



East Suffolk House, Riduna Park, Station Road,  
Melton, Woodbridge, Suffolk, IP12 1RT

# Audit and Governance Committee

## Members:

Councillor Geoff Lynch (Chairman)  
Councillor Tony Cooper (Vice-Chairman)  
Councillor Judy Cloke  
Councillor Linda Coulam  
Councillor Louise Gooch  
Councillor Chris Mapey  
Councillor Mick Richardson  
Councillor Rachel Smith-Lyte  
Councillor Ed Thompson

Members are invited to a **Meeting of the Audit and Governance Committee** to be held in the Deben Conference Room, East Suffolk House, on **Monday, 12 September 2022 at 6.30pm**

This meeting will be broadcast to the public via the East Suffolk YouTube Channel at [https://youtu.be/ CoZK2KMZXE](https://youtu.be/CoZK2KMZXE)

An Agenda is set out below.

## Part One – Open to the Public

Pages

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1      **Apologies for Absence and Substitutions**

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<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 - 25 July 2022</b> To confirm as a correct record the minutes of the meeting held on 25 July 2022.	<b>1 - 10</b>
<b>4</b>	<b>Update from Ernst &amp; Young</b> To receive a verbal update from Ernst & Young.	
<b>5</b>	<b>Treasury Management Outturn 2021/22 and Mid-Year 2022/23 Report ES/1271</b> Report of the Cabinet Member with responsibility for Resources	<b>11 - 22</b>
<b>6</b>	<b>Code of Corporate Governance ES/1272</b> Report of the Cabinet Member with Responsibility for Resources and the Assistant Cabinet Member for Resources.	<b>23 - 42</b>
<b>7</b>	<b>Internal Audit Reports Recently Issued ES/1273</b> Report of the Cabinet Member with responsibility for Resources and Assistant Cabinet Member for Resources.	<b>43 - 55</b>
<b>8</b>	<b>Audit and Governance Committee's Forward Work Programme</b> To consider the Audit and Governance Committee's Forward Work Programme.	<b>56 - 57</b>
<b>9</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.	

## Part Two – Exempt/Confidential

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<b>10</b>	<b>Exempt minutes - 25 July 2022</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>11</b>	<b>Update on the use of Purchase Orders</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>	

**12 Update on Planning Enforcement**

To receive a verbal update from the Head of Planning and Coastal Management on planning enforcement.

This item is to be considered in the closed part of the agenda on the grounds that it involves the disclosure of 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 Internal Audit Reports Recently Issued (Exempt)**

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

**Close**



Stephen Baker, Chief Executive

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<b>Unconfirmed</b>
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Minutes of a Meeting of the **Audit and Governance Committee** held in the Conference Room, Riverside, Lowestoft, on **Monday, 25 July 2022 at 6.30pm**

**Members of the Committee present:**

Councillor Judy Cloke, Councillor Tony Cooper, Councillor Linda Coulam, Councillor Geoff Lynch, Councillor Ed Thompson

**Other Members present:**

Councillor Edward Back, Councillor Peter Byatt, Councillor Maurice Cook

**Officers present:**

Sarah Davis (Democratic Services Officer (Scrutiny and Member Development)), Laura Fuller (Audit Manager), Matt Makin (Democratic Services Officer (Regulatory)), Siobhan Martin (Head of Internal Audit), Marie McKissock (Finance Compliance Manager), Brian Mew (Chief Finance Officer & Section 151 Officer), Sheila Mills-James (Corporate Counter Fraud Manager), Lorraine Rogers (Deputy Chief Finance Officer), Sarah Thacker (Information Governance Officer)

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**1 Apologies for Absence and Substitutions**

Apologies were received from Councillor Louise Gooch and Councillor Peter Byatt attended the meeting as her substitute.

**2 Declarations of Interest**

No declarations of interest were made.

**3 Minutes - 14 March 2022**

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

**RESOLVED**

That the Minutes of the Meeting held on 14 March 2022 be agreed as a correct record and signed by the Chairman.

**4 Minutes - 16 May 2022**

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

## **RESOLVED**

That the Minutes of the Extraordinary Meeting held on 16 May 2022 be agreed as a correct record and signed by the Chairman.

### **5 Draft Statement of Accounts 2021/22**

The Committee received report **ES/1238** of Councillor Maurice Cook, the Cabinet Member with responsibility for Resources, which related to the Draft Statement of Accounts for the 2021/22 financial year.

Councillor Cook introduced the report and highlighted notes 16 and 17 of the Draft Statement, which related to Heritage Assets and Intangible Assets. Councillor Cook explained that these amounts had previously been immaterial and outlined the reason for their inclusion in the Draft Statement of Accounts.

Councillor Cook noted the significant level of detail in the Draft Statement of Accounts, thanking officers for their hard work, and invited the Chief Finance Officer to comment on the report.

The Chief Finance Officer advised that EY, the Council's external auditors, were close to completing the audit of the 2020/21 accounts. The completion of the audit had been delayed due to the identified issue with housing rent and services charges and how this as a compliance issue feeds into the audit report. The Chief Finance Officer stated that it was unlikely that provision in the accounts would be needed for the rectification of this issue as the figures would fall below materiality values and it was more likely to be noted as an adjustment item. The Chief Finance Officer expected that the final 2020/21 accounts would be presented at the Committee's next meeting.

The Committee was informed that the Council's designated audit manager at EY would be leaving at the end of July 2022 and was being replaced by a senior manager at the company. EY's audit of the 2021/22 accounts was scheduled to begin in December 2022 and the Chief Finance Officer confirmed that preliminary work had already begun to prepare for this audit.

The Chairman invited questions and comments.

Councillor Cooper noted the state of rent arrears on 31 March 2022 and asked what was being done to reduce this amount, bearing in mind the current cost of living crisis. The Chief Finance Officer said that he had attempted to obtain further information on rent arrears earlier that day but due to officer leave had been unable to do so; he advised that he was aware that the Council's Housing team was looking to improve the rent arrears situation and he would be able to circulate detailed information on this subject to the Committee outside of this meeting. The Chief Finance Officer confirmed that the figure in the Draft Statement of Accounts was an accumulated year-end position, as opposed to an in-year figure.

Councillor Byatt raised a query on the net loss of eight properties from the Council's housing stock and asked what this represented in terms of asset value. The Chief Finance Officer said he would be able to supply the values outside of the meeting and highlighted that the capital receipts in the Housing Revenue Account (HRA) section of the Draft Statement detailed the amount the properties had been sold for. The Chief Finance Officer added that the current housing regime allows local authorities to reinvest these capital receipts in the acquisition of new housing stock.

The Chief Finance Officer said he was not aware of any specific funding to the Council as a result of Lowestoft being one of only six locations in England that had been designated as a Centre of Offshore Renewable Engineering (CORE) status by the Government but could follow up on this, noting that the Council retained 100% of the business rates from the related onshore facilities.

The Chief Finance Officer confirmed that a list of surplus assets was published on the Council's website and said he would circulate this link to members of the Committee.

The Finance Compliance Manager advised that she would circulate detailed information on ICT income generation to members of the Committee.

In response to a question from Councillor Coulam, the Chief Finance Officer confirmed that an initial provision of £1,240,000 had been made in the 2021/22 accounts to address the identified issue with housing rent and services charges and this was covered in more detail in the Draft Annual Governance Statement for the 2021/22 financial year, which was to be considered by the Committee later in the meeting.

The Chief Finance Officer, responding to a question on the reserve for private sector housing condition survey and improvements, advised that he would seek further information from the Private Sector Housing team on funding this working in the future.

The Chief Finance Officer confirmed that there had been no transfers out from the hardship reserve fund as no applications had been received; he undertook to provide more information on this and for officers to consider alternative uses for this reserve should there be less requirement in respect of its original purpose.

The Chief Finance Officer explained that the discrepancy between council tax and business rate write-offs was related to the significant support for business rates received during the COVID-19 pandemic, which had reduced the amount of business rates that had needed to be collected from businesses during the previous two years.

The Chairman noted the substantially increased amount of money received by the Council in the form of COVID-19 support and asked how the Finance team had coped with this. The Chief Finance Officer considered that the Council had coped well and highlighted that the work of receiving and distributing COVID-19 grants had been shared by multiple departments across the authority, particularly the work of Internal Audit in completing pre and post checks. The Chief Finance Officer was of the view that his own team had fared well and complimented the work of the Financial Compliance team, noting that the extra funding had made drafting the Statement of Accounts more complex.

There being no further questions or comments the Chairman sought a proposer and seconder for the recommendation set out in the report. On the proposition of Councillor Cooper, seconded by Councillor Cloke it was by a unanimous vote

## **RESOLVED**

That the Draft Statement of Accounts for 2021/22 be noted.

## **6 Draft Annual Governance Statement 2021/22**

The Committee received report **ES/1240** of Councillor Maurice Cook, the Cabinet Member with responsibility for Resources and Councillor Edward Back, the Assistant Cabinet Member for Resources, which related to the Draft Annual Governance Statement for the 2021/22 financial year.

Councillor Cook introduced the report and set out the purpose of the Annual Governance Statement and the reason that a 'reasonable' assurance had been given by the Council's Head of Internal Audit. Councillor Cook highlighted the significant governance issues set out in section 5 of the Annual Governance Statement.

The Committee was advised that the final version of the Annual Governance Statement would be presented to it later in 2022.

The Chairman invited questions and comments and stated that he was pleased to see that the contract register was now closed, as this was a piece of work the Committee had been pursuing for some time. The Chairman confirmed that the Committee would review the contract register in the future to ensure it remained correct and wanted to see the procurement register completed by September 2022, with a view to also review this in the future.

Councillor Cooper was assured by the Chief Finance Officer that appropriate funding was being sought in relation to the development of Sizewell C, noting that the Secretary of State for Levelling Up, Housing and Communities had recently approved the Development Consent Order.

In response to a question from Councillor Byatt, the Chief Finance Officer stated he would provide detailed information on the cost of FOI requests to the Council outside of the meeting.

The Chief Finance Officer confirmed the reference to tender compliance related to the commissioning of work from any Local Authority Trading Company (LATCO) created, that would not require a tender process.

Councillor Coulam expressed disappointment that members of the Procurement Task and Finish Group had not received any further updates on the procurement strategy following the completion of its work. The Chief Finance Officer confirmed he would feed this back to the relevant officers and advised that the procurement strategy was scheduled to be considered by the Cabinet at its meeting in September 2022.



There being no further questions or comments, the Chairman sought a proposer and seconder for the recommendation set out in the report. On the proposition of Councillor Cloke, seconded by Councillor Coulam it was by a unanimous vote

## **RESOLVED**

That the draft Annual Governance Statement for 2021/22 (1 April 2021 to 31 March 2022) be approved prior to final sign-off with the audited Statement of Accounts.

### **7 Treasury Management 2022/23 Quarter 1 Report**

The Committee received report **ES/1239** of Councillor Edward Back, Assistant Cabinet Member for Resources, which provided an update on the Council's treasury management activity for the first quarter of the 2022/23 financial year.

Councillor Back introduced the report and noted the key changes to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice (the CIPFA Code) made in December 2021 and explained that the Council had adopted a soft implementation of the revised reporting requirements for the 2022/23 financial year, with the revised requirements effective from the 2023/24 financial year.

Councillor Back summarised the figures in the report relating to daily cash management and confirmed that the Council continued to operate its treasury management function within the key principles of security, liquidity and yield; he added that the Council would explore other opportunities in treasury management investments in line with the CIPFA code and that any new borrowing requirements would be evaluated against the most appropriate method of borrowing to ensure that the cost of borrowing was kept to a minimum.

The Chairman invited questions and comments.

Councillor Back confirmed that every possible effort was made to ensure that the Council's investments were ethical and this was corroborated by the Chief Finance Officer, who explained that the vast bulk of the Council's investment portfolio was with other local authorities and that liquidity funds also had an ethical governance dimension. The Chief Finance Officer advised that part of the revised Treasury Management Strategy would concentrate on ethical, environmental and governance issues, highlighting that it was more difficult to assure ethical investments the more steps removed from it.

In response to a question on switching investment funds in future, the Chief Finance Officer stated that the Council was continually reviewing its investment funds and taking appropriate advice and that it was possible that the Council may wish to explore other options in the future. The Committee was advised that a housing association had recently taken out a £5,000,000 loan facility with the Council that was expected to provide a good return and promote positive ethical and social value elements, details of which would appear in the next quarterly report.

The Chief Finance Officer noted that reporting on prudential indicators at this stage on a quarterly basis was currently ahead of the requirements of the revised CIPFA code;

he considered this useful information given the particularly volatile financial environment currently being experienced by the public sector in terms of interest rates.

The Chairman considered it positive that the Council was keeping within the limits set by the Committee and said this would be reviewed closely on a quarterly basis.

There being no further questions or comments, the Chairman sought a proposer and seconder for the recommendation set out in the report. On the proposition of Councillor Coulam, seconded by Councillor Cooper it was by a unanimous vote

## **RESOLVED**

That the Council's Treasury Management activity for the first quarter of 2022/23 be noted.

### **8 Annual Internal Audit Opinion 2021/22**

The Committee received report **ES/1225** of Councillor Maurice Cook, Cabinet Member with responsibility for Resources and Councillor Edward Back, Assistant Cabinet Member for Resources, which provided the annual internal audit opinion of the overall adequacy and effectiveness of the Council's framework of governance, risk management and control during 2021/22.

Councillor Back introduced the report and explained that the was being presented to the Committee to support and inform Members' review of corporate governance arrangements and in accordance with the Committee's terms of reference as set out in the East Suffolk Council Constitution. Councillor Back invited the Council's Head of Internal Audit to comment on the report.

The Head of Internal Audit reminded the Committee that she and her team worked as an independent and objective service and were Public Sector Internal Audit Standard compliant. The Head of Internal Audit confirmed she had been able to give a 'reasonable' assurance of the Council's corporate governance arrangements based on the coverage of her team's work, relating this to the Draft Annual Governance Statement received by the Committee earlier in the meeting.

The Head of Internal Audit said it was only possible to give a 'reasonable' assurance as her team had not been able to cover the audit plan in full, having had to defer some work to respond to the ongoing COVID-19 pandemic and the additional work it had generated for the Internal Audit service. The Head of Internal Audit confirmed to the Committee that she had been able to provide her assurance based on what had been reviewed and that all identified issues were being addressed by senior management, noting their inclusion in the Draft Annual Governance Statement.

The Head of Internal Audit reported that managers across the Council had been proactively seeking advice and guidance from Internal Audit, who had been able to provide guidance on a consultancy basis.

The Head of Internal Audit highlighted that her team was small and cost-effective and that two vacant posts were currently being recruited to. The team had also been expanded by one additional position earlier in 2022 with the support of the Committee and the Chief Executive.

The Chairman invited questions and comments.

The Head of Internal Audit was able to confirm that she would be issuing her assurance opinion on key financial controls imminently, with this likely to be 'reasonable'.

The Head of Internal Audit clarified that the terms 'reasonable' and 'adequate' were interchangeable and outlined the differences in language used by partner authorities when auditing the services provided by the Anglia Revenue Partnership (ARP).

The Head of Internal Audit summarised her statutory duty to provide an Internal Audit Opinion and noted that an outstanding area of concern remained the lack of a procurement strategy for the Council; this remained an outstanding action until the strategy's scheduled consideration by the Cabinet at its meeting of September 2022.

In response to a question on resourcing and capacity, the Head of Internal Audit confirmed that her team that outstanding audit work would be undertaken.

There being no further questions or comments, the Chairman sought a proposer and seconder for the recommendation set out in the report. On the proposition of Councillor Coulam, seconded by Councillor Cloke it was by a unanimous vote

#### **RESOLVED**

That the Head of Internal Audit's Annual Opinion Report for 2021/22 be noted.

### **9 Corporate Fraud Annual Report 2021/22**

The Committee received report **ES/1237** of Councillor Maurice Cook, Cabinet Member with responsibility for Resources, Councillor Kerry, Cabinet Member with responsibility for Housing and Councillor Edward Back, Assistant Cabinet Member for Resources.

Councillor Back introduced the report, which provided a summary of the performance of the Council's Corporate Fraud Service for the 2021/22 financial year. Councillor Back congratulated the team for its hard work and advised the Committee that it had saved the Council £2,163,007.01 in 2021/22, which was approximately ten times the cost to operate the team. Councillor Back considered this to be excellent value for money and invited the Head of Internal Audit to comment on the report.

The Head of Internal Audit expressed pride in the outcomes achieved by the Corporate Fraud Service under the leadership of the Corporate Counter Fraud Manager, advising that when responsibility for housing benefits transferred to the Department for Work and Pensions in 2015, unlike most councils the Council's predecessor authorities had been able to retain a small, dedicated and highly trained counter fraud team, which had enabled this Council to achieve the results set out in the report.

The Head of Internal Audit highlighted the significant additional work taken on by the team relating to COVID-19 grants, which had been on top of their day-to-day tasks such as the due diligence checks on Right to Buy applications. The Head of Internal Audit highlighted the notional value figure of £93,000 in the report was based upon national indicators from 2017 and the real figure was likely to be higher.

The Committee was informed that the Corporate Fraud Service was linked with national and international agencies in terms of intelligence sharing and was accredited with the National Crime Agency, demonstrating the skill set within the team.

The Head of Internal Audit summarised the breakdown of savings achieved by the Corporate Fraud Service, as set out in the report.

The Chairman invited questions and comments.

The Head of Internal Audit confirmed that there had been no instances in the last year where the Council had prosecuted individuals in relation to Right to Buy fraud and stated that should it be required the Council would do so. The Head of Internal Audit noted she held the same role for another local authority in Suffolk which had prosecuted an individual for Right to Buy fraud, which had resulted in a custodial sentence.

In response to a question from Councillor Byatt, the Head of Internal Audit confirmed that communication on Right to Buy fraud statistics had been placed in the Council's magazine to tenants in the past and this would be repeated. The Head of Internal Audit outlined that the savings made by the Corporate Fraud team related to retention and repayment of funds and assets rather than income.

Councillor Thompson queried if the team was sufficiently resourced; the Head of Internal Audit said that this issue had been discussed with Councillor Cook and the Chief Executive and the team was looking to access funding to provide a corporate fraud apprenticeship through a scheme operated by CIPFA. The Chairman considered this apprenticeship to be a positive idea.

There being no further questions or comments, the Chairman sought a proposer and seconder for the recommendation set out in the report. On the proposition of Councillor Cooper, seconded by Councillor Cloke it was by a unanimous vote

## **RESOLVED**

That the Corporate Fraud Annual Report for 2021/22 be noted.

## **10 Internal Audit Reports Recently Issued**

The Committee received report **ES/1226** of Councillor Cook, Cabinet Member with responsibility for Resources and Councillor Edward Back, Assistant Cabinet Member for Resources, which issued Internal Audit reports to the Committee in accordance with its terms of reference as set out in the East Suffolk Council Constitution.

Councillor Cook introduced the report and highlighted that each Internal Audit report detailed any applicable governance implications. The Committee was advised that there were two Internal Audit reports to receive relating to the Homelessness Prevention Grant Top Up Certifications for both 2021/22 and 2022/23.

The Head of Internal Audit outlined the purpose of the reports and said she was assured that the funding coming through was being certified appropriately.

The Chairman invited questions and comments, noting that the reports showed that a majority of this funding was being spent and proved it was being used properly to reduce homelessness in the district.

There being no further questions and comments, the Chairman sought a proposer and seconder for the recommendation set out in the report. On the proposition of Councillor Cloke, seconded by Councillor Coulam it was by a unanimous vote

#### **RESOLVED**

That the Internal Audit reports for the Homelessness Prevention Grant Top Up Certification 2021/22 and Homelessness Prevention Grant Top Up Revised Certification 2022/23 (relating to the 2021/22 financial year) be noted.

#### **11 Audit and Governance Committee's Forward Work Programme**

The Committee reviewed its Forward Work Programme; no additions were made at this time.

#### **12 Exempt/Confidential Items**

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

#### **RESOLVED**

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.

#### **13 Exempt minutes - 14 March 2022**

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

#### **14 Data Protection Status Update**

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

#### **15 Internal Audit: Status of Actions**

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

**16 Internal Audit Reports Recently Issued (Exempt)**

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

The meeting concluded at 8.38pm

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Chairman



## AUDIT & GOVERNANCE COMMITTEE

Monday, 12 September 2022

<b>Subject</b>	Treasury Management Outturn 2021/22 and Mid-Year 2022/23 Report
<b>Report by</b>	Councillor Maurice Cook, Cabinet Member with responsibility for Resources
<b>Supporting Officer</b>	Brian Mew Chief Finance Officer and Section 151 Officer <a href="mailto:Brian.mew@eastsoffolk.gov.uk">Brian.mew@eastsoffolk.gov.uk</a> 01394 444571

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 Treasury Management Policy Statement for 2021/22 requires an annual report (Outturn) and mid-year report on the Treasury Management function to be produced annually. The report reviews performance of the treasury management function including prudential indicators for 2021/22 and incorporates a mid-year review (Quarter 2) of 2022/23

### **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 report, the Audit and Governance Committee note the Annual Report on the Council's Treasury Management activity for 2021/22 incorporating the Mid-Year review for 2022/23.
2. That having commented on the report, the Audit and Governance Committee note Prudential Indicators Outturn position for 2021/22 in Appendix B

## 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.

### **Human Resources:**

No impacts.

### **ICT:**

No impacts.

### **Legal:**



No impacts.

**Risk:**

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.

**External Consultees:** 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 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"/>
<p><b>How does this proposal support the priorities selected?</b></p> <p>Production of the Treasury Management Outturn and Mid-Year report is a requirement under the CIPFA Treasury Management Code demonstrating the Council's governance of its investment and loans portfolio.</p>			

## Background and Justification for Recommendation

<b>1 Background facts</b>	
1.1	<p>The Treasury Management Policy Statement for 2021/22 requires an annual report and mid-year 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 2021/22 and incorporates a mid-year review of 2022/23.</p> <p><b>2021/22 Summary:</b></p> <ul style="list-style-type: none"> <li>• East Suffolk Council's short-term Investments totalled £87.5m, long term investments totalled £40.53m and liquidity investments totalled £15.34m as at 31st March 2022</li> <li>• Total Investments as at 31st March 2022 was £143.37</li> <li>• Interest received on investment balances during the year totalled £1.08m.</li> <li>• East Suffolk Council operated within its approved Prudential Indicator Limits for 2021/22.</li> </ul> <p><b>2022/23 Summary to date:</b></p> <ul style="list-style-type: none"> <li>• Total investments at 31st August 2022 totalled £145.57m</li> <li>• These investments are summarised as Short-term Investments £80.00m, Long-term Investments £35.57m and Liquidity Investments £30.00m.</li> <li>• Interest received to 31st August 2022 totalled £0.30m.</li> </ul>

<b>2 Current position</b>	
2.1	<p><b>TREASURY MANAGEMENT OUTTURN 2021/22</b></p> <p><b>BORROWING</b></p> <p>During 2021/22 the Council did not enter any new borrowing arrangements.</p>

The debt portfolio for 2021/22 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 £5.41m of General Fund loans.

Loans as at 31 <sup>st</sup> March 2022	Principal £m	Rate Range %	Maturity Range (years)
PWLB Fixed Rate Maturity/Equal Instalments of Principal Loans	65.81	3.01 - 8.38	2.0- 41.0
<b>Total</b>	<b>65.81</b>	<b>3.01 - 8.38</b>	<b>2.0 - 41.0</b>

2.2

### INVESTMENT ACTIVITY

The average cash balances held during the year was £149.02m, this included Covid-19 grant being paid to local businesses. Investment income received was £1.08m which exceeded the planned budget of £650k. This is mainly due to the increased return on the Property Investment and Diversified Income investments along with an upward trend in investment rates due to the Bank of England base rate increases from December 2021.

	Balance at 1 <sup>st</sup> April 2021	Investment made	Investments repaid	Balance at 31 <sup>st</sup> March 2022
INVESTMENTS	£m	£m	£m	£m
Term Investments (liquidity & term <60 months)	129.67	238.0	-224.30	143.37

Details of the Councils investment balances at 31<sup>st</sup> March 2022 can be seen at Appendix A.

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 2021/22.

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: £20.53m 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.

2.3

### COMPLIANCE WITH PRUDENTIAL INDICATORS

The Council complied with its Prudential Indicators for 2021/22, these were approved by Full Council on 27<sup>th</sup> January 2021. The Prudential Indicators for 2021/22 can be found at Appendix B.

### 3 How to address current situation

#### 3.1 **TREASURY MANAGEMENT MID YEAR REVIEW 2022/23**

The East Suffolk Council Treasury Management Strategy Statement (TMSS) for 2022/23 was approved by Council on 26<sup>th</sup> January 2022 and there have been no amendments during the first half of 2022/23.

#### 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 2022/23**

The Council held £145.57m of investments at the 31st of August 2022; the table below illustrates the maturity of investments over the forthcoming months and the average interest rate achieved on the investment.

	1 <sup>st</sup> April 2022 £m	1 <sup>st</sup> April Interest Rate %	31 <sup>st</sup> August 2022 £m	31 <sup>st</sup> August 2022 Interest Rate %
<b>Call Accounts (Liquidity Funds)</b>	15.30	0.08% - 0.10%	20.00	0.08% - 0.10%
<b>Money Market Funds</b>	0.00	0.00	10.00	0.00
<b>Term Investments: 3 to 24 months</b>	107.50	0.05% – 1.0%	95.00	0.10% - 1.75%
<b>Property Investment Fund</b>	10.82	4.49%	10.82	4.49%
<b>Multi Asset Fund</b>	9.75	3.36% - 3.82%	9.75	3.36% - 3.82%
<b>Total</b>	<b>143.37</b>		<b>145.57</b>	

#### 3.4 **COMPLIANCE**

3.4.1 The Chief Finance Officer reports that all treasury management activities undertaken during the first half of the financial year complied fully with the principles in the TM Code and the Authority's approved Treasury Management Strategy.

3.4.2 Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 7 below.

	2022/23 Q2 (to 31st August)	2022/23 Operational Boundary	2022/23 Authorised Limit	Complied? Yes/No
Borrowing	£65.73m	£153m	£155m	Yes

3.4.3 Compliance with specific investment limits is demonstrated in the table below.

	2022/23 Q2 (to 31st August)	31.8.22 Actual	2022/23 Limit Per Counterparty	Complied? Yes/No
Any single organisation, except the UK Government	£525m	£115m	£25m	Yes
Unsecured investments with building societies	£15m	£0	£15m	Yes
Money Market Funds	£20m	£10m	£20m	Yes
Strategic pooled funds	£60m	£20.57m	£20m	Yes
Real Estate Investment Trusts	£0	£0	£10m	Yes

The Authority measures and manages its exposures to treasury management risks using the following indicators.

- 3.4.4 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.
- 3.4.5 Unrated investments are assigned a score based on their perceived risk.

	Q2 (to 31st August)	2022/23 Target	Complied?
Portfolio average credit score	4.8	4	Yes

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.

- 3.4.6 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:

Interest rate risk indicator	Q2 (to 31st August)	2022/23 Target	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£-10k	£150k	Yes
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£0	£150k	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

3.4.8	repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:			
		<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	Limit on principal invested beyond year end	£40m	£30m	£30m
	Actual principal invested beyond year end	£5m	£0	£0
	Complied?	Yes	Yes	Yes

#### 4 Reason/s for recommendation

4.1	The CIPFA Treasury Management code requires a report to be produced and noted at Full Council of the Treasury Management outturn position for the previous financial year and an update on the current year on or around the mid-year point.
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## Appendices

#### Appendices:

<b>Appendix A</b>	Investment Balances as at 31/3/2022
<b>Appendix B</b>	Prudential Indicators Outturn position for 2021/22

#### Background reference papers:

None
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INVESTMENTS	Balance at 31 <sup>st</sup> March 2022 £m	Rate Range	Institution
<b>Short Term Investments</b>			
April 2021 to April 2022	3.00	0.14%	Local Authority
April 2021 to April 2022	5.00	0.15%	Local Authority
June 2021 to June 2022	5.00	0.35%	Local Authority
June 2021 to June 2022	5.00	0.10%	Local Authority
July 2021 to July 2022	4.00	0.35%	Local Authority
September 2021 to September 2022	5.00	0.10%	Local Authority
September 2021 to September 2022	5.00	0.18%	Local Authority
September 2021 to September 2022	5.00	0.10%	Local Authority
October 2021 to October 2022	5.00	0.18%	Local Authority
October 2021 to October 2022	5.00	0.12%	Local Authority
October 2021 to October 2022	5.00	0.18%	Local Authority
December 2021 to June 2022	2.00	0.12%	Local Authority
December 2021 to June 2022	1.00	0.10%	Local Authority
December 2021 to June 2022	3.50	0.10%	Local Authority
December 2021 to September 2022	5.00	0.20%	Local Authority
January 2022 to July 2022	4.00	0.40%	Local Authority
February 2022 to February 2023	5.00	0.70%	Local Authority
February 2022 to February 2023	5.00	0.75%	Local Authority
March 2022 to March 2023	5.00	0.75%	Local Authority
March 2022 to March 2023	5.00	1.05%	Local Authority
<b>Long Term Investments</b>			
August 2020 to August 2022	5.00	0.90%	Local Authority
September 2020 to September 2022	5.00	0.90%	Local Authority
October 2020 to October 2022	5.00	0.90%	Local Authority
September 2021 to September 2023	5.00	0.20%	Local Authority
<b>Long Term Investments - Externally managed funds</b>			
Property Investment Fund	10.78	4.49%	CCLA
Diversified Income Fund	9.75	3.36% & 3.82%	CCLA & Ninety One
<b>Total</b>	<b>128.03</b>		

## East Suffolk Council - Compliance with Prudential Indicators 2021/22

**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.

	2021/22	2021/22	2021/22
	Estimated £m	In Year Forecast	Outturn £m
<b>Capital Expenditure</b>			
Non-HRA	54.78	16.82	<b>15.64</b>
HRA	22.71	6.84	<b>4.23</b>
<b>Total Capital Expenditure</b>	<b>77.49</b>	<b>23.66</b>	<b>19.87</b>

- 1.2 The £1.18m variance on non-HRA and the £2.61m HRA variance relates to programme delivery being deferred until 2022/23. These were reported to Cabinet on 5 July 2022 part of the Councils Outturn report for 2021/22.

**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.

	2021/22	2021/22
	Estimated %	Outturn %
<b>Ratio of Financing Costs to Net Revenue Stream</b>		
Non-HRA	2.88	<b>1.34</b>
HRA	20.25	<b>13.67</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 2021/22.

	2021/22	<b>2021/22</b>
	Estimated £m	<b>Outturn £m</b>
<b>Capital Financing Requirement</b>		
Non-HRA	61.39	<b>52.70</b>
HRA	67.21	<b>67.21</b>
<b>Total</b>	128.60	<b>119.91</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 £155m for 2021/22, with the actual total borrowing being £77.25m.

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 £153m for 2021/22 with the actual borrowing amount being £77.25m.

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.

	2021/22	<b>2021/22</b>
	Estimated %	<b>Outturn %</b>
<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 2022 £m</b>	<b>Percentage of total as at 31 March 2022 %</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>10.01</b>	<b>15</b>
10 years and within 20 years	75	0	<b>40.96</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 £10.82m invested in a long-term property fund, £9.75m invested in long-term multi asset income fund and £20m invested with local authorities.



**AUDIT & GOVERNANCE COMMITTEE**

**Monday, 12 September 2022**

<b>Subject</b>	Code of Corporate Governance
<b>Report by</b>	Councillor Maurice Cook, Cabinet Member with Responsibility for Resources Councillor Edward Back, Assistant Cabinet Member for Resources
<b>Supporting Officer</b>	Siobhan Martin Head of Internal Audit <a href="mailto:siobhan.martin@eastsoffolk.gov.uk">siobhan.martin@eastsoffolk.gov.uk</a> 01394 444254

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:**

For the Committee to review the Code of Corporate Governance, as directed in the CIPFA/SOLACE 2016 publication “Delivering Good Governance in Local Government” and in accordance with the Committee’s terms of reference ‘To review the Council’s corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.’

**Options:**

No further options have been considered.

**Recommendation/s:**

That having commented upon the upon the refreshed Code of Corporate Governance, the Audit and Governance Committee recommend to Full Council that it adopts the refreshed Code of Corporate Governance attached at Appendix A to this report.

## Corporate Impact Assessment

**Governance:**

The Code of Corporate Governance is a key document, setting out the Council’s overarching corporate governance arrangements.

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

The Code of Corporate Governance sets out how all ESC policies and strategies support the Council’s good governance.

**Environmental:**

The Code of Corporate Governance sets out how all ESC policies and strategies support the Council’s good governance, including any that impact on the environment.

**Equalities and Diversity:**

The Code of Corporate Governance sets out how all ESC policies and strategies support the Council’s good governance, including any that relate to equalities and diversity.

**Financial:**

The Code of Corporate Governance sets out how all ESC policies and strategies support the Council’s good governance, including financial governance.

**Human Resources:**

The Code of Corporate Governance sets out how all ESC policies and strategies support the Council’s good governance, including those relating to staff management and the HR function.

**ICT:**

The Code of Corporate Governance sets out how all ESC policies and strategies support the Council’s good governance, including technical governance.

**Legal:**

The Code of Corporate Governance sets out how all ESC policies and strategies support the Council's good governance, including any that ensure legal compliance.

The Accounts and Audit Regulations 2015 require the Council prepares an Annual Governance Statement each financial year. The Code of Corporate Governance sets out the framework used to assess corporate governance arrangements within the Annual Governance Statement and is an integral part of the governance review process.

**Risk:**

The Code of Corporate Governance sets out how all ESC policies and strategies support the Council's good governance, including risk and opportunity management.

<b>External Consultees:</b>	None applicable
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<b>Internal Consultees:</b>	Senior Management Team, S151 Officer, Monitoring Officer, and Corporate Governance Group
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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 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>			
<b>The corporate governance arrangements of the Council are integral to delivering the Council's vision and objectives. All Strategic Plan priorities are supported by this report.</b>			

## Background and Justification for Recommendation

<b>1 Background facts</b>	
1.1	Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which such bodies are directed and controlled and through which they account to, engage with, where appropriate, lead their communities.
1.2	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.
<b>2 Current position</b>	
2.1	The most recent publication providing local authorities with guidance on good governance was "Delivering Good Governance in Local Government" (CIPFA / SOLACE 2016), which built on principles previously set out in the "International Framework: Good Governance in the Public Sector" (CIPFA/IFAC 2014) publication.

2.2	<p>The importance of local authority governance and culture has been highlighted due to a series of high-profile failings and government interventions. A series of recent reports and publications draw attention to the current governance challenges facing all local authorities:</p> <p>2019      Local authority governance (National Audit Office)</p> <p>2019      Local Government Governance and Accountability (Committee of Public Accounts)</p> <p>2020      Addressing cultural and governance failings in local authorities: lessons from recent interventions (MHCLG)</p> <p>2022      Understanding the challenge to local authority governance (CIPFA)</p>
2.3	<p>The Code of Corporate Governance sets out how East Suffolk Council applies good governance principles and was last formally refreshed in December 2020.</p>

### 3 How to address current situation

3.1	<p>In order to ensure the Annual Governance Statement's annual review of governance arrangements is effective, the Council needs to ensure its governance framework as set out in the refreshed Code of Corporate Governance is up to date and fit for purpose.</p>
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### 4 Reason/s for recommendation

4.1	<p>By reviewing and considering the revised Code in accordance with best practice the Audit and Governance Committee will fulfil its responsibility within its terms of reference.</p>
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## Appendices

### Appendices:

<b>Appendix A</b>	Code of Corporate Governance – September 2022
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### Background reference papers:

None
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# **East Suffolk Council**

## **Code of Corporate Governance**

**September 2022**



## 1. Introduction

This document sets out how East Suffolk Council intends to apply the principles of corporate governance in the way it operates and conducts its business. It has been developed in accordance with the principles outlined in the framework and guidance notes by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) “Delivering Good Governance in Local Government” (2016).

In order to demonstrate its approach to good governance, this Council maintains an up to date local Code of Corporate Governance (“the Code”) and prepares an Annual Governance Statement. These two documents together set out respectively the arrangements for ensuring ongoing effectiveness and publicly reporting on compliance with the Council’s governance framework.

## 2. What is Governance?

The CIPFA / IFAC guidance “International Framework: Good Governance in the Public Sector” (2014) defines governance as follows:

*Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.*

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. 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.

Good governance enables the Council to define and pursue its vision more effectively. It leads to improvements in management, performance, stewardship of public money and public engagement and outcomes for individuals and the community. It ensures that appropriate mechanisms for control are in place and that risks and opportunities are managed effectively.

## 3. Core Principles of Good Governance

East Suffolk Council recognises and adheres to the following core principles taken from the “International Framework: Good Governance in the Public Sector” (CIPFA/IFAC 2014) and the “Delivering Good Governance in Local Government” (CIPFA/SOLACE 2016)

Overarching principles for acting in the public interest:

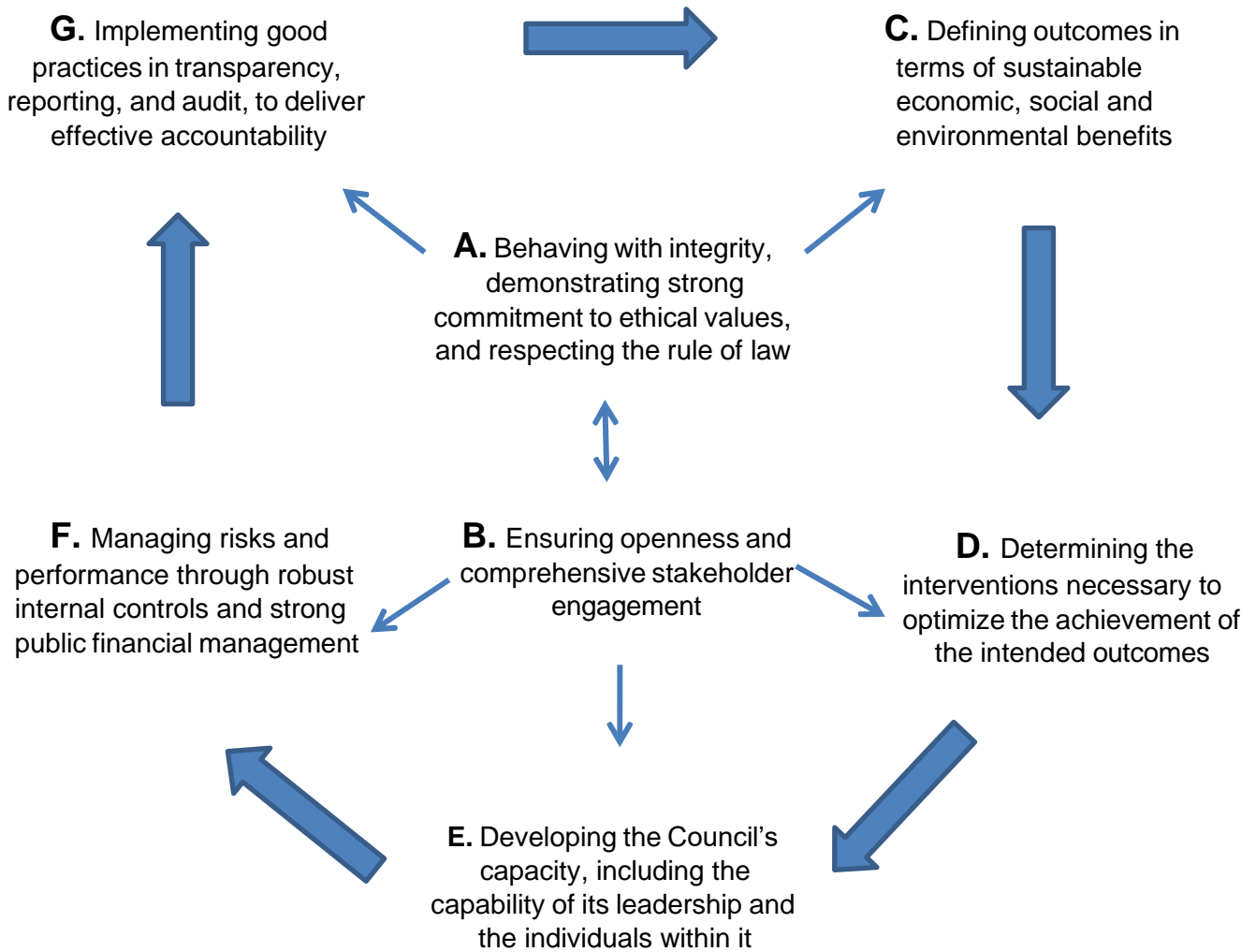
- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.

Additional principles for good public sector governance:

- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes.
- E. Developing the Council’s capacity, including the capability of its leadership and the individuals within it.

- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency reporting, and audit to deliver effective accountability.

Principles A and B underpin the governance framework and implementation of principles C to G. The diagram below shows how the principles relate to each other.



#### 4. Applying the Principles of Good Governance

Each of the seven core principles above has a number of sub principles, which in turn, translate into a range of specific policies, behaviours and actions that apply across the various aspects of the Council's business that demonstrate good governance. The tables below (extracted from the CIPFA/SOLACE framework) show how each of these principles should be applied.

**Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

Sub Principles	Governance arrangements in place at East Suffolk Council
<p><b>Behaving with integrity</b></p> <p>Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.</p> <p>Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles).</p> <p>Leading by example and using the above standard operating principles or values as a framework for decision making and other actions.</p> <p>Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that effectively.</p>	<p>Anti-Bribery Policy and Procedure            Anti-Fraud and Corruption Strategy            Anti-Money Laundering Policy            Assurance Statements            Audit &amp; Governance Committee            Code of Conduct for employees            Constitution            Contract Procedure Rules            Corporate induction process            Customer Feedback Policy            Financial management            Financial Procedure Rules            Head of Paid Service defined responsibilities            Internal Audit Charter            Member Development Strategy            Our Behaviours            Our Values            People Strategy            Professional memberships            Register of Councillors’ interest            Registers of staff interests, gifts and hospitality            Scrutiny Committee            Staff Surveys            Suffolk Code of conduct for members            Whistleblowing Policy</p>
<p><b>Demonstrating strong commitment to ethical values.</b></p> <p>Seeking to establish, monitor and maintain the organisation’s ethical standards and performance.</p> <p>Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation’s culture and operation.</p> <p>Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.</p> <p>Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation.</p>	<p>Code of Conduct for employees            Contract Procedure Rules            Corporate induction process            Financial Procedure Rules            Freedom of Information processes            Legal services and advice            Our Behaviours            Our Values            Publication Scheme            Recruitment Policy            Register of Councillors’ interest            Registers of staff interests, gifts and hospitality            Standard Terms and Conditions for Supplying to the Council            Suffolk Code of conduct for members            Supplier contracts and Contract Management procedures</p>

<p><b>Respecting the rule of law.</b></p> <p>Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.</p> <p>Creating the conditions to ensure that the statutory officers, other key post holders, and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.</p> <p>Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.</p> <p>Dealing with breaches of legal and regulatory provisions effectively.</p> <p>Ensuring corruption and misuse of power are dealt with effectively.</p>	<p>Anti-Bribery Policy and Procedure  Anti-Fraud and Corruption Strategy  Anti-Money Laundering Policy  Audit &amp; Governance Committee terms of reference  Code of Conduct for employees  Compliance and Enforcement Policy  Constitution  Customer Feedback Policy  Data Protection Policy  Designated Officers Group  Legal services and advice  Local Planning Enforcement Plan  Monitoring Officer defined responsibilities  Professional memberships  Protocol on Member/Officer relations  Recruitment Policy  Scrutiny Committee  Staff Job descriptions  Suffolk Code of conduct for members  Whistleblowing Policy</p>
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**Principle B: Ensuring openness and comprehensive stakeholder engagement**

Sub Principles	Governance arrangements in place at East Suffolk Council
<p><b>Openness</b></p> <p>Ensuring an open culture through demonstrating, documenting and communicating the organisation’s commitment to openness.</p> <p>Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If this is not the case, a justification for the reasoning for keeping a decision confidential should be provided.</p> <p>Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.</p> <p>Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/course of action.</p>	<p>Committee meetings open to the public            Committee reports, agendas and minutes            Constitution            Consultation exercises            Decision Notices            External Audit Annual letters            Freedom of Information processes            Publication Scheme</p>
<p><b>Engaging comprehensively with institutional stakeholders</b></p> <p>Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.</p> <p>Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.</p> <p>Ensuring that partnerships are based on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit.</p>	<p>Our Behaviours            Our Values            Partnership agreements and collaborative working arrangements            People Strategy            Planning consultations            Supplier contracts and Contract Management procedures</p>

## Principle B: Ensuring openness and comprehensive stakeholder engagement

Sub Principles	Governance arrangements in place at East Suffolk Council
<p><b>Engaging with individual citizens and service users effectively.</b></p> <p>Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.</p> <p>Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement.</p> <p>Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.</p> <p>Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account.</p> <p>Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.</p> <p>Taking account of the impact of decisions on future generations of tax payers and service users.</p>	<p>Committee meetings open to the public</p> <p>Committee reports, agendas and minutes</p> <p>Consultation exercises</p> <p>Council newsletter / magazine</p> <p>Council website and social media</p> <p>Customer Feedback Policy</p> <p>Developers Forum</p> <p>Enabling Communities Strategy</p> <p>Freedom of Information processes</p> <p>Local Plan</p> <p>Neighbourhood Plans</p> <p>Publication Scheme</p> <p>Social Media Policy</p>

## Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

Sub Principles	Governance arrangements in place at East Suffolk Council
<p><b>Defining outcomes</b></p> <p>Having a clear vision, which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation’s overall strategy, planning and other decisions.</p> <p>Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.</p> <p>Delivering defined outcomes on a sustainable basis within the resources that will be available.</p> <p>Identifying and managing risks to the achievement of outcomes.</p> <p>Managing service users’ expectations effectively with regard to determining priorities and making the best use of the resources available.</p>	<p>Committee reports, agendas and minutes            Corporate performance management framework            Corporate Risk Register            Medium Term Financial Strategy            Performance Reports            Risk and Opportunities Management Strategy            Risk management process            Strategic Plan (2020-2024)</p>
<p><b>Sustainable economic, social and environmental benefits</b></p> <p>Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decision about service provision.</p> <p>Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation’s intended outcomes and short-term factors such as the political cycle or financial constraints.</p> <p>Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.</p> <p>Ensuring fair access to services.</p>	<p>Asset Management Strategy 2019-24            Budget process            Business case appraisal process            Capital Programme            Capital Strategy            Committee reports, agendas and minutes            Contaminated Land Strategy            Corporate Risk Register            Digital Strategy            Economic Growth Plan 2018-2023            Efficiency Plan            Enabling Communities Strategy            Environmental Policy            Equality &amp; Diversity Policy            Financial Procedure Rules            Housing Asset Management Strategy            Housing Development Strategy            Housing Strategy 2017-2023            Local Plan            Medium Term Financial Strategy            Modern Slavery and Human Trafficking Statement            Private Sector Housing Strategy            Risk and Opportunities Management Strategy            Risk management process            Safeguarding Policy</p>

**Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

Sub Principles	Governance arrangements in place at East Suffolk Council
<p><b>Determining interventions</b></p> <p>Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided.</p> <p>Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.</p>	<p>Committee reports, agendas and minutes            Constitution            Customer Feedback Policy            Our Values            Procurement Strategy            Risk and Opportunities Management Strategy            Risk management process            Staff Job descriptions</p>
<p><b>Planning interventions</b></p> <p>Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.</p> <p>Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.</p> <p>Considering and monitoring risks facing each partner when working collaboratively, including shared risks.</p> <p>Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances.</p> <p>Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured.</p> <p>Ensuring capacity exists to generate the information required to review service quality regularly.</p> <p>Preparing budgets in accordance with objectives, strategies and the medium-term financial plan.</p> <p>Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.</p>	<p>Budget process            Capital Programme            Capital Strategy            Committee reports, agendas and minutes            Constitution            Corporate performance management framework            Customer Feedback Policy            Joint Emergency Response Plan            Medium Term Financial Strategy            Partnership agreements and collaborative working arrangements            Performance Reports            Procurement Forward Plan            Procurement Strategy            Risk and Opportunities Management Strategy            Risk management process            Strategic Plan (2020-2024)            Supplier contracts and Contract Management procedures            Workforce development processes</p>



**Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

Sub Principles	Governance arrangements in place at East Suffolk Council
<p><b>Optimising achievement of intended outcomes</b></p> <p>Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints.</p> <p>Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.</p> <p>Ensuring the medium term financial strategy sets the context for ongoing decision on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.</p> <p>Ensuring the achievement of “social value” through service planning and commissioning.</p>	<p>Budget process                      External Audit Annual letters                      Medium Term Financial Strategy                      Procurement Strategy                      Risk and Opportunities Management Strategy                      Risk management process                      Social Value Policy</p>

**Principle E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it**

Sub Principles	Governance arrangements in place at East Suffolk Council
<p><b>Developing the entity’s capacity</b></p> <p>Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness.</p> <p>Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently.</p> <p>Recognising the benefits of partnerships and collaborative working where added value can be achieved.</p> <p>Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.</p>	<p>Asset Management Strategy 2019-24            Assurance Statements            Corporate performance management framework            Partnership agreements and collaborative working arrangements            Performance Reports            Supplier contracts and Contract Management procedures            Workforce development processes</p>
<p><b>Developing the capability of the entity’s leadership and other individuals.</b></p> <p>Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.</p> <p>Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body.</p> <p>Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other’s authority.</p> <p>Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risk by:-</p> <ul style="list-style-type: none"> <li>- Ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged.</li> <li>- Ensuring members and offices have the appropriate skills, knowledge resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis.</li> <li>- Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external.</li> </ul>	<p>Assurance Statements            Code of Conduct for employees            Committee reports, agendas and minutes            Constitution</p> <ul style="list-style-type: none"> <li>- Part 2: Functions and responsibilities (including Scheme of Delegation)</li> <li>- Part 2: Terms of reference for committees</li> </ul> <p>Corporate induction process            Customer Feedback Policy            Decision Notices            Designated Officers Group            External Peer and Specialist reviews            H&amp;S: internal policies            Health and Safety Officer defined responsibilities            Health and Safety Policy            Member training and development            Performance Management (business) framework            Staff employment policies            Staff Job descriptions            Staff performance (My Conversation)            Suffolk Code of conduct for members            Workforce development processes</p>

<p>Ensuring that there are structures in place to encourage public participation.</p> <p>Taking steps to consider the leadership’s own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.</p> <p>Holding staff to account through regular performance reviews which take account of training or development needs.</p> <p>Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.</p>	
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**Principle F: Managing risks and performance through robust internal control and strong public financial management**

<b>Sub Principles</b>	<b>Governance arrangements in place at East Suffolk Council</b>
<p><b>Managing Risk</b></p> <p>Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.</p> <p>Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.</p> <p>Ensuring that responsibilities for managing individual risks are clearly allocated.</p>	<p>Audit &amp; Governance Committee terms of reference            Committee reports, agendas and minutes            Corporate Governance Group            Corporate Risk Register            Internal Audit Charter            Risk and Opportunities Management Strategy            Risk management process</p>
<p><b>Managing performance</b></p> <p>Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.</p> <p>Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation’s financial, social and environmental position and outlook.</p> <p>Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making.</p> <p>Providing members and senior management with regular reports on service delivery plans on progress towards outcome achievement.</p> <p>Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).</p>	<p>Committee reports, agendas and minutes            Corporate Management Team            Corporate performance management framework            Decision Notices            Efficiency Plan            External Audit Annual letters            Medium Term Financial Strategy            Performance Reports            Scrutiny Committee terms of reference            Statement of Accounts            Strategic Plan (2020-2024)</p>

<p><b>Robust internal control</b></p> <p>Aligning the risk management strategy and policies on internal control with achieving objectives.</p> <p>Evaluating and monitoring risk management and internal control on a regular basis.</p> <p>Ensuring effective counter fraud and anti-corruption arrangements are in place.</p> <p>Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.</p> <p>Ensuring an audit committee or equivalent group/function, which is independent of the executive and accountable to the governing body:</p> <ul style="list-style-type: none"> <li>- Provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment</li> <li>- That its recommendations are listened to and acted upon.</li> </ul>	<p>Annual Audit Opinion  Anti-Bribery Policy and Procedure  Anti-Fraud and Corruption Strategy  Anti-Money Laundering Policy  Audit &amp; Governance Committee terms of reference  Constitution  Corporate Risk Register  Internal Audit Charter  Risk and Opportunities Management Strategy  Risk management process  Risk toolkit  Whistleblowing Policy</p>
<p><b>Managing data</b></p> <p>Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.</p> <p>Ensuring effective arrangements are in place and operating effectively, when sharing data with other bodies.</p> <p>Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.</p>	<p>Data Protection Officer defined responsibilities  Data Protection Policy  Data Quality and Management Policy  Digital Strategy  Freedom of Information  ICT Acceptable Use Policy  ICT Security Policy  Information and Records Management Policy  Internal Audit Charter  Legal services and advice</p>
<p><b>Strong public financial management</b></p> <p>Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance.</p> <p>Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls</p>	<p>Budget process  Capital Programme  Capital Strategy  Medium Term Financial Strategy  S151 Officer (Chief Finance Officer) defined responsibilities  Treasury Management Strategy</p>

**Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

Sub Principles	Governance arrangements in place at East Suffolk Council
<p><b>Implementing good practice in transparency</b></p> <p>Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.</p> <p>Striking a balance between providing the right amounts of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.</p>	<p>Communications Team defined responsibilities Officer guidance for completion of report template Publication Scheme Style Guide</p>
<p><b>Implementing good practices in reporting</b></p> <p>Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way.</p> <p>Ensuring members and senior management own the results reported.</p> <p>Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement).</p> <p>Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate.</p> <p>Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations.</p>	<p>Annual Governance Statement Cabinet terms of reference Partnership agreements and collaborative working arrangements Statement of Accounts</p>

<p><b>Assurance and effective accountability</b></p> <p>Ensuring that recommendations for corrective action made by external audit are acted upon.</p> <p>Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon.</p> <p>Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.</p> <p>Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement.</p> <p>Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.</p>	<p>Assurance Statements  Audit &amp; Governance Committee terms of reference  Corporate Governance Group  Corporate Risk Register  External Audit Annual letters  External Peer and Specialist reviews  Internal Audit Charter  Partnership agreements and collaborative working arrangements  Risk and Opportunities Management Strategy  Risk management process  S151 Officer (Chief Finance Officer) defined responsibilities  Supplier contracts and Contract Management procedures</p>
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## 5. Ongoing effectiveness and Governance Reporting

Good governance is an ongoing process: integral to demonstrating the Council’s commitment to achieving good governance a continuing cycle of improvement is reported publicly via the Annual Governance Statement.

The Annual Governance Statement is a high-level strategic document that sets out:

- how the effectiveness of governance arrangements has been monitored and evaluated
- how planned outcomes are being achieved
- specific challenges and issues
- future plans for improvements and changes

The Annual Governance Statement is reported publicly via the Committee system and also published on the Council’s website.



## AUDIT & GOVERNANCE COMMITTEE

Monday, 12 September 2022

<b>Subject</b>	Internal Audit Reports Recently Issued
<b>Report by</b>	Councillor Maurice Cook, Cabinet Member with responsibility for Resources Councillor Edward Back, Assistant Cabinet Member for Resources
<b>Supporting Officer</b>	Siobhan Martin Head of Internal Audit <a href="mailto:siobhan.martin@eastsoffolk.gov.uk">siobhan.martin@eastsoffolk.gov.uk</a> 01394 444254

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 the Key Financial Controls 21/22 report, the Audit and Governance Committee note its contents.

## 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 directly 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.

<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 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>			
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.			
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.			
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.			

## 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.

<b>3 How to address current situation</b>	
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.

<b>4 Reasons for recommendation</b>	
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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>	Key Financial Controls 21/22
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### 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>



# Internal Audit Report

## Key Financial Controls 2021-22

Issued by the Head of Internal Audit, August 2022

<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, B Mew Deputy Chief Finance Officer and Deputy S151 Officer, L Rogers
	<b>For Information:</b>	Strategic Management Team Cabinet Member with responsibility for Resources, Cllr M Cook Assistant Cabinet Member with responsibility for Resources, Cllr E Back Audit and Governance Committee Ernst & Young (External Auditor)

## Adequacy of Individual Control Areas

Audit Scope by Control Area	Findings with a Potential Corporate Risk Level of:			Control Adequacy
	High	Medium	Low	
Budget Management			1	Reasonable
Control Account Reconciliations				Effective
Bank Reconciliations				Effective
Accounts Receivable Invoice Approval				Effective
Accounts Payable Invoice Approval				Effective
BACS Processing				Effective
Feeder Systems				Effective
<b>OVERALL</b>				<b>Effective</b>

### 1. Executive Summary

- 1.1 The Council has an ongoing strategic theme of Remaining Financially Sustainable and significant financial activity: during 2021/22 the Council's gross income totalled £106.7 million and gross expenditure totalled £146.8 million<sup>1</sup>.
- 1.2 The objective of the audit was to evaluate the operation of controls within the Council's Main Financial Systems 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, and no High or Medium level corporate risks were identified during this audit.
- 1.4 One low risk level finding has been raised in relation to budget monitoring.

<sup>1</sup> The figures stated relate to the net cost of Council Services only, excluding any non-service related income and expenditure

## 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.

1. BUDGET MANAGEMENT					
REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
1.1	Budget holders interviewed reported no budget variances or overspends, however, the budget monitoring reports show these are present, therefore, budget holders may not understand the reports or the budget monitoring process.	<p>Overspends are not identified, investigated and accounted for, leading to inefficient budget controls.</p> <p>Although these are minor variances (&lt;£10,000), the lack of awareness from budget holders shows there is a risk that further imbalances may not be identified.</p>	<p>Following a self-assessment against the CIPFA Financial Management Code in 2021 and the ongoing work of the Financial Sustainability Workstream, financial management training was identified as a corporate need.</p> <p>CIPFA have been engaged to deliver one day manager/budget holder training sessions, tailored to ESC. Three sessions have been scheduled for 23 June, 8 July, and 21 September 2022. A Strategic Finance Workshop by CIPFA was also held with CMT on 31 May 2022. A guide on using the monthly finance reports has been produced and promoted on SharePoint and is covered in the CIPFA training session.</p>	<b>3</b>	<p><b>Responsibility:</b> Deputy Chief Finance Officer</p> <p><b>Target Date:</b> 30 September 2022</p>

### 1. BUDGET MANAGEMENT

REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
			Quarterly Budget monitoring has also been introduced in 2022/23 with Quarter 1 reported to Cabinet on 5 July 2022.		

### 2. CONTROL ACCOUNT RECONCILIATIONS

REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
No service-level reportable findings relevant to this Control Area were identified					

### 3. BANK RECONCILIATIONS

REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
No service-level reportable findings relevant to this Control Area were identified					

#### 4. ACCOUNTS RECEIVABLE INVOICE APPROVAL

REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
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No service-level reportable findings relevant to this Control Area were identified

#### 5. ACCOUNTS PAYABLE INVOICE APPROVAL

REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
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No service-level reportable findings relevant to this Control Area were identified

#### 6. BACS PROCESSING

REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
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No service-level reportable findings relevant to this Control Area were identified

#### 7. FEEDER SYSTEMS

REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
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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 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 – To remain financially sustainable.
- Corporate Risk Register – Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balance Annual Budget, and failure to have the right skills to meet financial challenges and ensure efficient use of Council's finances.

### 2.2 Scope of Internal Audit Activity

This audit assessed systems and records in place from 1 April 2021 to 28 February 2022, and the following control areas were assessed:

- Feeder systems
- Control account reconciliations
- Bank reconciliations
- Accounts receivable invoice approval
- Accounts payable invoice approval
- BACS processing
- Budget management

Housing Rent setting is currently being reviewed by an external party and therefore has been excluded to avoid duplication.

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 2021/22, approved by the East Suffolk Council Audit and Governance Committee on 15 March 2021. The audit provides high-level assurance on core processes relating to the main accounting systems.

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.
- Control account reconciliations of accounts payable, accounts receivable, cash (paye.net) and bank accounts were supported by evidence, had been prepared promptly, and were approved by appropriate officers.
- Accounts receivable and accounts payable invoices were authorised appropriately and were coded appropriately on the general ledger.
- The budget approved by Full Council agreed to the budget uploaded onto Navision.

## 2.5 Audit Team

The audit team for this review comprised

Audit Manager	L Fuller
Senior Auditor	S Potter
Auditor	J Irvine
Audit Apprentice	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 AND GOVERNANCE COMMITTEE

## WORK PROGRAMME 2022/23

### 25 July 2022

**Open:**

Minutes (AS)  
Draft Statement of Accounts 2021/22 (BM)  
Draft Annual Governance Statement 2021/22 (BM)  
Treasury Management 2022/23 Quarter 1 Report (BM)  
Annual Internal Audit Report 2021/22 (SM)  
Corporate Fraud Annual Report 2021/22 (SM)  
Internal Audit Reports Recently Issued (Open) (SM)  
Committee Work Programme – Update (AS)

**Confidential:**

Minutes (Exempt) (AS)  
Data Protections Status Update  
Internal Audit: Status of Actions (SM)  
Internal Audit Reports Recently Issued (Exempt) (SM)

### 12 September 2022

**Open:**

Minutes (AS)  
Treasury Management Outturn 2021/22 and Mid Year Report 2022/23 (BM)  
Code of Corporate Governance (SM)  
Internal Audit Reports Recently Issued (Open) (SM)  
Committee Work Programme – Update (AS)

**Confidential:**

Minutes (Exempt) (AS)  
Report on the use of Purchase Orders (BM)  
Internal Audit: Status of Actions (SM)  
Internal Audit Reports Recently Issued (Exempt) (SM)  
Update on Planning Enforcement (Philip Ridley)

### 12 December 2022

**Open:**

Minutes (AS)  
Annual Audit Report 2020/21 (EY)  
External Audit Plan 2021/22 (EY)

2021/22 Audited Statement of Accounts (BM)  
Capital Strategy (BM)  
Treasury Management and Investment Strategy (Annual) 2023/24 (BM)  
Corporate Risk Management (BM)  
Whistleblowing Policy – Refresh (SM)  
Anti-Money Laundering Policy – refresh (SM)  
Fraud and Corruption Strategy – refresh (SM)  
Code of Corporate Governance (SM)  
Internal Audit Charter – Refresh (SM)  
Internal Audit – Status of Internal Audit Plan 2022-23 (SM)  
Internal Audit Reports Recently Issued (Open) (SM)  
Committee Work Programme – Update (AS)

**Confidential:**

Minutes (Exempt) (AS)  
Provision of Loan Finance to East Suffolk Services Ltd (BM)  
Internal Audit: Status of Actions (SM)  
Internal Audit Reports Recently Issued (Exempt) (SM)

**13 March 2023**

**Open:**

Minutes (AS)  
2021/22 Audit Results Report (BM)  
2021/22 Annual Governance Statement (BM/SM)  
Treasury Management 2022/23 Quarter 3 Report (BM)  
Internal Audit Plan 2023-24 (SM)  
Corporate Anti-Fraud Plan 2023-24 (SM)  
Annual Senior Information Risk Owner (SIRO) Report (SM)  
Internal Audit Reports Recently Issued (Open) (SM)  
Committee’s Draft Work Programme 2023/24 (BM/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**

May 2023 – review of changes made to Constitution in March 2022, and rules for Full Council (Chris Bing)

Fair Tax Mark (Procurement Team)