on us by the regulator for social housing, a similar situation may occur again. However, this report demonstrates the significant steps taken by the Council to address the shortcomings in the Housing service.

The Housing regulation report considered by Full Council on 25 January 2023 sets out in some detail the mitigation that has been put in place to address the issues and prevent recurrence.

<b>External Consultees:</b>	None.
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## Strategic Plan Priorities

Select the priorities of the <a href="#">Strategic Plan</a> which are supported by this proposal: (Select only one primary and as many secondary as appropriate)		Primary priority	Secondary priorities
<b>T01</b>	<b>Growing our Economy</b>		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T02</b>	<b>Enabling our Communities</b>		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input type="checkbox"/>
P08	Maximising health, well-being and safety in our District	<input type="checkbox"/>	<input type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
<b>T03</b>	<b>Maintaining Financial Sustainability</b>		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input type="checkbox"/>
<b>T04</b>	<b>Delivering Digital Transformation</b>		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T05</b>	<b>Caring for our Environment</b>		
P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education and influence	<input type="checkbox"/>	<input type="checkbox"/>
<b>XXX</b>	<b>Governance</b>		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p><b>How does this proposal support the priorities selected?</b></p> <p>This review was commissioned following the Regulatory Notice being issued to East Suffolk Council by the Regulator of Social Housing, for a breach of two Regulatory Standards.</p> <p>This review makes recommendations, for measures, which should be implemented to prevent governance failures in the future.</p>			

## Background and Justification for Recommendation

1 Background facts	
1.1	Local authorities with social housing stock became "registered providers of social housing" pursuant to the Housing and Regeneration Act 2008. However, local authority registered providers were not subject to any of the economic standards set by the RSH until they became subject to the Rent Standard with effect from 1 April 2020.
1.2	Registered Providers of social housing, which includes both Councils and Housing Associations, are governed by the Regulator of Social Housing (RSH).
1.3	The Housing and Regeneration Act 2008, sets out the role of the RSH.
1.4	The RSH has a set of standards, which Registered Provider (RP) landlords, must comply with. These include 3 economic and 4 consumer standards. The consumer standards are applicable to all RP's, including Councils. Not all the economic standards apply to Councils, because the RSH does not have the power to set them standards. The only economic standard, which Councils must comply with, is the Rent Standard (Appendix A).
1.5	The RSH has a 'co-regulatory' approach to supporting the regulation of social housing. There is an expectation that RPs are open and transparent and will make a self-referral to the RSH if there is reason to believe that there may be a breach of one or more of the Regulatory Standards.
1.6	In February 2022, the Council made a self-referred to the RSH on the basis that it had acted or may have acted in breach of two relevant standards set by the Regulator; the "Rent Standard" and the "'Home' Consumer Standard".
1.7	Within the self-referral letter the Council detailed actions that had already been taken to start to address the breach of standards, namely: <ol style="list-style-type: none"> <li>1. The development of a corrective action plan</li> <li>2. Instruction to David Tolson Partnership (DTP) to carry out forensic reviews of rent charges in order to identify any overpayments that required returning to affected tenants.</li> <li>3. Commitment to an independent governance review.</li> </ol>
1.8	A detailed <a href="#">report</a> setting out the Council's self-referral to the RSH, the responsibilities of the Council as a Registered Provider (RP) of Social Housing, to ensure it is compliant with the RSH Regulatory Standards and the development of a corrective action plan were presented to Council on 25 January 2023.
1.9	In August 2022, VWV LLP Solicitors was commissioned by the Head of Legal and Democratic Services and Monitoring Officer to carry out the independent governance review mentioned in 1.7 above. This review has now been completed and is attached in full as Appendix A.
2 Current position	
2.1	The Report produced by VWV LLP has been considered by the Corporate Leadership Team. The report has made the following findings, in relation to the terms of reference set out as part of the review.

2.2	<p><b>Question 1: Why there was a delay in ESC identifying and acting upon compliance breaches?</b></p> <p><i>“It is clear is that human error was the fundamental reason for the Council’s failings in respect of its Housing Services. We note that the Covid-19 pandemic played some part in respect of the timeframe for responding to the breach. We can find no deliberate malice in any documentary evidence seen but we do see omission. Whether this was pure naivety as to the seriousness of the issues or hope that these problems would resolve themselves/be swept under the carpet and go away – serious errors of judgment were made. The recommendations in this report seek to minimise the possibility of this being able to happen again – accepting you can never fully eradicate risk when it comes to human error.”</i></p>
2.3	<p><b>Question 2: The scope and sufficiency of changes made to the Council’s Housing management arrangements to address the concerns identified by DTP consultancy in February 2022 and the Social Housing Regulator in May 2022.</b></p> <p><i>“All steps taken to identify and address Housing management issues, as endorsed by Full Council, are considered to be sufficient. This includes the extensive steps and work undertaken to fully identify each and every issue. The recommendations in this report aim to support and enhance ongoing work.”</i></p>
2.4	<p><b>Question 3: Recommending any structural and/or cultural changes which could be made to ESC’s governance arrangements moving forward so that regulatory and statutory contraventions are, as far as reasonably possible, prevented from occurring and if/when they do occur, that they are identified and addressed at the earliest opportunity.</b></p> <p>The independent report contains ten recommendations that apply to the whole of the Council. The recommendations, all of which are accepted by officers are set out in full below, along with the management response which sets out the arrangements that have / or are being put in place.</p>

<h3>3 How to address current situation</h3>	
3.1	<p>The Corporate Leadership Team accepts the 10 Recommendations set out in the report and provides the following responses to each recommendation:</p>
3.2	<p><b>1. All meetings of SMT have an agenda and minutes taken.</b></p> <p><b>Response:</b> As part of a renewed commitment led by the Chief Executive to provide the best possible leadership for the organisation the council’s senior management function has been refreshed.</p> <p>The Strategic Management Team (SMT) and Corporate Management Team (CMT) have been replaced by a new Corporate Leadership Team (CLT), which will provide accountable and visible leadership to deliver the plans and priorities set out by the Council’s political administration. All members of CLT have agreed to the content</p>

	<p>of a Charter which underpins the ambitions, activity and accountability of the team.</p> <p>CLT now meet four times each month and each meeting has a specific focus:</p> <ul style="list-style-type: none"> <li>• Finance</li> <li>• Governance and Risk</li> <li>• Politics and Forward Planning</li> <li>• Business Meeting</li> </ul> <p>There is a rolling CLT Forward Plan in support of the above, which is reviewed regularly by CLT. All meetings are supported by the Executive Support Team who produce an agenda, take notes, record actions, and ensure the actions are followed up. The agendas and notes are kept in accordance with the Council's Data Retention Policy.</p>
3.3	<p><b>2. SMT review and comment on an early draft of the audit plan as a collective.</b></p> <p><b>Response:</b> Agreed. This is already an established process. The Head of Internal Audit (HOIA) meets individually with each CLT member (previously SMT and CMT) and formally records the discussion and all parties sign the document.</p> <p>Subsequently the draft Internal Audit Plan is circulated for additional comment to all CLT (previously SMT and CMT) members, and then again formally presented at the CLT meeting (previously CMT).</p> <p>The HOIA then presents the Internal Audit Plan to the Audit and Governance Committee for endorsement.</p> <p>The Internal Audit Plan is a living document and is regularly assessed and reviewed and presented to the Audit and Governance Committee which includes any CLT (previously SMT and CMT) comments.</p> <p>A formal six monthly follow up meeting also occurs with each CLT (previously SMT and CMT) member.</p>
3.4	<p><b>3. Consideration be given where audit can add further value to the Council and their work with the corporate risk register be aligned.</b></p> <p><b>Response:</b> The work of Internal Audit Services provides recommendations and advice to improve governance and risk management. Internal Audit Services proactively adds value during consultative exercises along with mainstream assurance programmed work in accordance with the Public Sector Internal Audit Standards.</p> <p>The Corporate Risk Register is constantly considered as part of each Internal Audit engagement. Internal Audit recommendations are reported in line with the Councils Risk Management Methodology. Where high level risks are identified</p>

	<p>these should be considered and incorporated into the Corporate Risk Register as appropriate.</p>
3.5	<p><b>4. A formal method of reporting projects and programmes be introduced to the governance structure of the council.</b></p> <p><b>Response:</b>  All projects are captured as part of Service Planning exercises in the Strategic Plan Master document, so that there is complete transparency of projects being run across all teams of the council.</p> <p>There is a project management framework already in place to guide and ensure appropriate governance of projects is undertaken.</p> <p>The approach as to how we run projects as an organisation is scheduled to be reiterated and discussed at CLT level in the coming months and a programme of internal briefings/training sessions will be put in place as part of Corporate Learning and Development, aimed at all officers in the council who manage projects.</p> <p>Major projects are governed appropriately, with formal Project Teams and Sponsor Boards established depending on the size and impact of the project, with an aim to being as agile as possible in our approach to delivering projects.</p> <p>The key to ensuring this recommendation is actioned is to ensure our already-robust governance methods for running projects are used consistently across all areas of the council; it is this element we will be addressing following discussions at CLT.</p>
3.6	<p><b>5. Governance training, with a focus on decision making, be provided for all existing managers and is included in the induction of any new member of staff joining the council with management responsibility.</b></p> <p><b>Response:</b>  A Constitution Review Working Group (CRWG) is being convened (first meeting scheduled for 7 July 2023) with the objective of reviewing the Constitution to ensure it is complete, accurate, up to date, clear, lawful, fit for purpose and democratically sound. It is proposed the CRWG will also examine the accessibility of the Constitution with respect to its size, user friendliness and organisation. As part of the review, the CRWG will consider how decisions are made and recorded by councillors and officers.</p> <p>Governance training will be prepared and delivered on the revised Constitution, both to elected Members and existing officers, with a focus on CMT. In addition, new officers at induction will be briefed about our decision-making processes.</p>
3.7	<p><b>6. A full review be undertaken of the council's approach to procurement and contract management.</b></p> <p><b>Response:</b></p>

	<p>The report stresses the importance of ensuring that specialist advice is available to the council when carrying out a procurement. That there is support available to contract managers and that feedback is gathered from them. Also, that the procurement function is adequately resourced.</p> <p>On these points:</p> <ul style="list-style-type: none"> <li>• A new procurement strategy has been approved with a greater focus on how the team can support the needs of service areas.</li> <li>• The reporting lines for procurement have been reviewed, with changes in reporting lines intended to provide greater senior oversight of the function.</li> <li>• Recruitment has been prioritised – and the team is currently fully staffed, although recruitment remains an issue in a competitive market.</li> <li>• The newly appointed Procurement Manager has spent time delivering training on contract management and in parts of the organisation, contract management is being trialled. If successful, this will be rolled out to other service areas.</li> </ul>
3.8	<p><b>7. Technical mentoring and support be provided within the current procurement team.</b></p> <p><b>Response:</b> This is being picked up with the new Procurement Manager, and suitable technical mentoring support identified.</p>
3.9	<p><b>8. A review of capacity and capability be undertaken in the key and critical support services to the Housing teams to ensure outcomes are aligned.</b></p> <p><b>Response:</b> There are a number of internal support services within the Council, which provide support to the Housing Service. These include Legal, Internal Audit, Digital and Programme Management, Procurement, HR and Communications.</p> <p>ESC's Legal Services currently has 1 FTE Lawyer who specialises in Housing. There is a post to support that lawyer, which is currently being covered by a locum due to significant challenges in recruiting to the post. Where required, Housing, with the support of the Head of Legal and Democratic Services engage external legal support. For example, Trowers and Hamlin LLP, London have been providing specialist legal advice to the Housing Service on the Housing Regulation matters. The size and structure of ESC's Legal Services is in the process of being reviewed with the objective of building capacity and resilience.</p> <p>The Internal Audit Services provide any governance support requested or required at any point (as is the normal practice). The Head of Housing meets with the Head of Internal Audit on an annual basis to agree an Audit Plan for the year ahead, and a review is conducted mid-year.</p> <p>The Digital &amp; Programme Management Service Area wish to provide support services to Housing, as it already does for the rest of the organisation, utilising its expertise in delivering digital technology solutions, streamlined process delivery</p>

	<p>and appropriate project/change management skills – a discussion will take place regarding capacity and resourcing, as historically this type of work has taken place within the Housing team itself.</p> <p>The Procurement Service within East Suffolk Council provides advice and support with commissioning services, as required. Due to the requirement for technical knowledge in some of the specifications required within housing, a ‘Commercial Manager Capital Projects’ has been appointed. They are a qualified Surveyor with extensive technical knowledge, which has already proven invaluable with tender writing.</p> <p>There is one HR Business Partner allocated to work with Housing and the HR and OD Manager will also provide further support as required.</p> <p>There is no dedicated Communications Business Partner within the team, but there is support available as and when required. The Strategic Communications and Partnership Manager has worked closely and supported housing throughout the regulatory matters over the last 18 months.</p>
3.10	<p><b>9. Introduce a formal appraisal system alongside 'my conversations' to assist in identifying gaps, training needs and succession plans. In any roll out that training is provided to management and staff to understand the process, both the practical 'how' but also the equally important 'why' which is key to staff buy in.</b></p> <p><b>Response:</b> The Council’s My Conversation process is currently being reviewed. Within this scheme there is already the framework for an appraisal system, it is just that this has been used on an ad hoc basis.</p> <p>A full review of the My Conversation scheme is currently underway with an all-staff survey launched to capture feedback alongside some planned detailed focus sessions. One key aim is to embed the existing appraisal system more fully within the My Conversation process with an expectation this is completed by all employees once a year, with at least a six-month review.</p> <p>In the interim period the existing appraisal system is being more formally used with the CEO and Directors now having completed a My Conversation appraisal with each direct report, with this process now filtering across the organisation.</p>
3.11	<p><b>10. The Chief Executive consider the position of his 'golden triangle' statutory officers in respect of SMT.</b></p> <p><b>Response:</b> There is now one CLT (replacing the previous CMT and SMT split) which includes the statutory officers (the Chief Executive, the Chief Finance Officer/Section 151 officer and the Head of Legal and Democratic Services/Monitoring Officer).</p> <p>The Chief Executive is also convening quarterly 'golden triangle' meetings of the Chief Executive, Section 151 Officer and Monitoring Officer.</p>

	The Head of Internal Audit is available to provide independent governance advice as and when required.
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4 Reason/s for recommendation	
4.1	To provide assurance to members that there has been an independent review of the Housing governance matter which resulted in the self-referral to the Regulator of Social Housing in 2022, and that the recommendations coming out of that review have been accepted and actioned (or are in the process of being actioned), so that best practice good governance arrangements are in place moving forward to support decision making and help identify, manage, mitigate and monitor risks within the Council.
4.2	Achieving good governance is a process of continuous improvement. To this end it is proposed that the Council should engage in an annual review of governance within Housing and the critical services that support it. Additionally, as a demonstration of commitment to organisational improvement it is further proposed that the Council commission a further external review in three years' time in order track progress and adjust plans.

## Appendices

Appendices:	
<b>Appendix A</b>	Governance Review report of Housing Services by VWV LLP (June 2023)

Background reference papers:		
Date	Type	Available From
January 2023	Full Council Report on Housing Regulation.  Appendices include the self-referral to the RSH.	<a href="https://cmis.uk.com">Decision Details: Housing Regulation (cmis.uk.com)</a>

## **Strictly Confidential**

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### **Governance review of the Housing Services at East Suffolk Council**

**A report for Chris Bing (Head of Legal & Democratic Services and Monitoring Officer), East Suffolk Council**

**By Lisa Kirkman (Consultant) and Charlotte Rose (Associate)**

**June 2023**

## Contents

1	Background to the investigation.....	3
2	Introduction and methodology.....	6
3	Why was there was a delay in the Council identifying and acting upon compliance breaches with Rent Standards? .....	7
4	The scope and sufficiency of changes made to the Council’s Housing management arrangements to address the concerns identified by DTP consultancy in February 2022 and the Social Housing Regulator in May 2022 .....	12
5	Conclusions and Recommendations.....	14
Schedule 1	Terms of Reference.....	19
Schedule 2	Index of documentary evidence .....	20
Schedule 3	Report to Full Council January 2023 .....	24

## 1 Background to the investigation

- 1.1 In February 2022, the East Suffolk Council (the **Council**) self-referred itself to the Regulator of Social Housing (the **Regulator**) on the basis that it had acted or may have acted in breach of two relevant standards set by the Regulator; the "Rent Standard" and the "'Home' Consumer Standard".
- 1.2 By way of summary concerning the Rent Standard:
  - 1.2.1 the Council had entered into a consortium with Orwell Housing Association Limited, Freebridge Community Housing Limited, Greenfields (now Eastlight Community Homes Limited), Saffron Housing Trust Limited and Ipswich Borough Council in 2015;
  - 1.2.2 through the consortium, the Council entered into an agreement with the Homes and Communities Agency, which allowed for up to 260 conversions from Social to Affordable Rented;
  - 1.2.3 however, in 2019 the Council noted that 1,114 more than 260 tenancies were converted to Affordable Rent;
  - 1.2.4 the Council had noted this issue in 2019 and sought advice from Counsel. Counsel opinion confirmed there was a likely breach of the Rent Standard and recommended next steps;
  - 1.2.5 the Council wrote to Robert Jenrick MP concerning the issue on 12 March 2020 but did not receive any acknowledgement or a reply;
  - 1.2.6 the Council did not follow up or take any further formal action until March 2022 after the position was reviewed by the newly appointed Head of Housing (**HoH**) who started with the Council at the end of September 2021;
  - 1.2.7 the formal action taken was a self-referral letter to the Regulator (**Self-Referral Letter**). This letter followed a telephone call made to the Regulator in February 2022. The Council noted that the COVID-19 pandemic and a change in the Head of Service were factors in the delay;
  - 1.2.8 the review by the HoH included seeking expert advice and analysis in order to inform the decision to self-refer. The Council appointed an independent consultancy, David Tolson Partnerships (**DTP**) to independently review its historic approach to rent conversions and also to assess whether there are/were any other areas of non-compliance against the Rent Standard; and
  - 1.2.9 DTP's report identified a number of breaches of the Rent Standard (over and above the concerns identified by the Council) in relation to Social Rent, Affordable Rent and Additional Charges.
- 1.3 In relation to non-compliance with the 'Home' Consumer Standard, various issues were identified by the Council relating to safety, in particular fire safety. Of particular concern was the fact that the Council could not evidence that adequate and appropriate Fire Risk

Assessments were being carried out, or that remedial work identified in previous fire safety assessments had been undertaken. Other safety concerns were noted relating to compliance with gas, electrical, Legionella, asbestos and lifts safety. At the time of the Self-Referral Letter, the Council was undertaking an audit to understand the current level of compliance and the development of an action plan to ensure full compliance, and was in the process of developing a Fire Strategy. The Council also engaged a full-time Compliance Consultant to assist with this.

- 1.4 Further action taken by the Council, as identified in the Self-Referral Letter were:
- 1.4.1 the development of an Action Plan which was included this in the Self-Referral Letter;
  - 1.4.2 instruction of DTP to carry out a further forensic review of rent charges in order to ensure that any overpayments were returned to affected tenants; and
  - 1.4.3 commitment to this independent governance review.
- 1.5 It is relevant to note that the Council was created in April 2019, replacing the former Waveney and Suffolk Coastal District Councils. Prior to this, Waveney retained its housing stock, whereas Suffolk Coastal had previously carried out a stock transfer. Therefore, a number of the legacy decisions relate only to Waveney District Council.
- 1.6 Also in February 2022, a Local Government Peer Review of the Council commented on the matter in the following terms:
- “In contrast to the very positive work culture the high desire for achievement and delivery may be an inhibiting factor with regards to constructive challenge and openness to resolving issues. Peers heard multiple references to 'not wanting to let the team down'.*
- There should, however, be a healthy level of ‘grit’ within the organisation to ensure there is sufficient challenge and constructive feedback to positively impact on performance and improvement. The Council should consider raising the profile and importance of healthy constructive challenge if upon reflection this [is] seen as a limiting factor.*
- There are multiple meetings set up to monitor governance and performance (Corporate Management, Strategic Plan Delivery Team Meetings x 6, Corporate Governance Group, Designated Officer Group). It would be prudent, in the context of refreshing the Strategic Plan (prioritisation, capacity, capability, governance and oversight) to ensure they are they adding value and not muddying the water as conversations are fragmented and potentially not working as effectively as they could.*
- Internal controls failed relating to the Housing Service which should raise awareness of the need to manage wider governance and assurance issues. Peers were reassured by the development of a new compliance dashboard which will provide real-time recording as well as an HRA Asset Management and Compliance Strategy.*

*Peers understand the Council will be commissioning a comprehensive, external, independent Governance review, which will be carried out to understand how the issues experienced were not identified sooner. The output of the review will support further joined up conversations around governance and oversight. The recently appointed Head of Housing should be further supported by the leadership team to drive the emerging improvement plan.*

*In the context of ensuring the Council mitigates any future service failures, looking at how the impact of the audit function can be increased would be prudent. This comes at a time the Council is seeking to increase its ambition around commercialisation, requiring greater due diligence and robust monitoring and oversight. The suggested capacity additions should help in addressing this.*

*Developing a culture to promote the benefits and impacts of audit will improve the early engagement, opposed to being contacted at the point risk is experienced. Staff should be supported to feel more comfortable about discussing issues with audit. There is a view that involving audit may slow down delivery and compromise timelines. The function could benefit from a reset and capitalise on the Housing Management Service issues as a platform to promote the value of audit, oversight and governance."*

## 2 Introduction and methodology

- 2.1 Lisa Kirkman is a Consultant with VWV LLP and has previously worked as a Strategic Director in a Local Authority with its own housing stock. Specific responsibilities relevant to this review is as Chief Legal Officer, Monitoring Officer with a wide remit of responsibilities including audit, policy, HR, communications, procurement and contract management. Charlotte Rose is an Associate who has undertaken and supported various local government investigations and reviews.
- 2.2 We were commissioned by Chris Bing, Head of Legal and Democratic Services and Monitoring Officer, at the Council. We were provided with Terms of Reference for the investigation, along with some relevant documents. A copy of the full Terms of Reference can be found in Schedule 1.
- 2.3 As part of our investigation, we obtained a number of documents from various sources. An index of the documentary evidence considered is set out in Schedule 2. We have included excerpts of relevant documentation/evidence in this report where appropriate.
- 2.4 In view of the historical nature of the review, many if not all of the senior officers employed at the Council when the issues arose have moved on and were therefore not available to us to interview.
- 2.5 However, meetings have taken place with relevant officers in order to assess the reassurance this investigation can give as to the risk of reoccurrence of the issues at play here and that has been the focus for the recommendations made. The relevant officers were Stephen Baker, Andrew Jarvis, Heather Tucker, Siobhan Martin and Chris Bing.
- 2.6 For the avoidance of doubt, nothing within this report amounts to the making of findings in respect of any formal processes which relate to either employees or members of the Council, nor to any finding of legal liability or culpability. The priority is giving some level of assurance that the Housing Service is fit for purpose as it moves forwards.
- 2.7 We have used our judgement and experience to reach the conclusions and recommendations in this review, based on the evidence we have collected and the perceptions of the officers we have met. Where accounts conflicted about a particular event or issue we have, of necessity, relied on our own judgement and experience to reach a particular conclusion where one was required.
- 2.8 We should make it clear that given the time since relevant events took place that we have had to arrive at a view on certain points fully aware we only have partial information.
- 2.9 In addition, the matters that we have looked at are by their very nature historical, and therefore our conclusions and recommendations may well have been superseded by events/changes already made to address the issues at the Council.
- 2.10 Prior to publication, we sent a copy of this report to those we met as part of this process and Senior Management Team (**SMT**) in confidence to check for factual inaccuracies and have corrected those only.

### 3 **Why was there was a delay in the Council identifying and acting upon compliance breaches with Rent Standards?**

- 3.1 What is clear is that human error was the fundamental reason for the Council's failings in respect of its Housing Services.
- 3.2 We can find no deliberate malice in any documentary evidence seen but we do see omission. Whether this was pure naivety as to the seriousness of the issues or hope that these problems would resolve themselves/be swept under the carpet and go away - serious errors of judgment were made.
- 3.3 The oldest of these omissions was the lack of understanding of key decisions and the decision-making process within the Council. If an officer was aware of the scheme of delegation and what could and could not be done - this was ignored.
- 3.4 The Council entered into a consortium with Orwell Housing Association Limited, Freebridge Community Housing Limited, Greenfields (now Eastlight Community Homes Limited), Saffron Housing Trust Limited and Ipswich Borough Council in 2015. Through the consortium, the Council entered into an agreement with the Homes and Communities Agency, which allowed for the Council to make up to 260 conversions from Social Housing to Affordable Rented. In return for the additional income this would generate it was a condition of the agreement that the funds be used to increase the housing levels in the district - essentially by building more. This was district wide and would have very easily exceeded the £250,000 threshold for a key decision. The decision to enter into this agreement clearly comes within the definition of a "Key Decision" (see below).
- 3.5 The Council's current constitution states the following (which reflects the statutory requirements in The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012);

#### *"Key decisions*

*A Key Decision is an executive decision which is likely to: a) result in the Council incurring expenditure, making savings or receiving income which is/are significant having regard to the Council's budget for the Service or function to which the decision relates; or b) be significant in terms of its effects on communities living or working in an area comprising 2 or more wards in the area of the Council's District; 12.2 By the term "significant" the Council means a decision which in the case of either revenue expenditure or a capital scheme: a) results in expenditure, savings, income, additional funding or virement of over £250,000 being incurred or achieved; or b) results in an outcome which will have a marked effect on communities living or working in an area comprising two or more wards. 12.3 A decision maker may only make a Key Decision in accordance with the requirements of the Access to Information Procedure Rules set out in Part 3 of this Constitution.*

*And*

#### *INDIVIDUAL EXECUTIVE DECISIONS*

*No Key Decision shall be taken by a Cabinet Member or an Officer unless they have first received a report setting out the background to that decision, the available options and the*

*implications of that decision. Provided that in cases of special urgency, the Cabinet Member or Officer may take that Key Decision without first having received a report if they first obtain the agreement of the Chairman of the Scrutiny Committee that the taking of the decision cannot reasonably be deferred to permit the preparation, publication and consideration of a report. If there is no chairman of the Scrutiny Committee, or if the Scrutiny Committee Chairman is unable to act, then the agreement of the Chairman of the Council (or in his or her absence, the Vice-Chairman) will suffice.*

*Where a Cabinet Member or an authorised Officer receives a report which they intend to take into consideration when they make a Key Decision they shall not make that decision until the report has been available for public inspection for at least five clear days after the report is received by the Cabinet Member / Officer.*

*The person who submits the report to the Cabinet Member / Officer shall, at the same time, supply a copy of it to the Chairman of the Scrutiny Committee, or where there is no chairman, to every Member of the Committee.*

*The originating Officer shall include, in any report required to be available for inspection by the public, a list of background papers for the report and shall ensure that sufficient copies of the background papers are available to meet every reasonable request from members of the public for them. This does not require the disclosure of exempt or confidential information or advice from a Political Assistant.*

*As soon as reasonably practicable after an Executive/ Key Decision has been taken, they will prepare, or instruct the Proper Officer to prepare, a document setting out: (a) the title of the Officer and date of decision; (b) a record of the decision; (c) a statement of the reasons for the decision and any alternative options considered and rejected in accordance with provisions of Rule 18 (Recording and Publishing Decisions); and (d) a record of any conflict of interest in relation to the matter decided which is declared by any Member of the decision-making body, and in respect of any declared conflicts of interest, a note of any dispensation granted by the Head of Paid Service."*

- 3.6 In any scenario there should have been a report, publication of a report and a subsequent decision notice in respect of the Council's decision whether made by an Officer or Member. This is important because that report would have, where properly drafted, set out the terms of the consortium and the 260 conversion upper limit which applied to the Council. It also would have been clear to the decision taker that something, in this case further development, was expected in return for the conversions. It should have outlined the consequences of not doing that in a risk-based approach. No such decision notice, or other evidence of an appropriate reporting and decision making process, can be traced at the Council.
- 3.7 The law sets out a process for decision making which ensures, amongst other things, that decision makers receive the correct advice and information, take into account that which they should and also disregard that which is irrelevant, decisions are made transparently, and are available for public and political scrutiny. These aspects are essential to sound decision making by public bodies. These are not simply "tick the box" type requirements.
- 3.8 Those entrusted with making decisions on behalf of the public are required to follow these legal obligations as then embodied in the constitution. Doing so ensures that councils follow

the key requirements of openness, accountability and transparency. The process is prescriptive and not optional.

3.9 In their report DTP make similar critical points and we outline this below for completeness;

*"Emails exchanged in November 2019, between ESC's Housing Projects Manager and the lead officer from Orwell Housing Association, confirm that the total number of conversions for Waveney District Council within the 2015/16 bid was 260 units with an anticipated capacity of £2,673,715.00 (based on an average uplift through conversion of £13.00 per week). The total number of conversions for the E2 partnership as a whole was 1,546 units. The email also provides details from the initial bid, identifying the relevant properties from the Waveney housing stock. ESC should note that no conversions were permitted in the 2018 – 2020 development programme.*

*We have seen no documentation which sets out governance relating to the initial ESC / Waveney Council decision on how many properties should be converted with the 2015/16 AHP bid and the basis for this decision. We are therefore unable to establish the audit trail for decision making. What is clear is that the approach to conversion under the AHP could not be open ended. It is also clear under the AHP that conversions should have ceased once the cap of 260 units was reached or the AHP programme ceased in 2019 whichever was sooner.*

*As ESC is aware (since 2019 – see below), conversions did not cease and to date, over 1,400 properties had been converted to Affordable Rents. This exceeds the cap permitted within the bid, and in fact is nearer the level that was permitted for the E2 partnership as a whole.*

*In November 2019 a brief was issued to Counsel by the Head of Legal and Democratic Services at ESC asking for an opinion on compliance in relation to the continued conversion of properties from social to Affordable Rents. At this point, approximately 1,290 properties had been converted. Counsel's opinion (Lindsay Johnson of Doughty Street Chambers, dated 5 February 2020) is clear that the number of conversions and the continued approach to conversion was not permitted; that the Council should consider self-reporting this non-compliance to the housing regulator and that further investigation into the detailed scope and impact of the matter was recommended. We have seen no documentation setting out the Council's consideration of this opinion.*

*We have seen a letter dated 12 March 2020 sent by then then Head of Housing at ESC to the then Secretary of State at the MHCLG setting out the position of ESC and asking the Ministry for an opinion as to whether the approach to rent conversion follows best practice. This letter states that there have been 1,374 conversions at 31 December 2019. This letter seems to be a misguided approach to addressing a regulatory matter on which legal advice had already been sought. It is also not clear on what basis the letter was sent or approved within the Council's governance and delegations arrangements. ESC as a registered provider is (and was in 2020) accountable to the RSH as the regulator and required practice is set out in the Regulatory Standards – specifically the Regulatory Standards, the Rent Standard and the MHCLG Policy Statement. In our opinion, it is unlikely that the MHCLG would have considered the ESC letter or position in any detail and most likely would have passed the query to the*

*RSH. We have seen no response to this letter and no evidence of any subsequent follow up action by the Council.*

*The approach taken by ESC suggests limitations in the knowledge, skills and competency in relation to regulatory compliance and in places the requirements of the Rent Standard. The documentation reviewed suggests that even when the issue of non-compliance was specifically identified in 2019/20, conversions were not ceased (based on the increase in numbers between November and December 2019) which also indicates a weak approach to risk management. There also appears to have been an absence of compliant governance, given there is no evidence of consideration of self-reporting (which should have occurred following the Counsel's advice) and a failure to address the additional recommendations made by Counsel for further review and scrutiny.*

*ESC is in breach of the Rent Standard as it has charged Affordable Rents on approximately 1,100 properties which should not have been converted and should instead have remained or been charged at Social Rent levels. ESC has also breached the requirement for accurate and timely communication with the RSH".*

- 3.10 It is our opinion that these omissions continued after a Key Decision was not made and therefore not recorded by the Council. In November 2019 emails received in Housing Services confirmed the upper limit of conversions was 260 units. At this time nearly five times the number of conversions had been undertaken, including during the years when no conversions were permitted. Counsel's opinion - sought in late 2019 and received in early 2020, correctly through Legal Services - confirmed the 260 limit was known and had been significantly breached.
- 3.11 We are told that this was not reported to a meeting of SMT - we cannot ascertain this with any certainty because there were no minutes taken of this meeting. This matter should have been formally reported to SMT as soon as the issue was raised as a possible breach and an update should have been reported to SMT once Counsel's advice was received. The subsequent reporting of what was most likely a breach should have been signed off by this most senior group of officers. It is these senior officers who, on seeing Counsel's advice and the proposed response by the Council, could have questioned why the letter was going to Robert Jenrick MP and this error corrected. This was, in our opinion, an obvious question to raise when read together with Counsel's advice.
- 3.12 The Annual Governance Statement (**AGS**) completed by the previous HoH for 19/20 dated 21 August 2020 and finalised 30 September 2020 did not raise or reference this issue or reference Counsel's advice from February 2020 or the letter to Robert Jenrick MP. Had this been completed accurately this would have further flagged the issue to several senior officers.
- 3.13 Again the AGS completed by the Director for 2020/21, in the absence of any HoH in post, and completed in all good faith, failed to mention the letter to Robert Jenrick MP, despite it being known. We do not think it was possible for the non-Housing Director to have completed this Housing Services AGS wholly accurately due to the technical/operational matters it contains that are highly regulated in nature but do appreciate this may have been the only option available at the time.

- 3.14 At this moment in time the risk register and AGS should have reflected this issue. Most certainly SMT, the relevant Cabinet member and the Designated Officers Group should have been briefed and this recorded. This did not happen and meant some senior officers were completely in the dark. If more officers had been aware, it is less likely that it would have been left untouched for so long during the Covid-19 pandemic.

### **Conclusion**

- 3.15 It is clear is that human error was the fundamental reason for the Council's failings in respect of its Housing Services. We note that the Covid-19 pandemic played some part in respect of the timeframe for responding to the breach. We can find no deliberate malice in any documentary evidence seen but we do see omission. Whether this was pure naivety as to the seriousness of the issues or hope that these problems would resolve themselves/be swept under the carpet and go away - serious errors of judgment were made. The recommendations in this report seek to minimise the possibility of this being able to happen again - accepting you can never fully eradicate risk when it comes to human error.

- 4 The scope and sufficiency of changes made to the Council’s Housing management arrangements to address the concerns identified by DTP consultancy in February 2022 and the Social Housing Regulator in May 2022**
- 4.1 A report by the HoH was presented to Full Council at its meeting on 21 January 2023. This outlined all the steps taken to address failings identified within the Housing Service which went beyond just the Rent Standard and included issues with 'Home' Consumer Standard. In this respect various issues were identified by the Council as they took steps to ensure complete regulatory compliance within the Housing Service. These issues related to safety, included fire, gas, electrical, Legionella, asbestos and lifts.
- 4.2 We shall not repeat the contents of the report here as the report is comprehensive and can be found in Schedule 3 and has been fully considered by this investigation.
- 4.3 The HoH was the first person we spoke to and she became concerned shortly following her arrival at the Council. She wrote briefing notes of those concerns and raised them with her Director. Identifying that a full audit and review was needed, DTP were instructed. This was a prudent and important step to take to fully understand the issues the Council were facing. At this stage senior officers and Members of the administration were correctly briefed.
- 4.4 The HoH had addressed every possible avenue we explored with her and her approach and professionalism must be recognised here and applauded. In our view, without her, things would have been even worse. The difficulty, and there is no quick answer to this, is what would happen if the current HoH were to leave the Council. Whilst she is working hard to build a strong team around her (which includes a skills audit and restructure, identifying where the resources are needed in the right place at the right time, supporting upskilling, coaching and mentoring) – this will take time. We make recommendations in respect of succession planning and general management of staff in the recommendations which may assist but this risk should be identified in this service area.
- 4.5 It is noted that one of the steps taken by the HoH was to create a Housing Health and Safety Board with agreed terms of reference. This was vital. Harder to fix are the outdated computer systems and numerous spreadsheets - but these issues have been identified and it would not be possible for the staff teams to solve every issue at the same time.
- 4.6 In November 2022 the Rt Hon Michael Gove MP wrote to all Local Authority Chief Executives and Leaders in respect of Housing Standards in rented properties in England and sought to address shortfalls in the treatment of damp and mould and duties under section 3(1) and 3(3) of the Housing Act 2004. There were reporting and data request requirements within this letter. The imposed deadlines were pressing with a full response required by 27 January 2023.
- 4.7 We used this letter as a test to ensure the Council had received, processed and were dealing with the requests and requirements set out. We were reassured that the Director raised this with us before we raised it with him and he could articulate, with ease, the steps being taken. This was in addition to all the ongoing work in Housing Services, and would not have been a welcome addition to workloads. Nevertheless, we were assured by the Council's response.

## **Conclusion**

- 4.8 All steps taken to identify and address Housing management issues, as endorsed by Full Council, are considered to be sufficient. This includes the extensive steps and work undertaken to fully identify each and every issue. The recommendations in this report aim to support and enhance ongoing work.

## 5 Conclusions and Recommendations

- 5.1 Finally, we have been asked to recommend any structural and/or cultural changes which could be made to the Council's governance arrangements moving forward so that regulatory and statutory contraventions are, as far as reasonably possible, prevented from occurring and if/when they do occur, that they are identified and addressed at the earliest opportunity.
- 5.2 **SMT** - we would recommend that all meetings of SMT have an agenda and are minuted so there is an audit trail of matters reported to the most senior team of officers. There will be some highly sensitive and confidential information that is reported and discussed in these meetings which should be exempt and confidential in the usual way.
- 5.3 **Audit Plan.** SMT should have the opportunity to review and comment on the draft annual audit plan as a collective group at one of their meetings and that should be minuted. There should be open, honest conversations and challenge about any perceived organisational gaps and risks. We recommend that the Council considers where audit can add further value and align this plan with the corporate risk register.
- 5.4 **Reporting of projects and programmes.** Human error has been identified as the fundamental reason for the failings in the Housing Service and it is important to minimise the risk of the same or similar issues arising again. One area is around the reporting of projects and programmes. Currently there is an item on the Corporate Management Team (**CMT**) meeting agenda for updates on major projects but this is very much relies on the Head of Service raising the update and not all corporate issues arise from major projects. Project Initiation Documents (**PID**'s) currently go to SMT for approval - again there are no minutes to demonstrate this and the meetings are not attended by the Monitoring Officer or Section 151 Officer (a matter we specifically address later in this section). The Project Management office is well thought of with a good system of board meetings in this respect.
- 5.5 Where we can see value being added is in the corporate oversight of all projects and programmes by a senior officer governance board with a clear remit to provide strategic overview of the Council's portfolio of projects and programmes. The role of the Board could cover the following;
- 5.5.1 to regularly review the Project and Programme Horizon Scanning that provides advance notice of ideas before they are formally considered as projects;
- 5.5.2 to scrutinise business justification cases for new projects and programmes and approve them to progress to the next stage or decline as appropriate;
- 5.5.3 to frequently review progress in projects and programmes via highlight reports and hold project and programme owners to account to ensure effective and efficient delivery;
- 5.5.4 to consider issues of strategy/priority, resources, risks, equality, project interdependencies and funding for major projects and programmes;

- 5.5.5 to conduct an assessment after completion of each project stage and give formal gateway approval for the project to continue to the next stage in the project lifecycle;
  - 5.5.6 to receive and assess post-project/programme reviews for all projects before they are closed; and
  - 5.5.7 to enhance cross-service collaboration between directorates and to implement a consistent corporate approach to project management.
- 5.6 We would suggest that the reporting of projects and programmes should be proportionate to the budget, risk, outcomes of the project or programme. For example, a large regeneration of a city centre would have the highest level of reporting and requirements but a project for an artistic mural in the city centre valued at £5,000 would be in a lower category and the requirements of reporting less onerous. The Council may well already have a gateway system or tiers of projects or programmes that is used by the project managers currently that can be replicated for the purposes of this recommendation.
- 5.7 Reporting on the project or programme can ensure that overall aims, budget, risk register/highlights, communication and engagement strategy are in place, considered and achievable. This also ensures that legal, finance, procurement and communication officers are named and suitably engaged at early stages.
- 5.8 The very specific reason for referring to both projects and programmes is because within Housing Services there are many programmes of works – for example the delivery of new homes or the retrofit of Council stock - and these must be captured in the reporting in order that these important areas of work do not get forgotten. The management of projects and programmes in the way described would have ensured the issue of conversions was reported on a frequent basis.
- 5.9 We have experience of the operation of boards of this nature and how they work in other local authorities and are happy to assist the Council further if they wish to implement something of this nature.
- 5.10 **Decision making.** Again, to seek to minimise human error in this respect we would recommend that there is governance training for all existing managers. In addition, induction training should cover governance so that all new managers recruited into the organisation have the same training. This training would include understanding the constitution and what is a 'Key Decision', officer delegations, report writing (to include drafting good, clear and legal recommendations), assessment of equality impact and risk etc. and finally the decision-making route. The current Democratic Services team already utilises videos on decision making for officers which is incredibly useful and could be expanded and utilised for this purpose. This governance training should not be a one off but should be revisited frequently. The constitution is clear in this area but experience tells us there are few officers who actually read it and therefore follow it.
- 5.11 **Procurement and contract management.** Good procurement and contract management can help to ensure value for money, compliance with regulations, continuous improvement in service delivery and drive social, economic and environmental benefits. It is key that consistent standards and approaches are embedded across an organisation. We talk about

procurement *and* contract management here because that is part of the same life cycle. However, they appear to be quite separate currently at the Council and we recommend this approach is reviewed and changed.

- 5.12 To procure effectively means learning from the current contract to drive efficiencies and improvements - no one knows the contract better than the person/company delivering it. If starting from scratch, this means being able to articulate needs in a specification to achieve great outcomes and undertaking market engagement to assist with this as appropriate. It is critical to the achievement of these outcomes that the contract includes performance measures which are embedded as part of the procurement process. There should further be a clear contract management process including dispute resolution terms to ensure the contract is managed well. Those involved in the procurement know the specification and required outcomes better than most and this should include the Contract Manager. Often this starts with the Procurement and Contract Management Strategy setting the policy provision for an organisation as well as confirming priorities around, for example, social values or climate emergency.
- 5.13 Procurement at the Council has suffered with recruitment difficulties – this is the same for many local authorities. There is the opportunity to grow your own but technical, qualified mentoring/coaching should be sought for the individual to give them the confidence to grow into that role. It needs to be technical support so the Council can have confidence that risks are being managed. External support may be needed in some of the Council's bigger procurements (whether "bigger" in relation to value or risks). Ideally, there should be clear guidelines in place to follow as to when this should be formally considered. It is important that the team are involved so that they learn and grow. We recommend the Council invests in both the individuals and the team – this will help retain them for as long as possible which will be key to the team's success (assuming individual performance levels and growth expectations are met).
- 5.14 The HoH has identified that procurement within Housing Services needs to be programmed so that they are not procuring large and significant contracts at the same time and a staggered approach allows better input from the officer team. This is a sound and prudent approach which we support. In addition, contract management officers within housing have been successfully recruited – this will assist. However, we would recommend a move towards a unified and consistent management of contracts across the whole Council with a policy, pro-formas and proportionate approach based on contract value and risk.
- 5.15 **Investment.** There has clearly been investment made in the resources of Housing Services. This was necessary. Additional resource at Director level has also been made at the Council though I would be cautious to confirm the Council is now well resourced as the Council is ambitious and needs to reflect on comments made by the Peer review. We are also mindful of the resources that may be going into matters relating to a devolution deal in the area.
- 5.16 It is recommended that resources are reviewed across the whole organisation in order to ensure that critical support services are equally well resourced to provide crucial support to Housing Services. We specifically mention this in relation to Legal Services. Structures of legal teams are well known to us and we would make the observation that it's an extremely small legal team, especially when you take into account the size of the Council. There was a review around 2020 and 1 FTE legal resource was deemed the correct recharge to Housing

Services. When considering the legal work behind the Service's contracts, procurement, regulatory compliance, enforcement and so on, that appears low. Other obvious services to look at would be customer services, communications and financial services.

- 5.17 **Recruitment and Retention.** In everything we have read and what we know of the sector, recruitment is an issue and retention of talent has never been so important. There is always the issue of performance management, how the Council can identify its skill gaps and how it can plan to address those.
- 5.18 Currently the Council has a "my conversations" approach which appears quite informal. There is no formal corporate appraisal process at the Council. This means there's not an opportunity to set targets for an individual, to monitor progress against those objectives and to have clear deadlines for when those objectives should be completed. There is no formal process to identify training needs and record how those will be addressed and no system for the identification or provision of professional qualifications. While conversations may well happen about ambitions of individuals, this is not recorded.
- 5.19 Many organisations have moved way from a formal appraisal system which have been viewed as a tick box exercise. In addition and unfortunately, some are done so poorly that they are not only designed to fail, but also to create a negative experience for both the manager as well as the employee. Critics of the appraisal system reason that organisations should focus more on improving processes and systems than getting the workers to improve. They say it shouldn't be for the individual staff members to work faster, more carefully, more diligently etc. but that the organisation should seek to adjust its methods of working and to improve where the systems and procedures are failing to bring about success.
- 5.20 We don't wholly disagree with this but recommend that the problems in Housing Services demonstrate a need for a formal appraisal to inform the Council as to its gaps and training needs as well as to be able to make a robust succession plan. It is also likely to serve a useful purpose in assisting employee retention and discussion of individual goals and aspirations (which may also in turn assist succession planning). Succession planning is so crucial and cannot be ignored. The HoH has addressed much of this in driving improvements and compliance in the Housing Service but we would recommend consideration of a more formal process and that would be best done corporately rather than just in Housing Services. In implementing this, it is crucial that there is complementary training of managers and staff to ensure appropriate and useful engagement with an appraisal system.
- 5.21 **The position of the Monitoring Officer (MO) within the organisation.** In the context of this report it is noted that the current post holder sits on CMT and the Designated Officer Group. Consideration should be given as to if this is enough and whether the post holder should also sit on the SMT. . Much will depend on the qualifications of the Director team, although it should be recognised that this will not be static. In particular, where there is not a lawyer within SMT, we would suggest the Chief Executive considers the inclusion of the MO within the SMT in order to keep governance and legal compliance at the heart of how the Council operates at its most senior level.
- 5.22 It is further noted that the Section 151 Officer is also not a member of SMT. The CIPFA Statement on the role of the Chief Financial Officer (**CFO**) in Local Government confirms that the governance requirements in the Statement are that the CFO should be professionally

qualified, report directly to the Chief Executive and be a member of the leadership team, with a status at least equivalent to other members. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the authority's Annual Governance Report. Whilst not a formal recommendation as this falls out of the remit of this report, the Chief Executive may wish to consider this position with the recommendation that the position of the MO be reviewed.

**Table of Recommendations** (summarised - please see above for full details and context)

1. All meetings of SMT have an agenda and minutes taken.
2. SMT review and comment on an early draft of the audit plan as a collective.
3. Consideration be given where audit can add further value to the Council and their work with the corporate risk register be aligned.
4. A formal method of reporting projects and programmes be introduced to the governance structure of the council.
5. Governance training, with a focus on decision making, be provided for all existing managers and is included in the induction of any new member of staff joining the council with management responsibility.
6. A full review be undertaken of the councils approach to procurement and contract management.
7. Technical mentoring and support be provided within the current procurement team.
8. A review of capacity and capability be undertaken in the key and critical support services to the Housing teams to ensure outcomes are aligned.
9. Introduce a formal appraisal system alongside 'my conversations' to assist in identifying gaps, training needs and succession plans. In any roll out that training is provided to management and staff to understand the process, both the practical 'how' but also the equally important 'why' which is key to staff buy in.
10. The Chief Executive consider the position of his 'golden triangle' statutory officers in respect of SMT.

## **Schedule 1 Terms of Reference**

An independent review of East Suffolk Council's (ESC's) governance arrangements for its Housing Services to:

1. establish why there was a delay in ESC identifying and acting upon compliance breaches; namely breaches of the Social Housing Regulator's Rent Standard and Home Standard and associated breaches of the Welfare Reform and Work Act 2016;
2. consider the scope and sufficiency of changes made to ESC's Housing management arrangements to address the concerns identified by DTP consultancy in February 2022 and the Social Housing Regulator in May 2022. Particular attention to be given to the governance of tenant/resident safety, building safety, housing development and the setting of rent and service charges; and to
3. recommend any structural and/or cultural changes which could be made to ESC's governance arrangements moving forward so that regulatory and statutory contraventions are, as far as reasonably possible, prevented from occurring and if/when they do occur, that they are identified and addressed at the earliest opportunity. In so doing, we would ask that the existence, positioning and relationship between governance controls be considered.

## Schedule 2 Index of documentary evidence

Doc no	Document name	Date
1.	Final Internal Audit Report. Review of Housing Rents 2015-2016 (S Martin, Head of Internal Audit)	3 January 2017
2.	Email from Laura Fuller to Justin Hunt re. Housing Rents Audit Brief	23 January 2018
3.	Brief to Counsel to advise as to legality of Gas Service Charges	12 February 2018
4.	Brief from Counsel (Michael Paget) regarding Gas Service Charges	14 February 2018
5.	Final Internal Audit Report. Review of Housing Rents 2017-2018 (S Martin, Head of Internal Audit)	September 2018
6.	Emails between Laura Fuller and Cairistine Foster-Cannan re . Housing Rents 2019-20 - Internal Audit ToR	25 - 31 October 2018
7.	Suffolk Coastal and Waveney District Councils. Internal Audit & Corporate Fraud Services. Audit Brief. Review of Housing Rents 2017/18	Undated
8.	Brief to Counsel to advise regarding conversion of Social Rented Properties to Affordable Rented Properties	21 November 2019
9.	Internal Audit Report. Housing Rent 2019/2020	2019/2020
10.	Counsel Opinion in the matter of conversation of the charges for Social Housing by East Suffolk Council	5 February 2020
11.	Letter to Robert Jenrick MP	12 March 2020
12.	East Suffolk Council - Statement of Accounts 2021/2022 (Head of Housing, Cairistine Foster-Cannan)	21 August 2020
13.	Corporate Governance Group Terms and Reference	12 November 2020
14.	Internal Audit Terms of Reference. Assurance Review. Housing Rents 2019/20	2019/2020

15.	Handover note CFC	January 2021
16.	East Suffolk Council - Statement of Accounts 2020/2021 (Head of Housing, signed by Andrew Jarvis, Strategic Director)	8 June 2021
17.	Final Internal Audit Report. Key Financial Controls – 2020/21 (Housing Extract). Issued by the Head of Internal Audit	October 2021
18.	Internal Audit Terms of Reference. Assurance Review. Key Financial Controls 2020/21	Undated
19.	Rent Review East Suffolk Council Final Report	2 February 2022
20.	Letter to the Regulator of Social Housing	9 February 2022
21.	Appendix 3 - Action Plan	Undated
22.	Housing Health and Safety Board – Terms of Reference (Heather Tucker)	March 2022
23.	Emails between Frances Wykes and Brian Mew RE: Internal Audit of Key Financial Controls 2021/22 - Terms of Reference	4 - 13 March 2022
24.	Letter to Regulator of Social Housing re. "Update to East Suffolk Council"	10 March 2022
25.	Trowers & Hamlins LLP Regulatory Advice	18 March 2022
26.	Designated Officers' Group Agenda	29 March 2022
27.	Letter from Regulator of Social Housing	6 May 2022
28.	Corporate Management Team Agenda	8 September 2022
29.	Corporate Management Team - Notes of Meeting held on 8 September 2022	Undated
30.	Corporate Governance Group Agenda	21 September 2022
31.	Emails between Heather Fisk and Frances Wykes re. Internal Audits in Housing 2022/2023	5 October 2022 - 20 October 2022
32.	Corporate Management Team Agenda	6 October 2022

33.	East Suffolk Council - Statement of Accounts 2021/2022 - Half Year Review (Head of Housing, Heather Tucker)	11 October 2022
34.	East Suffolk Council - Statement of Accounts 2021/2022 (Head of Housing, Heather Tucker)	Undated
35.	Digital Agenda	2 November 2022
	Digital Notes and Action Points from meeting on 2 November 2022	Undated
36.	Corporate Management Team - Notes of Meeting held on 6 October 2022	Undated
37.	Communities Agenda	10 November 2022
38.	Communities Notes and Action Points from meeting on 10 November 2022	Undated
39.	Finance Agenda	11 November 2022
40.	Finance Notes and Action Points from meeting on 11 November 2022	Undated
41.	Corporate Governance Group Agenda	16 November 2022
42.	Corporate Governance Group Notes and Action Points from meeting on 16 November 2022	Undated
43.	Economy Agenda	17 November 2022
44.	Economy Notes and Action Points from meeting on 17 November 2022	Undated
45.	Environment Agenda	23 November 2022
46.	Audit and Governance Committee. Revised Internal Audit Plan 2022/23	12 December 2022
47.	Internal Audit Terms of Reference. Assurance Review. Key Financial Controls 2021/22	2021/2022
48.	Environment Notes and Action Points from meeting on 23	Undated

	November 2022	
49.	Economy Terms of Reference	Undated
50.	Communities Terms of Reference	Undated
51.	Finance Terms of Reference	Undated
52.	Digital Terms of Reference	Undated
53.	Environment Terms of Reference	Undated
54.	East Suffolk Council Senior Management Team Structure	Undated
55.	East Suffolk Council Senior Management Team Responsibilities	Undated

Schedule 3 Report to Full Council January 2023



**FULL COUNCIL**  
**Wednesday, 25 January 2023**

<b>Subject</b>	Housing Regulation
<b>Report by</b>	Councillor Richard Kerry, Cabinet Member for Housing
<b>Supporting Officer</b>	Heather Tucker Head of Housing <a href="mailto:heather.tucker@eastsoffolk.gov.uk">heather.tucker@eastsoffolk.gov.uk</a>

Is the report Open or Exempt?	<b>OPEN</b>
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Category of Exempt Information and reason why it is <b>NOT</b> in the public interest to disclose the exempt information.	This report is to be considered during the <b>OPEN</b> part of the agenda.
<b>Wards Affected:</b>	<b>All Wards</b> [Add additional wards or delete as required]

## Purpose and high-level overview

### **Purpose of Report:**

To set out the responsibilities of East Suffolk Council (ESC) as a Registered Provider (RP) of Social Housing, to ensure it is compliant with the Regulator of Social Housing's (RSH's) Regulatory Standards.

To provide information to Members on Housing Regulation Matters, which led to a Regulatory Notice being issued to ESC by the RSH for a breach of the Home and Rent Standards.

To provide an update on progress in relation to Rent Setting, and the Health, Safety and Compliance management in Housing Revenue Account (HRA) properties.

To present to Members key policy decisions, agreement of which will enable ESC to rectify incorrect rent accounts enabling the refund process to commence and ESC to be fully compliant with the RSH Rent Standard.

*Due to the length and complexity of the report, a glossary has been provided at the end, which covers all acronyms used.*

### **Options:**

Option 1 – Members approve all rents previously converted from Social Rent to Affordable Rent, to be reset back to a Social (Formula) Rent, utilising Rent Flexibility, which is 5% for General Needs tenants and 10% for Retired Living Scheme Tenants

Option 2 – Members approve all rents previously converted from Social Rent to Affordable Rent, to be reset back to a Social (Formula) Rent, without utilising Rent Flexibility

Option 3 – Members approve any remaining Affordable Rents, from the original 260, which were permitted to be converted, to continue being charged an Affordable Rent.

The full reasons for recommending Option 1 are set out within the main body of this report.

### **Recommendation/s:**

#### **Full Council is asked that:**

1. Members note the information contained within this report and endorse the actions set out to ensure the Council is compliant with the Regulator of Social Housing Consumer 'Home Standard'.
2. Members note the information contained within this report and endorse the actions set out to ensure the Council is compliant with the Regulator of Social Housing Economic 'Rent Standard'.
3. Members note that all heating service charges, also referred to as de-pooled rental charges, are (after further and more detailed legal advice) now acknowledged to be a breach of Section 11 of the Landlord and Tenant Act 1985 and that therefore, all such money received from this charge must be refunded in full, for the years 2010 – 2023.

4. Members agree to 'Option 1', listed above, that all tenancies formerly converted to an 'Affordable Rent' are reset back to a 'Social Rent' plus flexibility (5% for general needs and 10% for retired living schemes).
5. Members, whilst taking into consideration their fiduciary duties (as discussed at paragraphs 4.4 to 4.13 of this report) agree as a matter of policy that any money incorrectly charged for rent charges as a result of the mistaken conversion of social rents to affordable rents, or the setting of incorrect social rent levels, be refunded in full.
6. Members note that quarterly updates will be presented to Cabinet, detailing the progress against the Compliance and Rent Improvement Plans.

## Corporate Impact Assessment

### **Governance:**

Following a review of the circumstances and matters that led the Council to self-report to the RSH, in April 2022, a new Housing, Health and Safety Board (HHASB) was created. Further information on the HHASB is located in 1.68.

A monthly 'compliance dashboard' has been produced, which is now being used to both monitor and demonstrate ESC's levels of HRA stock compliance. Going forward, this dashboard will be provided to the Cabinet Member for Housing, so they also have oversight.

It is proposed that quarterly updates on regulatory matters are provided to Cabinet Members until the Regulatory Notice is no longer applicable.

Further, in Summer 2022, a Rents Development Group was created. This Group has been developing a Rent and Service Charge Policy, which will include the key decisions in this report, which Members will consider and are asked to approve.

Going forward, the Rents Development Group will oversee the refund programme, which will commence imminently. It will also review the annual rent setting process and ensure an annual sample audit is conducted by external specialists, who specialise in rent regulation.

The Council has commissioned an external, independent review of the governance of the housing service, to ensure that the right governance arrangements are in place, which will prevent any issues like this from occurring in the future.

### **ESC policies and strategies that directly apply to the proposal:**

The [Housing Strategy 2017-2023](#) sets out the Council's commitment to investing and improving its housing stock.

The [HRA Business Plan](#) sets out the proposed investment in the Housing Stock over a 30-year period.

### **Environmental:**

There are no environmental factors affected by this issue.

### **Equalities and Diversity:**

An Equality Impact Assessment (EQIA) has been completed (Ref EQIA477820335). The outcome of the EQIA is the overall impact on our tenants from this report and the recommendations made is positive. No amendments have been made following the completion of the assessment.

**Financial:**

The Council can charge two types of rent: Social Rent and Affordable Rent.

A Social Rent (SR) should not be higher than 'formula rent', which is calculated based on the relative value of the property, relative low-income levels, and the size of the property. An aim of this formula-based approach is to ensure that similar rents are charged for similar socially rented homes, throughout the country taking account of regional factors.

For an Affordable Rent (AR), the initial rent should not be set higher than 80% of market rent<sup>1</sup> (inclusive of service charges), as well as at any future relet.

There are 145 properties within the East Suffolk HRA stock that are legitimately being charged an affordable rent and indeed are required to be charged such a rent as the properties were either a new build or an acquisition with the use of Right to Buy (RTB) receipts to fund the purchase. These properties are therefore outside of the rent repayment matters being considered in this report.

It is proposed that properties previously converted from Social to Affordable Rent have their rent re-set back to Formula Rent plus flexibility.

ESC has been charging additional charges in relation to heating servicing. ESC has received specialist legal advice that these charges should not have been levied and therefore, a full refund must be administered to all affected current and former tenants.

At the time of producing this report, the forensic audit was 88% complete. Therefore, these figures are the current confirmed levels and also set out the 'projected' levels.

The confirmed refund level for the heating charges totals £3,897,522, based on 88% audits completed. It is currently **projected** that when the audit is complete that this figure will increase to £4,454,311. This is calculated based on the charges mistakenly levied between 2010/11 and 2021/22.

The refunds owed in relation to the incorrect charging of rent is £2,405,383 based on 88% of the audits completed. It is **projected** that this will increase to £2,749,009 once the audit is completed.

This means that overall, for the period 2010/11 to 2021/22 the current confirmed level of refunds is £6,302,905 and is **projected** to increase to £7,203,320 once the audit is completed.

In addition to the refunds up to and including the financial year 2021/22, corrections will be made to rent accounts for the current financial year 2022/23. It is estimated a further £385,672 refunds will be owed for the incorrect charging for heating services and £451,431.71 in relation to incorrect charging of rents.

In addition to the initial refunds, there will also be an effect on the HRA Business Plan, due to a reduction in income. Income has been reduced in each future financial year by approximately £835,000. However, due to the proposed increase in rents for 2023/24 being at 6% (1% less than the Government Cap of 7%), this has significantly helped

<sup>1</sup> Market Rent - The amount of rent that can be expected for the use of a property, in comparison with similar properties located nearby

towards regaining income levels to a sufficient level to maintain the needs and aspirations of the HRA.

To date, of the 88% of tenancies (current and former), that the audit has completed, 72% of them have a record of claiming Housing Benefit at some point during the tenancy. Therefore, a significant amount of the refunds owed actually constitutes overclaimed housing benefit subsidy, and will need to be repaid to the DWP..

**Human Resources:**

Since the issues were first identified, significant officer time has been spent working intensively to resolve them. In addition to this, interim support has been employed to support the work programme. This includes external specialists to deliver the forensic audit, and compliance experts to support the work related to stock compliance.

To enable the refund process to happen at pace, we will shortly be recruiting some additional staff on a fixed term basis to support the day-to-day work related to rent collection, so our experienced rents officers can focus on the complex refund process.

**ICT:**

As part of this programme of work, ESC has identified that significant work is required to improve the quality of data held electronically in relation to the effective management of the housing stock. Therefore, system updates are being planned and implemented as required.

**Legal:**

The Housing and Regeneration Act 2008 sets out that Local authorities with social housing stock are "registered providers of social housing". Registered Providers are governed by the [Regulator of Social Housing](#).

There are a multitude of legislative and regulatory responsibilities that Registered Providers of Social Housing must ensure they adhere to including the Regulator of Social Housing Standards as well as Policy Statements issued by the Department for Levelling Up Housing and Communities.

The regulation of Social Housing is increasing significantly and there are many changes, which it is essential that ESC complies with.

The [Smoke and Carbon Monoxide Alarm \(Amendment\) Regulations 2022](#), which effectively amend the Smoke and Carbon Monoxide Regulations 2015 to remove the exemption of social landlords, so that from 1 October 2022 housing associations and local authorities were subject to the 2015 Regs. This means that from this date ESC must ensure:

- At least one smoke alarm is equipped on each storey of their homes where there is a room used as living accommodation: and
- A carbon monoxide alarm is equipped in any room used as living accommodation which contains a fixed combustion appliance (excluding gas cookers)

In addition to this, there is new legislation either planned or recently approved, which will shortly be enacted. These include:

The [Social Housing Regulation Bill](#), which is currently going through Parliament and introduces a stronger regulatory regime for Registered Providers and delivers the measures set out in the [Social Housing White Paper](#).

There are two key pieces of Legislation, which have received Royal Assent, following the review of the Grenfell Tragedy in 2017.

The new duties set out in the Building Safety Act 2022 and Fire Safety Order (England) 2022, will require the Council to carry out new programmes of work, to ensure they meet the duties.

#### [Building Safety Act 2022](#)

The Building Safety Act makes significant reforms to give residents and homeowners more rights, powers, and protections, which will ensure that homes across the country are safer.

It delivers protections for qualifying leaseholders from the costs associated with remediating historical building safety defects and includes an ambitious toolkit of measures that will allow those responsible for building safety defects to be held to account.

It overhauls existing regulations, creating lasting change and makes clear how residential buildings should be constructed, maintained and made safe.

The Act creates three new bodies to provide effective oversight of the new regime: the Building Safety Regulator, the National Regulator of Construction Products and the New Homes Ombudsman.

Together these changes mean owners will manage their buildings better, and the home-building industry has the clear, proportionate framework it needs to deliver more, and better, high-quality homes.

Many of the detailed provisions in the Act will be implemented over the next two years through a programme of secondary legislation.

#### [The Fire Safety \(England\) Regulations 2022](#)

The requirements set out in the Fire Safety Regulations 2022 come into force 23<sup>rd</sup> January 2023.

These regulations will make it a requirement in law for responsible persons of high-rise blocks of flats to provide information to Fire and Rescue Services to assist them to plan and, if needed, provide an effective operational response.

Also, the regulations will require responsible persons in multi-occupied residential buildings which are high-rise buildings, as well as those above 11 metres in height, to provide additional safety measures.

In all multi-occupied residential buildings, the regulations require responsible persons to provide residents with fire safety instructions and information on the importance of fire doors. The regulations apply to existing buildings, and requirements for new buildings may be different.

In high-rise residential buildings, responsible persons will be required to:

**Building Plans:** provide their local Fire and Rescue Service with up-to-date electronic building floor plans and to place a hard copy of these plans, alongside a single page

building plan which identifies key firefighting equipment, in a secure information box on site.

**External Wall Systems:** provide to their local Fire and Rescue Service information about the design and materials of a high-rise building's external wall system and to inform the Fire and Rescue Service of any material changes to these walls. Also, they will be required to provide information in relation to the level of risk that the design and materials of the external wall structure gives rise to and any mitigating steps taken.

**Lifts and other Key Fire-Fighting Equipment:** undertake monthly checks on the operation of lifts intended for use by firefighters, and evacuation lifts in their building and check the functionality of other key pieces of firefighting equipment. They will also be required to report any defective lifts or equipment to their local Fire and Rescue Service as soon as possible after detection if the fault cannot be fixed within 24 hours, and to record the outcome of checks and make them available to residents.

**Information Boxes:** install and maintain a secure information box in their building. This box must contain the name and contact details of the Responsible Person and hard copies of the building floor plans.

**Wayfinding Signage:** to install signage visible in low light or smoky conditions that identifies flat and floor numbers in the stairwells of relevant buildings.

In residential buildings with storeys over 11 metres in height, responsible persons will be required to:

**Fire Doors:** undertake annual checks of flat entrance doors and quarterly checks of all fire doors in the common parts.

In all multi-occupied residential buildings with two or more sets of domestic premises, responsible persons will be required to:

**Fire Safety Instructions:** provide relevant fire safety instructions to their residents, which will include instructions on how to report a fire and any other instruction which sets out what a resident must do once a fire has occurred, based on the evacuation strategy for the building.

**Fire Door Information:** provide residents with information relating to the importance of fire doors in fire safety.

As part of the review into these regulatory matters, ESC has sought specialist external opinion from Trower's and Hamlin Law Firm. They have advised on a number of aspects specifically in relation to the Rent Standard and historical decisions made, which were at odds with guidance and / or legislation.

**Risk:**

This area of work has been added to the Corporate Risk Register.

**Risk Description:**

ESC has been found to not be compliant with the Rent Standard and 'Home' Consumer Standard following self-referral to Regulator for Social Housing. Rental charges dating back to ESC's predecessor authority Waveney District Council (WDC) did not meet requirements set out in 'Rent Standard'. Tenants who moved in after 2014 were potentially charged higher rents. Review also included aspects of health and safety of properties, inc. fire risk assessments, asbestos management, water safety, gas and electrical safety, etc.

**Current Controls:**

- Council self-referred to Regulator of Social Housing (RSH) in February 2022.
- In-depth review of the Housing Service conducted in line with the Regulatory (Rent) and Consumer Standards.
- Independent consultants appointed to review historic approach to rent conversions and to assess whether there are/were any other areas of non-compliance against the rent standard.
- Legal opinion sought on other service charges.
- Thorough audit of all aspects of compliance and development of action plan.
- ESC commissioned an independent inquiry into the governance/decision making issues raised in respect of the Rent Standard issues. The inquiry report will be available in early 2023.
- ESC has recruited a new Strategic Director position, focussed on governance, bringing leadership, direction and organisational resilience.

**Mitigations:**

- Forensic audit of potential overpayments of rent, being conducted looking at every rent account line by line. Definitive figure for overpayments and split between those paid by tenants and paid via housing benefit will not be available until completed. The audit is 88% complete and will be fully complete by January 2023. The data is being used to improve financial projections of potential tenant overpayments.
- Compliance consultant employed to ensure the right policies, processes and mechanisms for monitoring are in place to provide assurance that the housing stock is compliant with the Homes Standard. Following extensive work ESC is now compliant for safety inspections, servicing and surveys, with a backlog of electrical checks expected to be completed by end 2022/23. Ongoing work is delivering remedial safety works to buildings.
- Regular monthly meetings scheduled with Regulator.
- A permanent Housing Health & Safety Board has been created and provides senior level monitoring, control and direction.
- A substantial Improvement Programme is being developed for the Landlord's Service, supported by external Consultants.

**Current Risk Score:**

C2 (Amber)

External Consultees:	N/A
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## Strategic Plan Priorities

Select the priorities of the <a href="#">Strategic Plan</a> which are supported by this proposal: (Select only one primary and as many secondary as appropriate)		Primary priority	Secondary priorities
<b>T01</b>	<b>Growing our Economy</b>		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T02</b>	<b>Enabling our Communities</b>		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P08	Maximising health, well-being and safety in our District	<input checked="" type="checkbox"/>	<input type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
<b>T03</b>	<b>Maintaining Financial Sustainability</b>		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input type="checkbox"/>
<b>T04</b>	<b>Delivering Digital Transformation</b>		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T05</b>	<b>Caring for our Environment</b>		
P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education and influence	<input type="checkbox"/>	<input type="checkbox"/>
<b>XXX</b>	<b>Governance</b>		
XXX	How ESC governs itself as an authority	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>How does this proposal support the priorities selected?</b>			
ESC is a social landlord who wants to be a landlord of choice and provide high-quality, affordable homes in communities where residents are proud to live.			

## Background and Justification for Recommendation

1 Background facts	
1.1	East Suffolk Council (ESC) owns and is the social landlord for approximately 4,500 properties, which are managed under the Housing Revenue Account (HRA).
1.2	The stock consists of a mixture of bungalows, flats and houses and includes 13 Retired Living Schemes, one block over 18m tall and a number of properties used as Temporary Accommodation for homelessness under s188 and s193(2) of the Housing Act 1996.
1.3	There are also some commercial units and some units, which are leased to other providers.
1.4	Prior to East Suffolk Council being created, only Waveney District Council had retained its housing stock. Suffolk Coastal District Council had transferred its properties to a Registered Provider a number of years before. Therefore, the stock is predominantly located in the North of East Suffolk.
1.5	Local authorities with social housing stock became "registered providers of social housing" pursuant to the Housing and Regeneration Act 2008. However, local authority registered providers were not subject to any of the economic standards set by the RSH until they became subject to the Rent Standard with effect from 1 April 2020.
1.6	Registered Providers of social housing, which includes both Councils and Housing Associations, are governed by the Regulator of Social Housing (RSH).
1.7	The Housing and Regeneration Act 2008, sets out the role of the RSH.
1.8	The RSH has a set of standards, which Registered Provider (RP) landlords, must comply with. These include 3 economic and 4 consumer standards. The consumer standards are applicable to all RP's, including Councils. Not all the economic standards apply to Councils, because the RSH does not have the power to set them standards. The only economic standard, which Councils must comply with, is the Rent Standard (Appendix A).
1.9	The RSH has a 'co-regulatory' approach to supporting the regulation of social housing. There is an expectation that RPs are open and transparent and will make a self-referral to the RSH if there is reason to believe that there may be a breach of one or more of the Regulatory Standards.
1.10	<p>The Consumer Standards are:</p> <p><b>The Tenant Involvement and Empowerment Strategy</b> – Customer Service, Choice, Complaints, Involvement and Empowerment and ensuring there is an understanding of the diverse needs of tenants</p> <p><b>The Home Standard</b> – Quality of accommodation, repairs and maintenance. This includes compliance with the 'Big 6' areas: Fire, Gas Safety, Electrical Safety, Water Safety (Legionella), Asbestos and Lifting Equipment (Lifts and Stairlifts). (Appendix B)</p> <p><b>The Tenancy Standard</b> – Allocations, Mutual Exchanges and Tenancy Management</p> <p><b>The Neighbourhood and Community Standard</b> – Management of neighbourhoods and anti-social behaviour.</p>

1.11	<p>The key outcomes of the Home Standard are summarised below:</p> <ul style="list-style-type: none"> <li>• Ensure council homes meet the Decent Home Standard and are maintained to this standard (<i>for more information on the Decent Homes Standard, please see background reference papers section of this report, for the link</i>)</li> <li>• Provide a cost-effective repairs and maintenance service to homes and communal areas that responds to the needs of, and offers choice to tenants, and has the objective of completing repairs and improvements right first time</li> <li>• Meet all applicable statutory requirements that provide for the health and safety of occupants in their homes</li> </ul>
1.12	The Rent Standard applies, (subject to certain exceptions) to 'low cost rental' accommodation, as defined by section 69 of the Housing and Regeneration Act 2008 with some limited exceptions (not relevant to this paper). This includes some types of Temporary Accommodation, which is used for those owed a duty under homelessness.
1.13	Registered providers must comply in full, with all the requirements and expectations set out in the Rent Standard. They must additionally comply with all the requirements and expectations of the Rent Policy Statement on the setting, increase and decrease of rents and service charges.
1.14	An initial high-level review of the Council's landlord service was conducted by the newly appointed Head of Housing at the end of 2021. This identified some areas, which may have constituted a breach of the Regulatory Standards.
<b>The Home Consumer Standard (Asset Compliance)</b>	
1.15	This section of the report sets out the issues and remedial actions taken in relation to ESC's compliance with the RSH Home Consumer Standard.
1.16	<b>Initial Review</b>
1.17	As part of the Head of Housing's review of the landlord service, it was identified that there was a lack of data in relation to compliance.
1.18	Officers involved in elements of the work believed ESC to be compliant, but due to the lack of reliable data, could not provide comprehensive documentary evidence.
1.19	In late 2021, a Compliance Consultant was recruited on an interim basis to conduct an in-depth review. The review would assess data processing and workflow processes and would provide officers with advice and guidance to ensure all HRA properties met the required standards.
1.20	<p>The compliance audit reviewed all of the main areas of domestic property compliance:</p> <ul style="list-style-type: none"> <li>○ Asbestos,</li> <li>○ Electrical Safety,</li> <li>○ Fire Safety,</li> <li>○ Gas Safety,</li> <li>○ Lifting Equipment (Lifts and Stairlifts) and</li> <li>○ Water Safety (Legionella).</li> </ul>
1.21	The Compliance Consultant quickly confirmed ESC could not formally evidence compliance with the Home Standard and that an Improvement Programme would be required to ensure ESC met the standards set out by the RSH.
1.22	In January 2022, the results of the initial audit were discussed with the Senior Management Team, Head of Finance (s151 Officer), Head of Legal and Democratic

	Services (Monitoring Officer), the Head of Internal Audit and ESC's Leader, Deputy Leader and Cabinet Members with responsibility for Housing and Resources.
1.23	It was agreed that a self-referral to the RSH would need to be completed, which the Head of Housing would lead on.
1.24	On 9th February 2022, an initial letter was sent to the RSH setting out the reasons why ESC felt it was not compliant with the Home and Rent Standard. (Appendix C)
1.25	A letter was sent to all tenants to advise them of the self-referral to the RSH and set out the reasons why. (Appendix D)
1.26	On 10th March 2022, following advice from the RSH, a further letter was sent to tenants providing details of the potential breaches of the Home Standard and to advise them of the work ESC was undertaking to try and remedy potential breaches of both the Home and Rent Standard. (Appendix E)
1.27	At the time of the letter being sent to the RSH, the Council was able to evidence the following in relation to compliance:
1.28	<p>Asbestos (March 2022)</p> <p>Asbestos surveys had previously identified 93 communal areas within the housing stock, which had Asbestos Containing Materials (ACM). The Control of Asbestos at Work Regulations (2002) places a duty to manage ACM, however the re-inspection programme was not in place.</p> <p>Issues were also identified with the data quality between two software systems. This highlighted the need to align the data in both systems and ensure processes were put in place to maintain high quality records relating to the management of asbestos.</p>
1.29	<p>Electrical Safety (March 2022)</p> <p>It is set out in legislation that Social Housing providers must carry out an electrical inspection at least every 10 years. However, there is an anomaly with legislation for the private sector, which sets out that inspections must be carried out 5-yearly. Therefore, it will shortly be set out in legislation that social housing providers must also conduct electrical inspections every 5 years.</p> <p>Overall compliance with 10-yearly inspections was 92.68%, which was 23.99% compliance in communal electrical areas and 97.14% compliance in residential properties.</p> <p>Under section 11 of the Landlord and Tenant Act 1985, a landlord of residential tenancies granted for a term of less than seven years has implied repair duties.</p> <p>These includes the statutory duties to keep in repair and proper working order the installations in the dwelling-house for the supply of gas and space heating and heating water. This extends to cover electrical installations and electrical wiring.</p>

	<p>This equated to 206 communal areas and 160 residential dwellings, which had not had the required inspection.</p>
<p>1.30</p>	<p>Fire Safety (March 2022)</p> <p>At the time of the referral to the RSH, ESC was required to comply with the Regulatory Reform (Fire Safety) Order 2005. This meant that it was mandatory to carry out a Fire Risk Assessment, which must be completed by a competent person in Houses of Multiple Occupation, blocks of flats and maisonettes.</p> <p>The detailed assessment should identify the risks and hazards and:</p> <ul style="list-style-type: none"> <li>○ Consider who may be especially at risk, i.e., people with mobility issues and their ability to evacuate if required.</li> <li>○ Eliminate or reduce the risk of fire as far as is reasonably practical.</li> <li>○ Provide general fire precautions to deal with any risk.</li> <li>○ Take additional measures to ensure fire safety where flammable or explosive materials are used or stored.</li> <li>○ Create a plan to deal with any emergency and where necessary record any findings.</li> <li>○ Maintain general fire precautions, and facilities provided for use by firefighters.</li> <li>○ Keep any findings of the risk assessment under review.</li> </ul> <p>As part of the internal review of compliance, ESC identified that 93 properties required a Fire Risk Assessment (FRA), of which 33 had recently been completed.</p>
<p>1.31</p>	<p>Gas Safety (March 2022)</p> <p>The Gas Safety (Installation and Use) Regulations 1998 places a number of statutory duties on a landlord of domestic tenancies granted for a term of less than seven years.</p> <p>The main duties are to:</p> <ul style="list-style-type: none"> <li>○ Ensure the gas fittings and flues are maintained in a safe condition.</li> <li>○ Ensure an annual safety check is carried out on each gas appliance/flue; and</li> <li>○ Keep records of the gas safety checks.</li> </ul> <p>Under section 11 of the Landlord and Tenant 1985, a landlord of residential tenancies granted for a term of less than seven years has implied repair duties.</p> <p>These includes the statutory duties to keep in repair and proper working order the installations in the dwelling-house for the supply of gas and space heating and heating water. This extends to cover gas pipes and boilers.</p> <p>All communal systems were fully compliant and 99.89% of residential properties were fully compliant.</p>

1.32	<p>Lift Safety (March 2022)</p> <p>At the time of the referral to the RSH, ESC had responsibility for 14 lifts and 68 stairlifts, a contract was in place to complete the regular servicing, which was up to date. We previously conducted annual inspections to 'LOLER' standard, but these were ceased in March 2021.</p> <p>Therefore, it was identified that a re-inspection programme needed to be developed.</p>
1.33	<p>Water Safety (March 2022)</p> <p>At the time of the referral, ESC had water hygiene risk assessments for the 15 Retired Living Schemes, which were completed in 2019. At each site, a Retired Living Scheme Manager carried out weekly temperature tests and if any failure was identified, an order was raised for the remedial works to be completed by our in-house team.</p>
<b>The Rent Standard</b>	
1.34	This section of the report sets out the issues and remedial actions taken in relation to ESC's compliance with the RSH Rent Standard.
1.35	<b>Initial Review</b>
1.36	ESC can charge two types of rent: Social Rent and Affordable Rent.
1.37	A Social Rent (SR) should not be higher than 'formula rent' (plus uplift if adopted), which is calculated based on the relative value of the property, relative low-income levels, and the size of the property. An aim of this formula-based approach is to ensure that similar rents are charged for similar socially rented homes, throughout the country taking account of regional factors. Social rents are exclusive of service charges which can be charged in addition.
1.38	For an Affordable Rent (AR), the initial rent should not be set higher than 80% of market rent (inclusive of service charges), as well as at any future relet.
1.39	AR's must also be set based on the criteria set out, including a RICS valuation being conducted. The Council must ensure that annual rent reviews do not exceed the limits provided by the Regulator of Social Housing (RSH).
1.40	If a Registered Provider (RP), chooses to set a limit on AR levels, for example, in line with Local Housing Allowance (LHA), then this needs to be set out in a Rent Policy.
1.41	As part of the Head of Housing's review of the landlord service, it was identified that there were potential breaches of the Rent Standard in relation to historical rent conversions.
1.42	As part of the review, it was identified that in 2014 the Council started to convert tenancies being re-let from Social Rent to Affordable Rent. The rationale for this, was that any additional income could be used to support a new build development programme, which would increase the number of socially rented homes available.
1.43	At the time of conversions commencing, officers made a decision to convert based on guidance in relation to Right to Buy receipts and the Affordable Housing Programme, which was administered by the Homes and Communities Agency.

	There is no record that a formal decision to proceed with this approach was considered by Members.
1.44	The issue of conversions was initially identified and considered in 2019 and Counsel opinion sought, which was received in early 2020. In summary, the view of Counsel was that the issue was ambiguous, but that it is was likely the conversions were not permitted and as a result ESC should seek clarification due to the ambiguity of the original guidance relating to conversions.
1.45	Following Counsel's advice, a letter was sent to Rt. Hon. Robert Jenrick MP, Secretary of State for Ministry for Housing Communities and Local Government (MHCLG) on 12 <sup>th</sup> March 2020. No acknowledgement or response was ever received. Unfortunately, within days of the letter being sent, the country faced an unprecedented national lockdown and the work associated with Covid, and a change in Head of Service meant this issue was not reviewed again until late 2021.
1.46	Due to the complex nature of the issues identified as part of our internal review, we appointed external expertise who specialise in social housing regulation to independently review our historic approach to rent conversions and also to assess whether there are/were any other areas of non-compliance against the rent standard.
1.47	The external organisation is well regarded for their expert knowledge and ability to carry out audits against the regulatory standards. As an independent organisation, they would be best placed to offer the external, independent validation and advice required, to enable us to address this problem satisfactorily and provide us with the advice and guidance required to develop improved procedures which would prevent further non-compliance in the future.
1.48	As part of the review, we also identified that additional charges had been added to multiple rent accounts. These were to cover the servicing costs associated with gas, oil or electric heating. Historically, these were classified as "Service Charges" and Counsel opinion was sought in 2018, following which a decision was made to re-define these charges as "de-pooled rental charges".
1.49	These charges remain in place currently. The external organisation believed this approach was unusual and recommended a further legal opinion was sought on the matter. The Council appointed specialist legal advisors in early 2022 to provide that opinion. They determined that the charges should not have been applied, it was most likely a breach of legislation and remedial action would be required. This view was also subsequently supported by the Regulator for Social Housing.
1.50	In addition to the Affordable Rent conversions and the Heating charges listed above, the report from our external company identified a number of issues including: <ul style="list-style-type: none"> <li>○ Some formula rents not being set at the correct levels</li> <li>○ When all rents and charges were due to be reduced by 1% per annum, from 2016-2020, as part of the Welfare Reform and Work Act 2016, in some cases, this did not happen</li> <li>○ As a result of all of these separate issues, a thorough review was required to forensically check every tenancy and ensure the correct charges had been applied during each financial year.</li> </ul>

1.51	On 9th February 2022, an initial letter was sent to the RSH setting out the reasons why the Council felt it was not compliant with the Home and Rent Standard. (Appendix C)
1.52	A letter was sent to all tenants to advise them of the self-referral to the RSH and set out the reasons why. (Appendix D)
1.53	On 10th March 2022, a further letter was sent to the RSH providing further details of the potential breaches of the Home Standard and to advise them of the work ESC was undertaking to try and remedy potential breaches of both the Home and Rent Standard. (Appendix E)
<b>Regulatory Notice</b>	
1.54	On 25th May 2022, the RSH issued a Regulatory Notice (Appendix F), which stated that:
1.55	<i>"a) East Suffolk Council had breached part 1.2 of the Home Standard; and as a consequence of this breach, there was the potential for serious detriment to the council's tenants."</i>
1.56	<i>"b) East Suffolk Council was not compliant with the legislative requirements of the Welfare Reform and Work Act 2016 (the Act). Since 2016, it charged inaccurate rents as a result of incorrectly applying additional service/de-pooled rent charges to the majority of its stock, which should have been included in the rent. It then subsequently did not apply the 1% rent reduction to these additional rental charges, also in contravention of the Act."</i>
1.57	<i>"c) East Suffolk converted more than 1,000 properties to Affordable Rent without the requisite permissions, in contravention of one or other of the Act and the Rent Standard (dependent upon the date of the conversion)."</i>
1.58	The Notice also stated that <i>'Complying with statutory health and safety requirements is a fundamental responsibility of all registered providers because of the potential for serious harm to tenants. Taking into account the seriousness and breadth of the issues, the durations for which tenants were potentially exposed to risk, and the number of tenants potentially affected, the regulator has concluded that it is proportionate to find that East Suffolk Council has breached the Home Standard and that there was a risk of serious detriment to tenants during this period. East Suffolk Council has demonstrated to the regulator that it understands the work it needs to undertake to ensure that it completes the required statutory checks and relevant safety actions, and the regulator will work with the council as it delivers this programme.'</i>
1.59	Following their investigation and the issuing of the Regulatory Notice, the RSH also said in the notice: <i>'East Suffolk Council is putting in place a programme to rectify these failures and the regulator will therefore not take statutory action at this stage, as it has assurance that the breach of the standards is being remedied. The regulator will work with East Suffolk Council as it continues to address the issues which have led to this situation, including ongoing monitoring of how it delivers its programme.'</i>
1.60	Following the publication of the Regulatory Notice, a further letter was sent to tenants advising them. (Appendix G)
<b>Improvement Plan</b>	
<b>Asset Compliance (Home Standard)</b>	

1.61	<p>When the Council identified it was non-compliant with the RSH Home Standard a significant programme of remedial work was commenced immediately, to ensure compliance was reached at the earliest opportunity.</p> <p>Since then, a significant amount of work has been undertaken, which is set out by each area of compliance below:</p>
1.62	<p><b>Asbestos</b></p> <p>100% of communal areas have been surveyed for asbestos containing materials and 98% of ESC domestic units have been surveyed. The status of 77 units is uncertain and management surveys are being commissioned from our Contractor to confirm whether there is confirmed or presumed asbestos containing materials present.</p> <p>Re-inspections are examining the condition of Asbestos Containing Material (ACM) recorded in communal spaces and dwellings. If deterioration is observed, the necessary remedial actions must be undertaken.</p> <p>No re-inspections of communal spaces or dwellings have so far been commissioned but moving forward this will be a major focus of effort. The Council’s contractor is developing a two-year re-inspection workplan to remedy this by the end of November 2024. This will provide a comprehensive asbestos data set for all HRA assets.</p> <p>To improve asbestos data quality more generally a ‘whole house’ management survey will be undertaken for every property which becomes void.</p> <p>To provide tenants with better information ‘tenant friendly’ asbestos management reports are being designed. The reports will be provided to tenants along with information about how to prevent any damage to the ACM.</p> <p>Until 2019 asbestos data and reports were stored in the Council’s Keystone Asset Management System. A change of Contractor in September 2019, and technical difficulties with IT, subsequently prevented data being loaded into Keystone. The data was freely accessible in the contractors IT system, but data was stored in 2 places creating inefficiency and potential confusion. A project was developed to resolve this, and all data was added to our asbestos Register in Keystone, in late 2022, which is now a single source of all data.</p> <p>The operational Housing Asbestos Management Policy is programmed to be reviewed by the end of 2022/23. This will be updated and will incorporate the work programmes listed above. The Policy will be approved by the Housing, Health and Safety Board. Once the Policy is agreed, update training will be</p>

	<p>provided to all Trades Operatives and contractors as part of the implementation process.</p>
<p>1.63</p>	<p><b>Electrical Safety</b></p> <p>A thorough audit and reconciliation project has been conducted to ensure there is a clear record of electrical inspections. This has enabled the development of a robust work programme, which will ensure all properties have had the required electrical inspection by the end of January 2023.</p> <p>The majority of properties have had electrical inspections within the last 5 years. Legislation will soon mandate a 5 yearly inspection cycle. Therefore, we have proactively programmed to complete this work and are currently on target for all properties to have a valid Electrical Inspection Condition Report (EICR) within 5 years by the end of 2022/23.</p> <p>To ensure continuity of the inspection programme, monthly monitoring has been put in place. This will provide an early warning of any under delivery allowing prompt action to be taken to ensure compliance is maintained.</p>
<p>1.64</p>	<p><b>Fire Safety</b></p> <p>It is confirmed that 92 properties (not 93 as originally thought) require Fire Risk Assessments (FRA's). These were all carried out between January and July this year. The only exception is the Council's only over 18-metre-tall block, St Peters Court, which had an FRA in September 2021, and was reassessed in September 2022.</p> <p>A risk-based programme of FRA Reviews has now been introduced on a 12-, 24- or 36-month basis. For example, St Peters Court is a high-risk block, and all of the Retired Living Schemes are considered 'higher risk', due to their older person tenant profile, these will all be reinspected annually. Lower risk blocks of flats, for example which are general needs and brick built will be on a 24-month reinspection cycle. Blocks which pose the lowest risk will be reinspected on a 36-month cycle.</p> <p>In May 2022, ESC Cabinet approved ESC's first Fire Safety Strategy. The purpose of this strategy is to:</p> <ul style="list-style-type: none"> <li>• Ensure the Council's primary focus is on the life, safety and welfare of our residents and staff</li> <li>• Ensure the council's assets are protected from the spread of fire and interruption of business and protect the general public</li> <li>• Ensure we meet our legislative duties as landlord and 'responsible person'</li> </ul>

- Ensure suitable resources are in place to prevent the cause and spread of fire and if/when they occur to minimise their impact within communal areas and individual properties.

The Fire Risk Assessment process identifies defects in the building which require addressing to reduce the risk of fire spread. As a result of the FRA inspections a significant programme of fire safety works has been identified. These works include compartmentation work, repair and replacement of fire doors, improvements to way finding signage and upgrades to alarm systems. Completion of these tasks will ensure all HRA buildings meet the legislative requirements, including the new measures set out in the Building Safety Act and Fire Safety (England) Regulations 2022.

To ensure appropriate resources are available to complete these works the Council has committed £2M from the Housing Revenue Account Reserves Budgets. Approval was received at Cabinet in October 2022, for Senior Officers in collaboration with the Cabinet Members for Housing and Resources to award appropriate contracts in line with procurement rules.

In collaboration with our contractors all FRA Actions are securely recorded, and given a timescale as set out in the Fire Safety Strategy. Officers review the FRA actions, allocate them to the most appropriate officer or contractor for completion and monitor completion deadlines. Actions cannot be marked as 'complete' on the system, until there is evidence and an audit trail showing completion.

This process enables officers to monitor how many actions are outstanding, how many are in progress at any one time and if any are at risk of being overdue. With this information officers can ensure the necessary resources are in place to meet the timescales set out in the Fire Safety Strategy.

To strengthen the understanding of fire risk and to suitably mitigate the risks with appropriate fire detection and safety systems, bespoke fire strategies have been commissioned for each of the higher risk buildings identified within the strategy. These technical documents will underpin the approach to enhance tenant safety.

It is anticipated that these strategies will highlight the need for a further programme of renewal for the fire detection and alarm systems along with fire doors to ensure the fire protection systems keep tenants safe are technologically sound and meet legislative change.

Further surveys have been completed of other fire safety systems including automatic opening ventilation systems, dry risers, sprinkler systems and reviewed the requirement for fire extinguishers.

	<p>Proactive engagement with Suffolk Fire and Rescue Service has resulted in information to tenants being improved and updated. Additionally tactical fire-fighting training simulations have been undertaken at St Peters Court in late 2022 over a number of evenings.</p>
1.65	<p><b>Gas Safety</b></p> <p>A quick review was able to confirm that the Council was almost fully compliant in terms of its gas servicing requirements.</p> <p>As part of the review, an opportunity to improve the way in which ESC treated cases where the tenant had refused entry for the gas servicing to be conducted was identified.</p> <p>This new process ensures a faster, more robust approach is taken to resolving these situations and enables full compliance.</p>
1.66	<p><b>Lift Safety</b></p> <p>All lifts and stair lifts have now been fully serviced and also had an inspection carried out to 'Lifting Operations and Lifting Equipment Regulations' (LOLER).</p> <p>Having undertaken lift inspections in March and September 2022 a six-monthly inspection regime of all communal lifts has been developed. This will ensure they are maintained to the LOLER Regulations.</p> <p>A remediation process for any repairs identified as part of the servicing and inspection regime has also been put in place.</p>
1.67	<p><b>Water Safety</b></p> <p>All HRA premises which require a legionella water safety inspection have been identified and inspected.</p> <p>An annual re-inspection programme has been established along with a process to ensure any remedial works are completed in a timely manner.</p> <p>Some of the remedial works can be completed by our in-house operatives, but for specialist works, quotations are requested from suitable contractors.</p>
1.68	<p><b>Monthly Compliance Monitoring</b></p> <p>Contract Meetings have now been set up with all contractors who undertake compliance activities, along with our in-house teams who conduct some compliance works.</p>

	<p>Prior to meetings, all contractors and supervisors from the Maintenance Service provide performance data from the previous month. This information sets out the work completed, work in progress and highlights any issues, which affect statutory compliance.</p> <p>Each meeting is attended by Senior Managers within the Housing Service with advice from our Compliance Consultant. Minutes of all meetings are taken, along with any decisions made or actions identified.</p> <p>After all of the performance data has been received and the meetings have taken place, a monthly dashboard is completed, which sets out ESC's level of compliance at the end of the previous calendar month. A shortened version of the dashboard, which removes any addresses or detailed contractor information, has been provided in Appendix H.</p>
1.69	<p><b>The Creation of the Housing, Health and Safety Board (HHASB)</b></p> <p>A Housing, Health and Safety Board (HHASB) was created in April 2022 and meets monthly. It is chaired by the Head of Housing and attended by officers across a number of specialisms including Strategic Management Team, Maintenance, Building Control and Corporate Health and Safety.</p> <p>The HHASB is a strategic leadership forum representing the housing service at ESC. The purpose of the HHASB is to ensure the efficient and effective planning, organisation, implementation, monitoring, audit and review of protective and preventative measures for health, safety and welfare for its Residents and Housing Staff and all those affected by the undertakings of the Council. This includes the strategic monitoring of compliance and ensuring properties meet all of the required standards set out in Legislation and / or Guidance.</p> <p>The aim of the HHASB is to continuously support, develop and monitor a culture of collaboration where concerns, ideas and solutions are freely shared and acted upon, and where the whole workforce is engaged in promoting a healthy and safe environment. This in turn helps the Council to fulfil their legal duties and continuously improve their approach to successful Health, Safety and Compliance management.</p> <p>The HHASB is a key element in supporting the Council's approach to Health and Safety (H&amp;S) Management by regularly checking that the approach to H&amp;S is in line with the corporate H&amp;S Policy and acts on the findings to continually improve performance and raise standards.</p> <p>The HHASB actively and robustly monitors the compliance across all of its c.4,500 housing stock, to ensure it meets and exceeds expected standards.</p> <p>Where final decisions or approval are required on H&amp;S matters, these are taken through the appropriate governance channels.</p>

	<p>The terms of reference, which set out the role of the board in more detail are at Appendix I. These will be updated at the January 2023 meeting, to reflect the monitoring of Mould and Damp cases too.</p>
1.70	<p>In December 2022, ESC received letters from the Secretary of State and the Regulator of Social Housing in relation to Damp and Mould. These letters were sent to all RP's and information was requested, which ESC has provided.</p> <p>We are now conducting a separate piece of work in relation to this issue, for which an update will be provided at a future meeting.</p>
<p><b>Rent Standard</b></p>	
1.71	<p><b>Improvement Programme (Phase 1): Forensic Audit</b></p> <p>When ESC identified it believed it was non-compliant with the RSH Rent Standard. It immediately commissioned a significant forensic audit. The forensic audit was designed to ensure a robust and in-depth review of every tenancy record held from 2010 to present day to check for any overcharging or erroneous service charges, which may have been levied.</p>
1.72	<p>This has included:</p> <p>Review of any advice and guidance relating to rent setting and service charges, which East Suffolk has acquired following the initial review and taking this into account in the forensic exercise.</p> <p>Review of any additional data sources available to East Suffolk which did not form part of the initial review.</p> <p>Assessment of the financial impact of service charges incorrectly levied for heating services on an individual tenancy basis to identify over charging.</p> <p>Affordable Rents – identifying those properties which have been incorrectly converted to Affordable Rents and resetting those rents as Social Housing Formula Rents, including a review of any tenancy changes and legal action and identifying any over or under charging and recommending any remedial rent and tenancy management activity.</p> <p>Affordable Rents – for those properties, which are subject to legitimate Affordable Rents, reviewing the level of rent charged and assessing this against the requirements of the Rent Standard. Review of any tenancy changes and legal action and identifying any over or under charging and recommending any remedial rent and tenancy management activity.</p> <p>Social Housing Formula Rents - reviewing the level of rent and service charges charged back to 2015 and assessing this against the requirements of the Rent Standard. Review of any tenancy changes and legal action and identifying any over</p>

	<p>or under charging and recommending any remedial rent and tenancy management activity.</p> <p>For each tenancy the audit will set out any refund owed to each tenant and/ or the DWP/Housing Benefit department setting out where this relates to rent and / or service charges.</p> <p>Identifying any other related issues and escalating them for attention.</p>
1.73	<p>The forensic audit commenced in May and was initially hoped to take 2-3 months.</p> <p>However, as the audit was scoped in more detail and due to the complex scenarios, which were being identified, it quickly became apparent that to ensure this was completed effectively, we would need to allow additional time.</p> <p>Therefore, it was agreed the audit would be completed by the end of January 2023.</p> <p>To date, 4382 properties have been audited, which equates to 8754 tenancies being audited.</p>
1.74	<p>The Council does not currently have a Rent and Service Charge Policy. Accordingly, part of the forensic audit and to ensure the correct calculations are made in relation to refund levels, the authority needs to make some key policy decisions. These are set out in this paper and will be reflected in the new Rent and Service Charge Policy, which will be presented to Cabinet for consideration and approval in March 2023.</p>
	<p><b>Service Charges</b></p>
1.75	<p>We have investigated how the charges were added to rent accounts and there is nothing to indicate rents were reduced to allow for the additional charge. Therefore, it is believed that these charges were added in addition to the rent charged.</p>
1.76	<p>Under section 11 of the Landlord and Tenant 1985, a landlord of residential tenancies granted for a term of less than seven years has implied repair duties. These include the statutory duties to keep in repair and proper working order the installations in the dwelling-house for the supply of gas and space heating and heating water. This extends to cover gas pipes and boilers.</p>
1.77	<p>The Council sought further specialist legal opinion, which advised that the authority should not be re-charging its tenants, outside the core rent, for costs associated with it complying with its statutory duties. Moreover, section 11(4)-(5) expressly prohibits a landlord from passing on the costs of complying with its repair duties under section 11 and provides that any covenant that seeks to pass on the costs would be void and of no effect.</p>
1.78	<p>Accordingly, and to correct this error the Council must ensure that all heating servicing charges are refunded in full to every affected current and former tenant.</p>

1.79	Failure to refund tenants for these charges would have a breach of contract and/or potentially a claim in respect of any additional charges it has paid to cover the Council's heating servicing costs.
	<b>Rent Conversions</b>
1.80	Due to the way data is held on our current rent management system, it has not been possible to clearly identify exactly how many properties were converted from Social Rent (SR) to Affordable Rent (AR).
1.81	It is believed that approximately 1,300 tenancies have been converted between 2014 and 2022.
1.82	As part of the forensic audit, it was identified that following the initial counsel opinion sought in 2019, that as properties became available for re-let, if they had previously been converted to an AR, they were in some cases being converted back to a SR.
1.83	As no clear rationale for why some properties are AR and others are SR can be identified a policy decision is required to ensure a fair and consistent approach to rent setting. Officers have carefully reviewed a number of options, which are set out in the 'options' section of this paper.
1.84	While developing options, Officers have considered the rationale for using the ability to apply "rent flexibility" when re-setting rents at Social (Formula Rent).
1.85	The <a href="#">Policy Statement on Rents for Social Housing (2022)</a> , published by DLUHC, which RP's must have regard to when setting rent provides a flexibility option for registered providers to set rents at up to 5% above formula rent (10% for supported housing). If applying this flexibility, providers should ensure that there is a clear rationale for doing so which takes into account local circumstances and affordability.
1.86	There are currently many competing demands that need to be covered in the HRA Business Plan, including the need to ensure all properties are maintained to a high standard, new requirements set out in legislation such as the Building Safety Act 2022 and Fire Safety (England) Regulations are adhered to, alongside ensuring that the Council's commitment to ensure all of the HRA stock can achieve Energy Performance Certificate (EPC) rating of Band C by 2030. In addition to this, the Council has also made a commitment to build at least 50 new homes per year and to pay back the HRA financing debt owed to the Government as soon as possible.
1.87	It is evident from the commitments above that there is significant investment required to both maintain, improve and increase our stock. The Council and its predecessor Waveney District Council have historically levied social rents below the maximum possible under the Formula Rent system. Accordingly, providing the level of investment required going forward is going to be a major challenge, which will require significant innovation and hard decisions. To summarise, achieving what is required and both maintaining and further improving the quality of the HRA stock won't be possible without applying rent flexibility.
1.88	Notwithstanding, the approach recommended by this report to resetting the relevant HRA tenancy rents from AR to SR is being proposed on the basis that for

	<p>many tenants being converted back to Social Rent plus flexibility, there will be a refund and a lower weekly rent. No resident will be paying more rent than they do already as a result of this rent resetting exercise. This statement does not include the impact of any rent increase for 2023/24 which will be covered by the usual annual budget setting process. This approach is considered to be fair and also to ensure the future viability of the HRA.</p> <p>Set out below are details of how average rents will be affected by the action proposed.</p>
1.89	If rents are reset back to Social (Formula) Rent without any uplift, the 'average social rents' for 2022/23 would be £82.46 for General Needs Tenants and £71.73 for Retired Living Scheme Tenants. This average rent is in relation to those tenants affected only.
1.90	If rents are reset back to Social (Formula) Rent plus 5% flexibility for General Needs Tenants, the 'average rent' for 2022/23 for such Tenants would be £86.22
1.91	If rents are reset back to Social (Formula) Rent plus 10% flexibility for Retired Living Scheme Tenants, the 'average rent' for 2022/23 for such Tenants would be £78.27.
1.92	Therefore, by utilising rent flexibility, the 'average rent' charged to those tenants affected would be £86.22 for General Needs Tenants and £78.27 for Retired Living Scheme Tenants.
1.93	If rent flexibility is used, the annual reduction in the HRA dwelling rent budget will be £451,431.71 rather than £701,653.42 if the allowable rent flexibility option is not applied.
1.94	In summary, it is considered that the approach to rent resetting proposed in this report is fair to tenants, providing a refund for many and a lower than current rent for the significant majority currently paying an Affordable Rent. It will also enable the Council to implement its developing programme of required improvements to homes, especially energy improvements. These will ultimately help tenants to keep affordably warm in their home and any as yet unknown works to address damp and mould issues, it is recommended that Members approve the use of rent flexibility.
1.95	A significant programme of work has been undertaken over the last few months to try and improve compliance with the Rent Standard.
1.96	The Forensic Audit will shortly be completed, which has been a significant programme of work. All tenancy records from 2010-2022 will have been analysed to assess the level of rent allowed to be charged, compared to the rent levels being charged and to identify any anomalies, to include identifying any potential refunds owed to current and former tenants.
1.97	This audit has also identified any erroneous service charges in relation to heating servicing, which should not have been charged and the level of refund owed, per tenant.

## 2 Current position

Asset Compliance															
2.1	At, 31 <sup>st</sup> December 2022, the compliance levels were: <table border="1" data-bbox="300 383 970 667"> <thead> <tr> <th>Aspect of Compliance</th> <th>Level of Compliance</th> </tr> </thead> <tbody> <tr> <td>Asbestos Safety</td> <td>100%</td> </tr> <tr> <td>Electrical Safety</td> <td>97.67%</td> </tr> <tr> <td>Fire Safety</td> <td>100%</td> </tr> <tr> <td>Gas Safety</td> <td>99.97%</td> </tr> <tr> <td>Lift Safety</td> <td>100%</td> </tr> <tr> <td>Water Safety</td> <td>100%</td> </tr> </tbody> </table>	Aspect of Compliance	Level of Compliance	Asbestos Safety	100%	Electrical Safety	97.67%	Fire Safety	100%	Gas Safety	99.97%	Lift Safety	100%	Water Safety	100%
Aspect of Compliance	Level of Compliance														
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Fire Safety	100%														
Gas Safety	99.97%														
Lift Safety	100%														
Water Safety	100%														
Rents															
2.2	<b>Improvement Programme (Phase 2 and 3): Corrections, Rent re-setting and Refunds</b>														
2.3	The next element of the Improvement Programme relates to corrections being made to rent accounts by the rent levels being re-set and the administrative process of issuing refunds to either the DWP or affected tenants.														
2.4	This phase of the improvement programme is separated into two distinct phases; Phase 2 – Current Tenancies and Phase 3 – Former Tenancies.														
2.5	A decision needs to be made on what level of refunds are going to be administered. There is a potential for legal challenge and reputational damage if the Council does not refund all erroneous charges from 2016, when the Welfare Reform and Work Act 2016 came into effect until 2020, the date when Local Authorities came under the Regulator for Social Housing Rent Standard. From 2020 onwards, there is a Regulatory expectation from the Regulator to apply refunds for any erroneous charges.														
2.6	There is no legal or regulatory responsibility to refund tenants for erroneous charges prior to 2016. However, the Council has now received advice, which clearly sets out that although previous decisions were made in good faith, they were incorrect and as a result a large proportion of tenants have been overcharged. Therefore, Members need to consider their Fiduciary Duties, which are set out in the ‘Reasons for Recommendations’ section of this report.														
2.7	It is recommended that Members make a policy decision to agree that any money incorrectly charged through either rent, service or de-pooled rental charges is refunded in full.														
Re-setting Current Tenancies (Phase 2)															
2.8	These are tenancies which are currently active. This will involve the rent being ‘re-set’ to the formula rent plus flexibility. This would be 5% flexibility for General Needs Tenants and 10% flexibility for Retired Living Scheme Tenants.														
2.9	There will then need to be a refund issued to each tenant who has been overcharged. We have identified several scenarios outlined below, which we will need to consider before administering any refund.														

2.10	<p>With current tenants (subject to those in receipt of relevant benefits – see below) we are proposing to credit their rent account with the amount due to be refunded. We will then write to each tenant and offer them several options including:</p> <ol style="list-style-type: none"> <li>1. Refund in full (they will need to complete an online form and if they do not pay by Direct Debit (DD), they will need to provide proof of their ID and bank account, i.e., driving licence and a bank statement</li> <li>2. Partial refund/partial account credit (they will need to complete an online form and if they do not pay by DD, they will need to provide proof of their ID and a bank account, i.e., a driving licence and a bank statement</li> <li>3. Full credit to the tenants rent account and reduce or Defer their Standing Order or DD for a period until the credit on their account is reduced</li> </ol>
2.11	The Council has sought legal advice and if a rent account is in arrears, any refund can be used to reduce the arrears level. Therefore, if a refund does not clear the arrears in full, then no refund will be payable to the tenant.
<b>Re-setting Former Tenancies (Phase 3)</b>	
2.12	Former tenancies are tenancies, which have already ended. The former tenant may have moved into a different ESC property, been rehoused by an RP, moved into their own, alternative accommodation, moved into residential care or have passed away.
2.13	There will then need to be a refund issued to each former tenant or their estate, where they have been overcharged. Several scenarios have been identified, which will need consideration before administering any refund.
2.14	With former tenants we are unable to credit 'clear' rent accounts. Therefore, we will take reasonable steps to trace all former tenants or contact those responsible for their estate and offer them a refund.
2.15	As they are not current tenants, we will require proof of ID and proof of a bank account before any refunds can be administered.
2.16	All refunds will be counter signed by two officers, to ensure proof of ID, proof of bank statement (where applicable) and the correct amount of money is being refunded.
<b>Refunds of Housing Benefit and Universal Credit – Housing Costs</b>	
2.17	The Council has been working closely with officers from the Anglia Revenues Partnership (ARP) who administer Housing Benefit (HB) claims.
2.18	Once arrangements are ready to commence the refund process, a report detailing all affected tenancies will be uploaded into the ARP system, which will then automatically recalculate any HB entitlement.
2.19	Following this, a report will then be sent back to the Council's Rent Management system, which will show the level of refund due to HB and the level of refunded to the tenant.

2.20	For claimants in receipt of Universal Credit Housing Costs, this is not as easy to calculate. For those who are in receipt of an Alternative Payment Arrangement (APA), where their money is paid directly to the Council, it can be quite easily calculated. However, for those who have their Universal Credit (UC) payments, including Housing Costs paid directly to them, the Council may not even know if they are in receipt of UC.
2.21	Officers have met with the DWP, and conversations are still on-going to identify how this may happen. The current advice from DWP is that the contract of paying rent is between the tenant and the landlord, and therefore, any refund should be paid directly to the tenant. The tenant would then have responsibility to notify DWP and make any applicable repayments. We would need to advise all repayment recipients of this obligation as part of the repayment process and would seek to agree the wording of such advice with DWP.
<b>Regulator of Social Housing (RSH) – Regulatory Notice - Update</b>	
2.22	Officers from ESC have been meeting with the RSH each month since the Regulatory Notice was issued in May.
2.23	At each meeting, a comprehensive update on progress made has been provided, in writing.
2.24	The dashboard articulating the current levels of compliance is also shared.
2.25	Each meeting often has a particular focus, which so far has included Asbestos Safety, Water Safety (Legionella) and Fire Safety. All of these have involved Officers preparing a comprehensive paper ahead of the meeting, outlining the approach being taken.
2.26	These meetings will continue to take place on a regular basis, until the Regulatory Notice is withdrawn. However, it should be noted that the Council has engaged pro-actively at all meetings and been able to satisfy the Regulator that a robust approach is and will continue to be taken and improvements being made and embedded within the service.

### 3 How to address current situation

<b>Asset Compliance</b>	
3.1	It is essential that having made huge progress in improving compliance and data management the Council ensures that compliance is embedded as business as usual within the housing service.
3.2	All housing staff who work in East Suffolk properties need to understand risks, such as fire safety and asbestos awareness. Fostering a culture of collective responsibility, ensures everyone visiting a home identifies potential hazards and can report them easily and promptly.
3.3	We need to ensure that tenants can hold us to account. As their landlord we will be transparent with our progress, sharing performance data, safety standards and relevant information so tenants feel safe and are safe in their home.
3.4	<b>Structural Changes:</b>

	To ensure the service has sufficient knowledge, skills and capacity to continue to effectively manage the six big areas of compliance going forward, it was essential that a dedicated team was created to deliver this.
3.5	The complexities of compliance should not be underestimated and without the right knowledge, training, skills and expertise in the organisation there is a risk that the substantial improvements achieved to date will not be sustained.
3.6	A new structure which provides for officers focussed on managing the contracts and remedial works in relation to compliance was approved by Cabinet in December 2022. These jobs have since been advertised and new post holders should be in place by early 2023/24.
3.7	By recruiting dedicated officers to deal with this area of work, it will enable us to reduce our reliance on consultants, which is more expensive than directly employed staff.
3.8	<b>Third Party Assurance:</b> A significant issue identified as part of the Grenfell Inquiry was the lack of third-party assurance. It was assumed by the building managers that everything that should have been done or was needed to be, had been done correctly. It was only as part of the Inquiry following the tragedy that a number of opportunities were identified to have been missed.
3.9	It is now expected that external third-party assurance is obtained to ensure the validity of the data being reported and technical standards are met.
3.10	The Council awarded contracts in late 2022, to enable a regime of external assurance is carried out in relation to Gas and Electrics.
3.11	By completing the assurance checks, it provides reassurance that the data can be relied upon, and all works are being carried out in line with legislative requirements and guidance.
3.12	<b>Review of Fire Alarm Systems:</b> The housing service has identified as part of the Fire Risk Assessments, that several alarms are now reaching the end of their life expectancy and new, more modern alarm installations are required. A tender is being developed to identify an appropriately qualified individual or organisation, who can review the relevant buildings/systems individually, consider the cause and effect' in relation to fire and specify the most appropriate type of replacement alarm system.
3.13	<b>Compartmentation and Fire Door Works:</b> The principle of the 'Stay Put' approach is that each dwelling in a block of flats is protected from fire and smoke by fire resisting walls, floors and doors. The effectiveness of the compartmentation of each flat has come under increased focus since the Grenfell Tower fire. As a consequence, Fire Risk Assessors have recommended detailed surveys of compartmentation be carried out at all of the Council's retired living schemes and at St Peters Court flats. This is because since these properties were constructed there have been significant changes to the recommended design of buildings and fire stopping measures. Additionally, previous programmes of work may have resulted in accidental or unintended breaches to the compartmentation.
3.14	A compartmentation survey has already been completed at St Peters Court, which has identified breaches in the compartmentation. A competitive tender process has been undertaken and a contract awarded for the compartmentation and fire door remedial works, which commences in January 2023.

3.15	Compartmentation surveys at the remaining Retired Living Schemes are now being programmed.
3.16	<b>Fire Safety (England) Regulations 2022:</b> The new Fire Safety Regulations come into effect on 23 January 2023. Further information on the requirements, is set out in the 'legal' section of this report.
3.17	To ensure the Council meets all the new duties a project plan has been developed which sets out all the actions required by 23 January 2023. The progress of this project plan is being monitored by a project team on a weekly basis and the Housing, Health and Safety Board will monitor progress at the monthly meetings.
<b>Rents</b>	
3.18	<b>Embedding Compliance:</b> As mentioned previously, it is essential that compliance is embedded within the housing service. All housing staff who deal with the rent setting and management process for our properties need to understand the relevant regulations and to keep abreast of legislative changes. The Council is keen to ensure that tenants can hold us, as their landlord to account and we will be transparent and provide performance and other data, so they can challenge when necessary.
3.19	<b>Structural Changes:</b> To ensure there is sufficient knowledge, skills and capacity to continue to effectively manage the service, some changes to the structure of the service are required. Therefore, it is proposed that there will be a re-structure of the Tenant Services Team in 2023.
3.20	Additionally, the complexities of rent policy and guidance should not be underestimated and without the right knowledge, training, skills and expertise in the organisation, there is a risk that the considerable improvements now in place will be difficult to sustain. To mitigate this risk a training and development programme will be developed, and regular update training provided.
3.21	<b>Third Party Assurance:</b> It is now expected that external third-party assurance is obtained to ensure the validity of the data being reported.
3.22	We plan to commission a contract to enable a regime of external assurance is carried out in relation to annual rent setting.
3.33	By completing the assurance checks, it provides reassurance to ESC that the data can be relied upon, and all works are being carried out in line with legislative requirements and guidance.

#### 4 Reason/s for recommendation

4.1	For the reasons set out in Sections 1.84 to 1.94 above, it is recommended that Members approve 'Option 1', which enables all converted rents to be re-set back to Formula Rent plus flexibility. By using flexibility, it will enable East Suffolk to improve their homes, including capital improvements, energy improvements and also enable more affordable homes to be created.
4.2	It is recommended that Members approve that any tenant who have overpaid rent or service charges, is refunded in full, from 2010-2023.
4.3	When considering the recommendations, Members must consider their <i>Fiduciary Duty</i> .
4.4	<b>Fiduciary duties</b>

	For some time, the Council has been mistaken in setting its rent policies for its council housing.
4.5	The Regulator of Social Housing (the Regulator) has since April 2020 regulated local authorities in relation to Council Housing. The Regulator has set out its expectations (for the period it has regulated the Council) that the Council's rents for its council tenants should be adjusted to correct the previous mistake and that the tenants are refunded. In view of the Regulator's role the Council is, in practice, expected to implement the Regulator's preferred action.
4.6	Prior to the period the Regulator regulated the Council in relation to rents the Council was also mistaken in its rent setting policies and if it approves the adoption of the recommended option the Council would be seeking to provide restitution to those that were charged higher rents than would have been the case if the Council had not made such a mistake. To an extent this restitution is an exercise of discretion by the Council. The Council should therefore consider its fiduciary duty in considering whether to offer restitution to the affected tenants.
4.7	Prior to April 2020 the Welfare Reform and Work Act 2016 set out requirements and a process for setting social rents which the Council should have complied with. In practice the Council's mistake meant this was not complied with. The council was not challenged about its non-compliance at that time.
4.8	Prior to the 2016 Act the Council was required to have regard to guidance issued by central government in regard to setting council housing rents. The Council's mistake means it did not give proper regard to that guidance.
4.9	In exercising any function, the Council must act rationally, exercise that function for a proper purpose, taking into account only legally relevant considerations and in doing so, consider its fiduciary duties in relation to the Housing Revenue Account (its Council tenants) its taxpayers and residents.
4.10	In making a decision in relation to providing financial restitution to affected tenants the Council should have regard to its fiduciary duties. These could be briefly summarised as it acting as 'a trustee' of rental income, tax and public sector income on behalf of its tenants and rate and local taxpayers and other residents. The Council in effect holds money but does not own it, rather it spends money on behalf of its council tenants and leaseholders (and more widely its business rate and council taxpayers).
4.11	A number of leading cases in this area of law have involved highly politically sensitive subject matters. The Court of Appeal, in one of the leading cases stipulated that a local authority's fiduciary duties extended to having regard to the interests of their ratepayers (though in view of the Housing Revenue Account rules the Council should consider the impact on its council tenants – including future tenants and those who would not receive financial restitution and leaseholders) fairly balancing their wider interests against the beneficiaries of a course of action (in this case the affected tenants). Having regard to those interests does not mean that the council tenant, council tax and business taxpayers' interests are paramount. However, the Council should in making a decision consider those interests as well as the proportionality of the cost of implementing the financial restitution to affected tenants.
4.12	In making a decision on the options, the Council must only take into account relevant considerations and exclude those which are irrelevant. In this context,

	relevant consideration should be given to the reasons the Council is of the opinion that providing restitutions to those of its tenants who have been charged a higher rent due to the Council's mistake is a proper course of action and also beneficial to the Council, its tenants, residents and local taxpayers.
4.13	In such a consideration, the Council should also have regard to the budget effect the restitution may have on the ability of the Council to offer an appropriate council housing service to its existing and future tenants. Though there is a relatively wide discretion given to local authorities in exercising their fiduciary duty; Members should be satisfied that in making financial restitution to the affected tenants the Council's housing service will not be financially affected to the extent that it was at risk of being unable to provide a housing service to the standards required by statute or under statutory guidance or required by the Regulator.

## Appendices

Appendices:	
<b>Appendix A</b>	RSH – Rent Standard
<b>Appendix B</b>	RSH – Home Standard
<b>Appendix C</b>	First Letter to the RSH – 9 <sup>th</sup> February 2022
<b>Appendix D</b>	First Letter to Tenants
<b>Appendix E</b>	Second Letter to the RSH – 10 <sup>th</sup> March 2022
<b>Appendix F</b>	RSH – Regulatory Notice
<b>Appendix G</b>	Second Letter to Tenants
<b>Appendix H</b>	Compliance Dashboard
<b>Appendix I</b>	Housing, Health & Safety Board Terms of Reference

Background reference papers:		
Date	Type	Available From
June 2006	A Decent Home: Definition and Guidance for Implementation	Link: <a href="#">COVER (publishing.service.gov.uk)</a>

## Glossary

Acronyms and Definitions:	
ACM	Asbestos Containing Materials
APA	Alternative Payment Arrangement
AR	Affordable Rent
ARP	Anglia Revenues Partnership
DD	Direct Debit
EICR	Electrical Inspection Condition Report
ESC	East Suffolk Council
FRA	Fire Risk Assessment
H&S	Health and Safety
HB	Housing Benefit
HHASB	Housing, Health and Safety Board

HRA	Housing Revenue Account
LHA	Local Housing Allowance
LOLER	Lifting Operations and Lifting Equipment Regulations
MHCLG	Ministry for Housing, Communities and Local Government
RICS	Royal Institute of Chartered Surveyors
RP	Registered Provider
RSH	Regulator of Social Housing
RTB	Right to Buy
SR	Social Rent
UC	Universal Credit
WDC	Waveney District Council

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# AUDIT AND GOVERNANCE COMMITTEE

## WORK PROGRAMME 2023/24

### 11 September 2023

**Open:**

Minutes (AS)  
Annual Audit Report 2021/22 (EY)  
2021/22 Audited Statement of Accounts (LR)  
2021/22 Final Annual Governance Statement (LR/SM)  
External Audit Plan 2021/22 (EY)  
External Audit Plan 2022/23 (EY)  
Treasury Management Outturn 2022/23 and Mid-Year Report 2023/24 (LR)  
Review of Changes of Constitution (CB)  
Code of Corporate Governance (SM)  
Annual Senior Information Risk Owner (SIRO) Report (SM)  
Internal Audit Reports Recently Issued (Open) (SM)  
Whistleblowing Policy – Refresh (SM)  
Fraud and Corruption Strategy – refresh (SM)  
Internal Audit Plan 2023/24 – Update (SM)  
Committee Work Programme – Update (AS)

**Confidential:**

Minutes (Exempt) (AS)  
Internal Audit: Status of Actions (SM)  
Internal Audit Reports Recently Issued (Exempt) (SM)

### 11 December 2023

**Open:**

Minutes (AS)  
Annual Audit Report 2022/23 (EY)  
2022/23 Audited Statement of Accounts (LR)  
2022/23 Final Annual Governance Statement (LR/SM)  
Capital Strategy (LR)  
Treasury Management Strategy Statement for 2022/23 & Treasury Management Investment Strategy for 2022/23 (LR)  
Corporate Risk Management (LR)  
Revised Internal Audit Plan 2023-24 (SM)  
Internal Audit Reports Recently Issued (Open) (SM)  
Committee Work Programme – Update (AS)

**Confidential:**

Minutes (Exempt) (AS)  
Internal Audit: Status of Actions (SM)  
Internal Audit Reports Recently Issued (Exempt) (SM)

## **11 March 2024**

### **Open:**

Minutes (AS)

Changes to Contract Procedure Rules in the Constitution (Amy Moyes)

External Audit Plan 2023/24 (EY)

Anti-Money Laundering Policy – refresh (SM)

Treasury Management 2022/23 Quarter 3 Report (LR)

Internal Audit Plan 2024-25 (SM)

Corporate Anti-Fraud Plan 2024-25 (SM)

Internal Audit Charter – Refresh (SM)

Internal Audit Reports Recently Issued (Open) (SM)

Committee’s Draft Work Programme 2024/25 (LR/SM/AS)

### **Confidential:**

Minutes (Exempt) (AS)

Covert Investigation Policy (SM)

Internal Audit: Status of Actions (SM)

Internal Audit Reports Recently Issued (Exempt) (SM)

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### **Reports to come before the Committee on a date to be confirmed:**

Fair Tax Mark (Procurement Team)