



**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 Tess Gandy  
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, Melton, on **Monday, 14 March 2022 at 6.30pm**

This meeting will be broadcast to the public via the East Suffolk YouTube Channel at [https://youtu.be/ ZKwOz\\_1\\_Ml](https://youtu.be/ZKwOz_1_Ml).

An Agenda is set out below.

## **Part One – Open to the Public**

**Pages**

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### **1 Apologies for Absence**

To receive apologies for absence, if any.

### **2 Declarations of Interest**

Members and Officers are invited to make any declarations of Disclosable Pecuniary or Local Non-Pecuniary Interests 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>Pages</b>
<b>3 Minutes</b> To confirm as a correct record the Minutes of the Meeting held on 13 December 2021.	<b>1 - 10</b>
<b>4 Provisional Audit Results Report 2020/21 and Updated Statement of Accounts 2020/21 ES/1086</b> Report of the Assistant Cabinet Member for Resources.	<b>11 - 201</b>
<b>5 Annual Governance Statement 2020/21 ES/1087</b> Report of the Cabinet Member with responsibility for Resources.	<b>202 - 229</b>
<b>6 Measures to improve local audit delays ES/1078</b> Report of the Assistant Cabinet Member for Resources.	<b>230 - 241</b>
<b>7 Changes to the Financial Procedure Rules ES/1088</b> Report of the Cabinet Member with responsibility for Resources and the Assistant Cabinet Member for Resources.	<b>242 - 322</b>
<b>8 Proposed Changes to The Council Procedure Rules in the Constitution ES/1089</b> Report of the Leader of the Council.	<b>323 - 351</b>
<b>9 Adoption of LGA Model Code of Conduct for Councillors ES/1085</b> Report of the Leader of the Council.	<b>352 - 460</b>
<b>10 Annual Internal Audit Plan 2022/23 ES/1079</b> Report of the Cabinet Member with responsibility for Resources and the Assistant Cabinet Member for Resources.	<b>461 - 490</b>
<b>11 Corporate Anti-Fraud Business Plan 2022/23 ES/1083</b> Report of the Cabinet Member with responsibility for Resources and the Assistant Cabinet Member for Resources.	<b>491 - 505</b>
<b>12 Internal Audit Reports Recently Issued ES/1080</b> Report of the Cabinet Member with responsibility for Resources and the Assistant Cabinet Member for Resources.	<b>506 - 516</b>
<b>13 Internal Audit Charter ES/1084</b> Report of the Cabinet Member with responsibility for Resources and the Assistant Cabinet Member for Resources.	<b>517 - 529</b>
<b>14 Audit and Governance Committee's Draft Work Programme 2022-23</b> To consider the Committee's Work Programme for 2022/23	<b>530 - 531</b>

**15 Exempt/Confidential Items**

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**

**16 Exempt Minutes**

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

**17 Update on contracts and procurement**

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

**18 Internal Audit Status of Actions**

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

**19 Internal Audit Reports Recently Issued**

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

<b>Unconfirmed</b>
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Minutes of a Meeting of the **Audit and Governance Committee** held in the Conference Room, Riverside, on **Monday, 13 December 2021 at 6.30pm**

**Members of the Committee present:**

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

**Other Members present:**

Councillor Edward Back, Councillor Peter Byatt, Councillor Maurice Cook

**Officers present:** Kerry Blair (Head of Operations), Mark Fisher (Procurement Manager), Siobhan Martin (Head of Internal Audit Services), Brian Mew (Chief Finance Officer & Section 151 Officer), Marie McKissock (Finance Manager Compliance), Alli Stone (Democratic Services Officer), Julian Sturman (Senior Accountant), Nicola Wotton (Deputy Democratic Services Manager)

**Others present:** Debbie Hanson (Ernst & Young LLP), Ghulam Hussein (Ernst & Young LLP)

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**1 Minutes**

**RESOLVED**

That the Minutes of the Meeting held on 20 September 2021 be agreed as a correct record and signed by the Chairman.

**2 Declarations of Interest**

There were no Declarations of Interest.

**3 Apologies for Absence and Substitutions**

Apologies for Absence were received from Councillor Judy Cloke.

**4 Annual Audit Letter for the year ended 31 March 2020**

The Committee received report ES/0972 of Councillor Edward Back, the Assistant Cabinet Member for Resources, which presented Ernst and Young's (EY) 2019/20 Annual Audit Letter.

Councillor Back introduced the report which presented the key issues identified by the External Auditor, Ernst & Young, following completion of their audit procedures for the year ended 31 March 2020. Councillor Back confirmed that detailed findings from EY's audit work had already been reported to the Audit & Governance Committee via the Audit Results Report on 15th March 2021, with an additional verbal update on 28th June 2021. These findings had not been repeated in the annual audit letter.

The Chief Finance Officer confirmed that the proposed fee variation for the 2019/20 financial year was £39,360, in addition to the Public Sector Audit Appointments (PSAA) agreed fee of £69,964. £22,320 of this variation had been agreed to in recognition of the fact that additional work has been necessary in addition to that included in the original PSAA fee. However, the remaining proposed £17,040 had not been agreed, and had been referred to PSAA.

The Chief Finance Officer asked Ms Debbie Hanson, Associate Partner at Ernst & Young LLP (EY), to provide a summary of the audit letter and fee changes. Ms Hanson clarified that EY believed that scale fees had not kept up with the additional work now required for the annual audit, this additional workload had therefore been included in the fee variation. The additional work areas were a result of both the Covid-19 pandemic and the 2019/20 year being the first year that East Suffolk Council had been in existence. Ms Hanson confirmed that fee elements were with PSAA for approval, along with the Council's comments, and an update was awaited on the final fee.

The Chairman asked Ms Hanson to confirm why additional time had been added to costs due to EY staff working from home. Ms Hanson confirmed that staff had been unable to come into offices to do the audit in the usual way and this had presented challenges, which were reflected in the additional costs. Although there were savings for individuals, this was not a saving for the firm. The Chairman argued that travel time had been saved in coming to East Suffolk Council offices in person, and that he felt that the costs should even out. Ms Hanson confirmed that expense costs had never been passed on to the Council under the contract with PSAA, and that savings had not been outweighed by extra costs.

Following a question from Councillor Gandy on why fees had increased due to regulatory requirements, Ms Hanson confirmed that EY had first discussed this with PSAA in 2019, and that these changes had occurred before Covid-19. They reflected the higher level of work required from regulators around what audits should include. These costs had been separated out for clarity, and EY believed these costs should be included in the base fee going forward.

Councillor Cooper asked why the issue of the new accounting standards in respect of leases referred to in the report had been delayed and expressed concern over the lack of knowledge on leases. Ms Hanson confirmed that this had been deferred for the third time due to Covid-19 as the new auditing standard required more in-depth consideration of leases. At present EY had no issue with the disclosure of leases, but requirements were changing and so more work would need to be done going forwards.

The Chief Finance Officer confirmed that this was not an issue specific to East Suffolk and that all Councils would have to go through this process, and the new regulations would apply from 2022/23 onwards. The Council were working towards this and expected to meet the deadline.

Ms Hanson invited Mr Ghulam Hussain, Audit Manager at Ernst & Young LLP, to confirm the timeline for the final audit for 2020/21. Mr Hussain confirmed that there was outstanding work to be done on pensions, Going Concern disclosures and value for money arrangements, which would largely be completed by Christmas. The review would be completed in the New Year and the completed audit would be completed by the end of January.

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

## **RESOLVED**

That the Annual Audit Letter for the year ended 31st March 2020, along with the additional fee analysis be noted.

## **5 Capital Strategy 2022/23 to 2025/26**

The Committee received report ES/0973 of Councillor Maurice Cook, the Cabinet Member with responsibility for Resources. Councillor Cook introduced the report which gave a high-level overview of how capital expenditure, capital financing and treasury management activity contributed to the provision of local public services in East Suffolk, along with an overview of how associated risk was managed and the implications for future financial sustainability.

Councillor Cook highlighted the Prudential Code update under point 9.4 of Appendix A. The updated Code would come into effect in 2023/24 and would prevent Local Authorities from borrowing for the primary purpose of commercial return. The sale of commercial investments would potentially be considered as an alternative to new borrowing.

Following a question from Councillor Gandy on why the Prudential Code had been changed to prevent borrowing, and how this would affect the council down the line, Councillor Cook confirmed that the Council could be restricted in future borrowing, but the results of the final consultation on the revised Code had not yet been published and so the full impact could not be confirmed. Councillor Cook confirmed that the Council did have a number of property assets, some of which had recently been purchased, which could potentially be regarded as commercial assets in the updated Code. In relation to current borrowing, the Chief Finance Officer confirmed that the Council had not borrowed to fund commercial investment, however changes did have the potential to impact on future borrowing and could influence how future projects would be funded.

Councillor Gandy asked whether the building of replacement beach huts in Lowestoft was within budget, and when the new beach huts would be available to rent and

produce an income. Councillor Cook confirmed that the project was within budget, and it was expected that the first huts would be available from the summer of 2022.

In response to a question from Councillor Gandy on the acceleration of the Pakefield Coastal Resilience Project, the Senior Accountant confirmed that the Coastal Management Team were investigating additional grants to help fund the accelerated project timeline, and they believed that they could equal the amount allocated in the General Fund.

Councillor Gandy asked whether the figure identified for the Lowestoft Railway Station building was a fixed amount or estimated. The Senior Accountant confirmed that this figure was an estimated cost for purchase and development as part of the Towns Fund project.

Councillor Cooper asked whether the HRA debt mentioned in paragraph 6.2.2 of Appendix A would be repaid according to the proposed timeline. Councillor Cook stated that at present the Council expected to meet this target, and that the Council was taking a cautious approach to the repayment of HRA debt.

Councillor Coulam asked if the boardwalk which had identified as part of the Lowestoft Beach Hut scheme had been included in these figures. The Senior Accountant confirmed that the boardwalk was committed to as part of the capital programme.

The Chairman stated that he was pleased to see the strong level of investment that the Council was making across the whole district area within the next year.

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

## **RESOLVED**

That having commented upon and reviewed the Capital Strategy 2022/23 to 2025/26 it be recommended to Full Council for approval.

## **6 Treasury Management Strategy Statement for 2022/23 & Treasury Management Investment Strategy for 2022/23**

The Committee received report ES/0974 of Councillor Edward Back, the Assistant Cabinet Member for Resources.

Councillor Back introduced the paper which set out the East Suffolk Council's Treasury Management Strategy Statement for 2022/23 and the Investment Strategy for 2022/23. It was noted that these documents covered:

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy; and
- the investment strategy

Councillor Back invited the Senior Account to summarise the report. The Senior Accountant confirmed that the strategy was subject to the updated CIPFA code (see item 9). The Council's investment and borrowing portfolio was in a good position, and there were sufficient short- and long-term investments which had provided a good rate of return even during the pandemic. However, recent developments due to the pandemic had caused fluctuations in the markets and the finance team would monitor this going forward.

Councillor Gandy referred to the Service Investments table in Appendix B and asked why the organisations that had the opportunity to borrow from the Council had not taken advantage of this, and whether this option had been advertised to them. The Senior Accountant confirmed that Central Government had provided a great deal of grant support to business, and so businesses had not required further loans. The Council did have the opportunity to invest in business, and whilst loans had not been given through this strategy, local businesses were being supported in other ways. The Senior Accountant confirmed that any loan was dependant on the credit standing of the individual business and what the money was required for. The Chief Financial Officer added that any lending under these categories would be very short term (two year) and would primarily be for the Council's own cashflow and treasury management purposes.

The Chairman asked why the Council was lending money to three other local authorities at the same rate (0.05%) as was being paid in interest on two bank accounts. The Senior Accountant confirmed that when these investments had been made, interest rates were less favourable and so the Council had elected to lend money to other local authorities. The Chief Finance Officer added that the Council did have limits on the amount which could be deposited with individual institutions, which sometimes required investments to be made at apparently less attractive rates. The amount of money which had been received in Covid-19 related grants in the past year had meant that on some occasions it had been difficult to obtain the most financially advantageous rates.

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

## **RESOLVED**

That having reviewed and commented upon the Treasury Management Strategy Statement and the Treasury Management Investment Strategy for 2022/23 they be recommended to Full Council for approval.

## **7 Corporate Risk Management Update**

The Committee received report ES/0975 of Councillor Maurice Cook, Cabinet Member with responsibility for Resources and Councillor Edward Back, Assistant Cabinet Member for Resources, in relation to Corporate Risk Management.

Councillor Cook introduced the report which provided members with the latest changes to strategic and operational risk, developments in how the Council managed risk, progress against planned developments and the key risks to the Council. It was noted that there were clearly identified mechanisms and responsibilities which allowed risks to be escalated, when required, onto the corporate risk register. All risks within the ESC Risk Register were assigned to a strategic theme within the East Suffolk Strategic Plan which ensured risks were managed effectively. It was noted that Zurich Insurance had undertaken a health-check of the Strategy which was very positive and resulted in only minor amendments, providing the Council with further confirmation that the Strategy was fit for purpose.

Councillor Cook highlighted three red risks which were incident management and flood risk, high profile or major coastal erosion or coastal incident; and resources to deliver Strategic Plan priorities, in addition there were eighteen amber risks.

Councillor Cooper asked whether the aim to move the flood risk from red to green was overly ambitious given the coastline of East Suffolk. The Head of Digital and Programme Management confirmed that works currently taking place on the flood barrier in Lowestoft would bring the risk down to a green, however they accepted that viewing the district as a whole a green target would not be viable.

Following a question from Councillor Gandy on why the risk around resources would only move from red to amber, Councillor Cook confirmed that this risk did not mean the Council did not have the ability to change the amount of resources, but that there were external factors such as lack of building supplies and the changes in the Prudential Code which could limit the amount of money available for projects. The Chairman agreed with Councillor Gandy's comment and asked that this risk was reviewed as it was felt that this was an overly cautious approach, and the risk was closer to amber. The Head of Digital and Programme Management stated that this risk was new to the strategic plan, and as a result was in the process of being assessed.

Councillor Gandy questioned whether the recruitment of more staff could be made a priority to help reduce this risk. Councillor Cook confirmed that resources had become stretched, but that work was being done to ensure the right staff were in place. Councillor Cook appreciated the Committee's view that this risk was more amber than red but felt it right to bring it to the Committee's attention at this point as a new risk.

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

## **RESOLVED**

1. That, having commented upon the corporate strategic risks from the Council's current Corporate Risk Register (CRR), which was governed and monitored by the Corporate Governance Group (CGG), they be noted.
2. That the revised East Suffolk Risk and Opportunity Management Strategy be approved.

*Note: Councillor Gandy left the meeting at 7.45pm.*

## **8 Arrangements for the appointment of External Auditors**

The Committee received report ES/0976 of Councillor Edward Back, Assistant Cabinet Member for Resources.

Councillor Back introduced the report which updated members on the appointment process for external auditors for the 5-year period from the financial year beginning 2023/24. The three options for the appointment of External Auditors were to procure external auditors via the PSAA route, form an East Suffolk Council Auditor Panel and conduct a stand-alone procurement exercise, or join with other local authorities, establishing a Joint Auditor Panel and joint procurement. The benefits and risks of each approach were summarised.

It was noted that the way the external audit procurement has operated over the last couple of years had been disappointing and many audits had been delayed. A lack of capacity in the audit market had been exacerbated by increased requirements placed on external auditors by the audit regulator, and the drive for audit quality had resulted in auditors needing more assurance. In turn this additional work had driven higher fees and it was noted that this was likely to continue.

The Chief Finance Officer confirmed that this paper asked the Committee to confirm the framework for appointment of External Auditors, and that the final decision would be by Full Council. The Chief Finance Officer felt that despite the issues noted, the best option was to coordinate efforts through the national arrangements with the PSAA, and that the other Suffolk Chief Finance Officers were of the same view. Consequently there was no interest in pursuing a joint approach with neighbouring authorities.

Councillor Cooper stated that in the past few years there had been numerous issues with EY, and that this could not continue. Councillor Cooper also expressed concern at the lack of options before the Council. Councillor Back stated that even if the Council opted for the PSAA route, this would not mean that EY would be re-appointed. The Chief Finance Officer added that it was his view that looking at the issues with audit at a national level as part of the PSAA would be the best way to address these. The Chief Finance Officer confirmed that the PSAA framework would have to be signed up for by the end of March. The Chairman confirmed that the Council would have an audit company appointed to them.

The Chairman summarised that he felt that procurement of external auditors through the PSAA was the best option, due to lack of interest from other Councils in the area for partnership, and the risk and costs of making a stand-alone appointment. The Chairman asked that East Suffolk Council used this opportunity to resolve issues and strengthen the contract with External Auditors to allow for less flexibility.

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

**RESOLVED**

1. That the arrangements and options for appointing External Auditors to audit the Final Accounts of the Council from 2023/24 for a 5-year period, and the practical deadline to opt-in of 11th March 2022, be noted.
2. That the Committee recommends that Full Council continues to 'opt-in' to the sector led body, Public Sector Audit Appointments Ltd (PSAA), for the independent appointment of the Council's external Auditor for 5 years from the financial year 2023/24.

## **9 CIPFA Financial Management Code**

The Committee received report ES/0977 of Councillor Maurice Cook, Cabinet Member with responsibility for Resources.

Councillor Cook introduced the report which provided members with an overview of the Chartered Institute of Public Finance & Accountancy (CIPFA) Financial Management Code and reported on self-assessment against the requirements of the Code and progress to date.

Councillor Cook invited the Chief Finance Officer to summarise the report. The Chief Finance Officer stated that the paper was for the committee's information to ensure that they were familiar with the code as an important part of the Council's Financial Management.

The Chief Finance Officer went on to summarise the self-assessment at Appendix B. The main areas for concern were around training and the development of a long-term financial strategy. It was felt that this could remain amber (partly compliant) due to the lack of certainty around finance and local government at present. Generally, the CFO was pleased that the Council was fully compliant in most areas.

The Chairman summarised that he felt this was a good example of the Council taking extra measures to ensure good governance and financial processes.

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

### **RESOLVED**

1. That the CIPFA Financial Management Code attached as Appendix A be noted.
2. That the Self-Assessment attached as Appendix B be noted.
3. That an update on progress and compliance with the Code be considered by the Committee as part of its Work Programme in 2022/23.

## **10 Revised Internal Audit Plan 2021-22**

The Committee received report ES/0979 of Councillor Maurice Cook, Cabinet Member with responsibility for Resources and Councillor Edward Back, Assistant Cabinet Member for Resources.

Councillor Back introduced the report which provided members with the proposed revised Internal Audit Plan for East Suffolk Council 2021-22. Councillor Back confirmed that Head of Service has been informed of the amendment to the plan in their relevant area.

Councillor Back invited the Head of Internal Audit to summarise the main areas of the report. The Head of Internal Audit informed the committee that the report was a live document, and that the plan had shifted due to the ongoing impacts of Covid-19. Items which had been deferred would be assessed in January and February and an additional update would be received by the committee in March. The Head of Internal Audit reassured the committee that all essential works were being completed.

The Chairman thanked the Head of Internal Audit and the internal audit team for their work in this area and reiterated the importance of their work to the Council.

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

**RESOLVED**

That having commented upon the revisions made to the Internal Audit Plan 2021-22, they be approved.

**11 Audit and Governance Committee's Draft Work Programme 2021/22**

The Committee considered the Forward Work Programme for 2021/22. It was agreed that there would be an extraordinary meeting of the Committee in January/February to consider the Statement of Accounts and External Audit report. Changes to the Constitution would also be considered at this point.

**12 Exempt/Confidential Items**

On the proposition of Councillor Thompson, seconded by Councillor Richardson 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**

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

**14 Purchase Order 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**

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

The meeting concluded at 9.06pm

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Chairman



## AUDIT & GOVERNANCE COMMITTEE

Monday, 14 March 2022

<b>Subject</b>	PROVISIONAL AUDIT RESULTS REPORT 2020/21 AND UPDATED STATEMENT OF ACCOUNTS 2020/21
<b>Report by</b>	Councillor Edward Back, Assistant Cabinet Member 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>

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 Comptroller and Auditor General's Code of Audit Practice requires Ernst and Young LLP (EY) to report to this Committee on the work they have carried out in respect of East Suffolk Council to discharge their statutory audit responsibilities together with any governance issues identified. This is done via an Audit Results Report and relates to the 2020/21 Statement of Accounts.

### **Options:**

None to consider.

### **Recommendation/s:**

That the Committee:

1. That the external auditors' findings within the Provisional Audit Results Report 2020/21 is noted.
2. That the updated Statement of Accounts for 2020/21 is noted.
3. Subject to no material errors being found, approval for final sign-off and publication of the 2020/21 audited statement of accounts is delegated to the Chairman of the Audit & Governance Committee, Councillor Geoff Lynch, and the Chief Finance Officer and S151 Officer, Brian Mew.
4. That a copy of the final Audit Letter for 2020/21 is received at the Committees next meeting.

## Corporate Impact Assessment

### **Governance:**

The Audit Results Report is a statutory requirement by the Local Audit and Accountability Act 2014.

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

The Audit Results Report does not link directly to the Strategic Plan, but through securing external assurance over the Council's governance, financial statements and value for money, this will help to achieve the priorities set out in the Strategic Plan.

### **Environmental:**

No impact

### **Equalities and Diversity:**

No impact

### **Financial:**

External Audit ensures the Council is providing accurate and reliable financial information, which in turn informs future budgets and service provision. It also ensures value for money is achieved and increases transparency to local taxpayers.

### **Human Resources:**

No impact
<b>ICT:</b> No impact
<b>Legal:</b> No impact
<b>Risk:</b> If audits are not completed, there is a risk errors and misstatements are not identified and may impact future budgets and expenditure, and there is risk value for money may not be achieved.

<b>External Consultees:</b>	Ernst & Young LLP (EY)
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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 checked="" type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input type="checkbox"/>
<b>T04</b>	<b>Delivering Digital Transformation</b>		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>

P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T05</b>	<b>Caring for our Environment</b>		
P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education and influence	<input type="checkbox"/>	<input type="checkbox"/>
<b>XXX</b>	<b>Governance</b>		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p><b>How does this proposal support the priorities selected?</b></p> <p>The Audit Results Report does not link directly to the Strategic Plan, but through securing external assurance over the Council's governance, financial statements and value for money, this will help to achieve the priorities set out in the Strategic Plan.</p>			

## Background and Justification for Recommendation

<b>1 Background facts</b>	
1.1	The Comptroller and Auditor General's Code of Audit Practice requires Ernst and Young LLP (EY) to report to this Committee on the work they have carried out in respect of East Suffolk Council to discharge their statutory audit responsibilities together with any governance issues identified. This report focuses on the Audit Results Report (ARR), for East Suffolk's Statement of Accounts 2020/21. The most up to date Statement of Accounts are also included in Appendix B.
<b>2 Current position</b>	
2.1	The audit of East Suffolk Council's Statement of Accounts for 2020/21 is ongoing, mainly pending Engagement Partner review. Items outstanding can be seen in Appendix D of the attached EY Provisional Audit Results Report 2020/21.
2.2	<p>The work of EY to date has not identified any corrected or uncorrected audit differences. There are a small number of minor disclosure differences in notes to the financial statements (casting, referencing, classification etc) which management have agreed to amend in the final set of accounts. Amendments found to date have been altered within the updated Statement of Accounts 2020/21 (Appendix B). None of these are material adjustments, but include:</p> <ul style="list-style-type: none"> <li>- Updates on the Narrative Report: Section 7 Looking forward, and Covid grant table</li> <li>- Classification of Grant between HRA and S.106 (Note 21 Grant Income) and including missed Covid Grant of £1.9m</li> <li>- 2 new contingent liabilities included in Note 31 due to events in the year since producing the draft accounts</li> </ul>

### 3 How to address current situation

3.1	EY are aiming to finalise their work by the end of March 2022. It is proposed that, subject to no material errors being found, this committee approves delegation for final sign-off and publication of the 2020/21 audited Statement of Accounts to the Chairman of the Audit & Governance Committee, Councillor Geoff Lynch, and the Chief Finance Officer and S151 Officer, Brian Mew. Once the Final Annual Audit Letter is received in respect of these accounts, it will be presented to the next available Audit & Governance Committee.
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### 4 Reason/s for recommendation

4.1	The Audit & Governance Committee is recommended to note the external auditors' findings within the Provisional Audit Results Report 2020/21.
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## Appendices

### Appendices:

<b>Appendix A</b>	Provisional Audit Results Report 2020/21
<b>Appendix B</b>	Updated Statement of Accounts 2020/21

### Background Papers

None.

# **East Suffolk Council Provisional Audit Results Report**

Year ended 31 March 2021

2 March 2022



2 March 2022



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

Dear Audit and Governance Committee Members

We are pleased to attach our Provisional Audit Results Report for the forthcoming meeting of the Audit and Governance Committee on 14 March 2022. This report summarises our preliminary audit conclusion in relation to the audit of East Suffolk Council for 2020/21.

We have substantially completed our audit of East Suffolk Council for the year ended 31 March 2021. Please refer to the “Executive Summary” for further details on status of the work. Subject to satisfactorily concluding the outstanding matters listed in our report and review from Associate Partner, we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3. Whilst we have significantly completed our audit procedures on the financial statements, our work is still in progress at the date of drafting this report. We are currently considering the potential impact of information provided by the Council related to its non compliance with the rent standard on our reporting in relation to the Council's value for money arrangements and audit report. If we conclude that this non compliance represents a significant weakness in governance arrangements in 2020/21, we will need to report by exception details of the significant weakness in our auditor's report. We aim to finalise our audit by April 2022. We will circulate a further update on our audit results if anything significant arises during finalisation of our audit procedures and the conclusion of our value for money work.

This report is intended solely for the use of the Audit and Governance Committee, other members of the Council, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee meeting on 14 March 2022.

Yours sincerely

Debbie Hanson  
For and on behalf of Ernst & Young LLP

# Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of East Suffolk Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Committee and management of East Suffolk Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and the management of East Suffolk Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary

## Executive Summary

### Scope update

In our Indicative Audit Planning Report presented in September 2021 to the Audit and Governance Committee, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this Plan, with the following highlights.

**Update on our materiality:** In our Indicative Audit Planning Report, we communicated that our audit procedures would be performed using a planning materiality calculated at 2% of the Council's gross expenditure on provision of services as per the 2020/21 draft financial statements. We have not made any changes in the basis for calculation of our materiality and have not made any revision to our materiality levels throughout the audit.

**Information Produced by the Entity (IPE):** As a result of the continuing impact of Covid and increased remote working, this is an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited;
- Agree IPE to scanned documents or other system screenshots; and
- gained our own access to the accounting software to enable us re-run reports ourselves.

### Status of audit

We have substantially completed our audit of East Suffolk Council's financial statements for the year ended 31 March 2021 and have performed the procedures outlined in our Indicative Audit Planning Report. The main pending area is assets valuation, where we have recently received the report from our EY Real Estate specialist and currently concluding our work in this area. A full list of outstanding items can be seen at Appendix D.

Subject to satisfactory completion of the outstanding items, we expect to issue an unqualified opinion on the Council's financial statements. As the audit is ongoing and many areas are subject to Manager and Engagement Partner review, further amendments and issues may arise.

We expect to issue the audit certificate after we issue the audit opinion, once the requirements of the Whole of Government Accounts (WGA) submission has been notified to us and subsequently completed.

# Executive Summary

## Audit differences

### Corrected and uncorrected differences

At the date of this report, we have not identified any audit differences (corrected or uncorrected)

We have identified a small number of minor disclosure differences in notes to the financial statements (casting, referencing, classification etc) which management have agreed to amend in the final set of accounts.

Until we complete all of our audit procedures, as noted in the status of audit above and on subsequent slides, along with our final Manager and Engagement Partner review, further differences may be identified.

## Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to East Suffolk Council a commentary against specified reporting criteria (see below) on the arrangements the East Suffolk Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- **Financial sustainability:**  
How the East Suffolk Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance:**  
How the East Suffolk Council ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness:**  
How the East Suffolk Council uses information about its costs and performance to improve the way it manages and delivers its services.

## Executive Summary

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### Value for money - progress update

At the time of our Indicative Audit Plan, we were yet to commence with our value for money (VFM) risk assessment. We have not yet completed this work and have identified a risk of significant weakness in relation to the Council's non compliance with the rent standard, based on information provided by the Council. We have not yet completed our work in relation to this risk. As part of completion of this work we will consider the impact of this against the three reporting criteria we are required to consider under the NAO's 2020 Code. This work will be subject to Engagement Partner review once complete.

If we conclude that this non compliance represents a significant weakness in governance arrangements in 2020/21, we will need to report by exception details of the significant weakness in our auditor's report. We will include detailed commentary on this matter and the remainder of our value for money work in the Auditor's Annual Report which will be issued to the Council within three months of the date of the final 2020/21 audit opinion.

### Independence

Please refer to Section 09 for our update on Independence.

### Control observations

During the audit, and to date, we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you. We would note that the Council has identified weaknesses in controls related to rent setting, as noted above.

### Other reporting issues

We have reviewed the information presented in the Annual Governance Statement (AGS) for consistency with our knowledge of the Council. We have no matters to report as a result of this work. We note that the Council has updated the AGS following identification of the issues related to non compliance with the rent standard and how this matter has been dealt with since it was initially identified, and has reflected this as a significant governance issue. We will review the updated AGS once our consideration of this issue has been completed.

We have not yet been able to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts (WGA) submission. This is because HM Treasury (HMT) are continuing to review the online 2020/21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance is not expected to be available until mid 2022. Therefore the 2020/21 WGA component instructions will not be available for auditors to consider until after this date. Group Audit Instructions and the timetable for 2020/21 will necessarily follow any changes HMT make to the DCT and process. Although, as in previous years we expect the Council to be below the threshold that required us to undertake any detailed procedures, we are not able to issue our certificate until the Group Audit Instructions are issued.

We have no other matters to report.

## Executive Summary

### Areas of audit focus

In our Indicative Audit Planning Report, we identified a number of key areas of focus for our audit of the financial statements of East Suffolk Council. This report sets out our observations and the status of our work in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Fraud Risk	Findings & Conclusions
Misstatements due to fraud or error	We have not identified any evidence that management has overridden controls in order to prepare fraudulent financial statement balances or postings within the financial statements from the work completed.
Incorrect capitalisation of revenue expenditure	We have not identified any evidence of manipulation of expenditure through incorrect capitalisation of revenue expenditure.

Area of audit focus	Findings & Conclusions
Valuation of land & buildings and investment properties	We sample tested a number of assets to gain assurance that the key assumptions and inputs into valuations were supportable and that the resulting valuations were materially accurate. We also engaged our EY Real Estate (EYRE) specialists to review a sample of asset valuations to verify the reasonableness of the valuation methodology applied and key assumptions used, including the potential impact of Covid-19 on valuation uncertainties. We have recently received the report from EYRE and are currently concluding our work in this area.
Pension liability valuation and disclosures	We have reviewed the accounting entries and disclosures in the draft financial statements and assessed the work of the actuary. We have substantially completed our planned procedures, including the receipt and consideration of the report from EY Pensions specialist to provide a parallel actuarial model to confirm the material accuracy of the actuary's IAS19 estimation procedures. We have nothing to report as of the date of this report. The work is subject to Engagement Partner review.
Going concern disclosures	Our going concern work is yet to be concluded.
Recognition of grant income associated with Covid-19	We have substantially completed our procedures in this area and have not identified any issue as of the date of this report. However the work remains subject to Engagement Partner review.



## 02 Areas of Audit Focus



# Areas of Audit Focus

## Significant risk

### Misstatements due to fraud or error (Fraud risk)

#### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

#### What judgements are we focused on?

We focused our testing on accounting estimates which include pension liability, property valuation, and bad debts provision including NNDR appeals provision. Also performing mandatory procedures including testing of journal entries.

#### What did we do?

This is a risk that we recognise on all engagements. Our overall response to this for East Suffolk Council was:

- ▶ Assessment to identify fraud risks during the planning stages.
- ▶ Inquired management about risks of fraud and the controls put in place to address those risks.
- ▶ Understood the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determined an appropriate strategy to address those identified risks of fraud.
- ▶ Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements, assessing accounting estimates for evidence of management bias and evaluating the business rationale for significant and unusual transactions.
- ▶ We have utilised our data analytics capabilities to assist with our work.

#### What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

The work remains subject to Engagement Partner review.





## Areas of Audit Focus

# Significant risk

### Incorrect capitalisation of revenue expenditure (fraud risk)

#### What is the risk?

Linking to our risk of misstatements due to fraud and error above, we have considered the capitalisation of revenue expenditure on property, plant and equipment as a specific area of risk given the extent of the Council's capital programme.

#### What judgements are we focused on?

Whether management have appropriately classified expenditure as capital in nature

#### What did we do?

We have undertaken additional procedures to address the specific risk we have identified, which included:

- For significant additions to property, plant and equipment, we have examined invoices, capital expenditure authorisations, leases and other data that support these additions. We have ensure that they have been correctly classified as capital in line with accounting standards and included at the correct value in order to identify any revenue items that have been inappropriately capitalised.
- Reviewed Revenue Expenditure Funded from Capital Under Statute (REFCUS), to verify that revenue costs have not been inappropriately funded from capital.
- We have extended our testing of items capitalised in the year by lowering our testing threshold. We have also review a random sample of capital additions below our testing threshold.
- Journal testing - we have used our testing of journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised.

#### What are our conclusions?

We have not identified any revenue items that have been inappropriately capitalised from our substantive testing to date.

The work remains subject to Engagement Partner review.





## Areas of Audit Focus

# Inherent risks and other areas of audit focus

### What is the risk/area of focus?

#### Valuation of land and buildings and investment properties

The valuation of land and buildings represent significant balances in the Council's accounts and is subject to valuation changes. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. There is therefore a risk fixed assets may be under/overstated or the associated accounting entries incorrectly posted.

Property, plant and equipment (PPE) (of which land and buildings and dwellings represent the vast majority) and investment property are significant balances in the Council's accounts. As at 31 March 2021, PPE totals £376.4 million (2019/20: £362.3 million) and investment properties £5 million (2019/20: £2.9 million).

### What have we done and our conclusions?

We have:

- ▶ Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Engaged our valuations specialist (EY Real Estates) to review a sample of asset valuations to verify the reasonableness of the valuation methodology applied and key assumptions used, including the potential impact of Covid-19 on valuation uncertainties. Our sample included total 8 properties - 3 investment properties and 5 from the other land and buildings category;
- ▶ Sample tested key asset information used by the valuers in performing their valuation;
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within an appropriate timescale.
- ▶ Considered any specific changes to assets that have occurred and whether these have been communicated to the valuer;
- ▶ Reviewed assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.

We have substantially completed our work on above procedures but have not yet concluded our work as of the date of this report.

We have recently received the report from our EYRE specialists on the selected sample and currently working to conclude our work.

This work will be subject to Engagement Partner review once completed.



## Areas of Audit Focus

# Inherent risks and other areas of audit focus

### What is the risk/area of focus?

#### Pension liability valuation and disclosures

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. As per the draft accounts, this liability amounts to £84.3 million as at 31 March 2021, (2019/20: £52.9 million).

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

### What have we done and our conclusions?

To address this risk, we have carried out a range of procedures including:

- ▶ liaised with the auditors of Suffolk Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Council;
- ▶ assessed the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PwC, being the Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering the review of this work by the EY Pensions actuarial team;
- ▶ Considered the nature and value of level 3 investments held by the Pension Fund and the proportion of the overall Fund relating to East Suffolk Council in order to identify any additional procedures required to support the estimates of the valuation of these asset as at 31 March 2021;
- ▶ Considered the movement in fund asset values between the actuary's estimate and year end; and
- ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

ISA540 (revised) requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PwC as consulting actuaries, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we modified our planned approach and undertook alternate procedures to create an auditor's estimate, to gain the necessary assurance. We employed the services of an EY Pensions specialist to review the Council's IAS19 reports and run a parallel actuarial model which was compared to that produced by the Council's actuary. Our specialists have completed their procedures and have not reported any significant difference.

We have completed our procedures and have not identified any issue. The work remains subject to Engagement Partner's review.



## Areas of Audit Focus

# Inherent risks and other areas of audit focus

### What is the risk/area of focus?

#### Going concern disclosures

Covid has created a number of financial pressures throughout Local Government. It is creating financial stress through a combination of increasing service demand leading to increased expenditure in specific services, and reductions in income sources. There is currently not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19.

In addition, the auditing standard, International Auditing Standard 570 Going Concern, has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council will be the audit of the 2020/21 financial statements.

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 states that an Council's financial statements shall be prepared on a going concern basis; the accounts should be prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future and can only be discontinued under statutory prescription.

However, ISA 570, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report.

To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

### What have we done and our conclusions?

The revised standard requires:

- ▶ auditor's challenge of management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias;
- ▶ greater work for us to challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtained and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Council obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements;
- ▶ ensuring compliance with any updated reporting requirements;
- ▶ a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and
- ▶ necessary consideration regarding the appropriateness of financial statement disclosures around going concern.

We have requested a documented and detailed consideration to support management's assertion regarding the going concern basis, particularly with a view whether there are any material uncertainties for disclosure and the impact of the ongoing impact of Covid on future financial planning.

We will review the going concern disclosures within the financial statements under IAS1, and associated financial viability disclosures within the Narrative Statement. We will consider whether you have included necessary disclosures regarding any material uncertainties that do exist.

Should the need arises we may need to consult on the Council's disclosures in line with our internal consultation requirements.

Our work on going concern is yet to be concluded, as set out in Appendix D of this report.



## Areas of Audit Focus

# Inherent risks and other areas of audit focus

### What is the risk/area of focus?

#### Recognition of grant income associated with Covid

Central Government has provided a number of new and different Covid related grants to local authorities during the year. There are also funds that have been provided for the Council to distribute to other bodies.

The Council needs to review each of these grants to establish how they should be accounted for. The Council needs to assess whether it is acting as a principal or agent, with the accounting to follow that decision. Where the decision is that the Council is a principal, it must also assess whether there are any initial conditions that may also affect the recognition of the grants as revenue during 2020/21.

### What have we done and our conclusions?

We have:

- ▶ Considered the revenue and capital grants received by the Council;
- ▶ Responsive to the risk, carried out testing to ensure the accounting treatment and recognition applied to grant income is appropriate.
- ▶ For a sample of the grants we have:
  - Reviewed the Council's assessment of whether it is acting as principal or agent;
  - Reviewed whether any initial conditions are attached to grants which would impact on their recognition;
  - Assessed whether the accounting appropriately follows those judgements.

We have also checked that the Council has adequately disclosed grant income received in the year, under both principal and agent arrangements.

We have substantially completed our work on above procedures (subject to completion of procedures as noted in Appendix D) and have not identified any issue as of the date of this report. The work remains subject to Engagement Partner review.



# 03 Audit Report



# Audit Report

## Draft audit report

### Our draft opinion on the financial statements

#### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST SUFFOLK COUNCIL

##### Opinion

We have audited the financial statements of East Suffolk Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Movement in Reserves Statement,
- Authority and Group Cash Flow Statement,
- the related notes 1 to xxx,
- Collection Fund and the related notes 1 to xxx

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of East Suffolk Council as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority/group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

##### Other information

The other information comprises the information included in the Statement of Accounts 2020/2021, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information contained within the Annual Financial Report 2020/2021.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.



# Audit Report

## Our opinion on the financial statements

### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;

We have nothing to report in these respects.

In respect of the following we have matters to report by exception:

- We report to you, if we are not satisfied that the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021. TO BE UPDATED ON COMPLETION OF OUR WORK

### Responsibility of the Chief Finance Officer

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities set out on page xxx, the Chief Finance Officer is responsible for the preparation of the Annual Financial Report 2020/2021, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant are:

- Local Government Act 1972,
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992,
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- The Local Government Finance Act 2012,
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.

In addition, the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.



# Audit Report

## Our opinion on the financial statements

- We understood how East Suffolk Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority's committee minutes, through enquiry of employees to confirm Authority policies, and through the inspection of other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.
- To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.
- To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether East Suffolk Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the East Suffolk Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, East Suffolk Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

## Certificate

### Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.



# Audit Report

## Our opinion on the financial statements

### Use of our report

This report is made solely to the members of East Suffolk Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Debbie Hanson  
Ernst & Young LLP (Local Auditor)  
Luton:  
Date: xxxxxxxxxx



# 04 Audit Differences



# Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

## **Summary of Audit differences as at the date of this report**

The draft statement of accounts prepared by management was again of a good quality with only minor disclosure amendments required.

At the date of this report, we have not identified any corrected or uncorrected audit differences.

We have identified a small number of minor disclosure differences in notes to the financial statements (casting, referencing, classification etc) which management have agreed to amend in the final set of accounts.

Until we complete all of our audit procedures, as noted in the status of opinion audit section of this report and in previous slides, along with our final Manager and Engagement Partner review, further adjustments may be identified.



# 05 Value for Money

01

## The Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

## Risk assessment

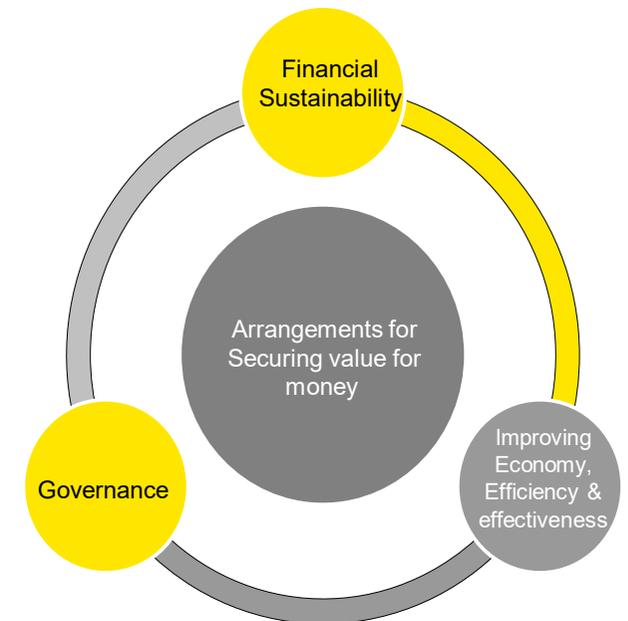
Throughout our audit we have performed a risk assessment in relation to the arrangements in place. This risk assessment looked at whether there was any risk of significant weaknesses in the VFM arrangements.

We have identified a significant risk in relation to the Council's non compliance with the rent standard and how this issue has been dealt with since it was initially identified.

## The Council's responsibilities for value for money

We have not yet completed our work on VFM arrangements and in particular have not yet concluded our consideration of the Council's non compliance with the rent standard which was brought to our attention by the Council. As part of completion of this work we will consider the impact of this against the three reporting criteria we are required to consider under the NAO's 2020 Code.

If we conclude that this non compliance represents a significant weakness in VFM arrangements in 2020/21, we will need to report by exception details of the significant weakness in our auditor's report.



## Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily. We will issue our Auditor's Annual Report following the issue of our audit opinion.



# 06 Other reporting issues

01

# Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts for the year ended 2020/21 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts for the year ended 2020/21 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report. We note that the Council has updated the AGS following identification of the issues related to non compliance with the rent standard and how this matter has been dealt with since it was initially identified, and has reflected this as a significant governance issue. We will review the updated AGS once our consideration of this issue has been completed.

### Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts (WGA) return. The extent of our review, and the nature of our report, is specified by the NAO.

We have not yet been able to perform the procedures required by the NAO on the WGA submission. This is because HM Treasury (HMT) are continuing to review the online 2020/21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance was not expected to be available until mid 2022. Therefore the 2020/21 WGA component instructions will not be available for auditors to consider until after this date. Group Audit Instructions and the timetable for 2020/21 will necessarily follow any changes HMT make to the DCT and process. Although, as in previous years we expect the Council to be below the threshold that required us to undertake any detailed procedures, we are not able to issue our certificate until the Group Audit Instructions are issued.

## Other reporting issues

# Other reporting issues

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have noted, based on information provided by the Council, non compliance with the rent standard. We are currently considering the impact of this on our opinion and reporting in relation to the Council's value for money arrangements as well as in relation to our statutory responsibilities where we identify or become aware of non compliance with laws or regulations.

We have no other matters to report as of the date of this report.



07

## Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control, as of the date of this report, that might result in a material misstatement in your financial statements of which you are not aware. We would note however that the Council has identified weaknesses in controls related to rent setting, as noted elsewhere in this report.



# 08 Data Analytics



# Use of Data Analytics in the Audit

## ► Data analytics

### Analytics Driven Audit

#### Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- ▶ Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2020/21, our use of these analysers in the audit included testing journal entries and payroll, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

#### Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We performed completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

#### Payroll Analysis

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the general ledger. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



## Journal Entry Testing

### What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

### What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

### What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

### What are our conclusions?

We have substantially completed our work on journal entries and have found no exceptions to report as of the date of this report. The work remains subject to review by the Engagement Partner.



09

# Independence

## Relationships, services and related threats and safeguards

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

There are no relationships from 1<sup>st</sup> April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

### Services provided by Ernst & Young

The next page includes a summary of the fees that are due to us in relation to the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are in the next page. Further detail of all fees has been provided to the Audit and Governance Committee.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

We confirm that we have not undertaken non-audit work, other than the certification of the Council's housing benefit subsidy claim.

## Other communications

### EY Transparency Report 2021

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021:

[EY UK 2021 Transparency Report | EY UK](#)

## Confirmation of independence and analysis of audit fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

Description	Planned Fee (£) 2020/21	Proposed Fee (£) 2019/20
Scale fee - Code work	69,964	69,964
Changes in work required to address professional and regulatory requirements & scope changes associated with risk - <b>Note 1</b>	39,360	39,360
Additional work required in 2019/20 - <b>Note 2</b>	-	24,036
Additional work required in 2020/21 - <b>Note 3</b>	TBC	-
Additional work required due to changes in auditing standards for estimates - <b>Note 4</b>	2,500	-
Additional work required due to change in scope of VFM work - <b>Note 4</b>	6,000 to 11,000	-
Non-audit Fee - Housing subsidy claim	TBC	25,935
<b>Total audit fees</b>	<b>TBC</b>	<b>159,295</b>

### **All above fees are excluding VAT**

**Note 1:** For 2019/20 and 2020/21, we have proposed an increase to the scale fee to reflect the increased level of audit work required which has been impacted by a range of factors including changes in risk profile of the audit and increases in regulatory standards. Further detail on this proposed increase was included in our previous reports to the Committee. We have proposed an increase of £39,360 to the scale fee to reflect these additional requirements and have shared details of the breakdown with management. Management have agreed to £22,320 of this increase. PSAA are yet to determine on this.

**Note 2:** For 2019/20, we proposed an additional fee of £24,036, as detailed in our 2019/20 Annual Audit Letter. This reflected the increased audit work required in regard to: valuations of land and buildings and investment properties; the group accounts as well as the fact that 2019/20 was the first year of existence of East Suffolk Council; the impact of Covid-19 on a number of areas included the bad debt provision, going concern disclosures, and the material uncertainty in the property valuer's report. We have shared a detailed breakdown and details of this fee with management, who have agreed to part of this figure. This additional fee is subject to approval by PSAA.

**Note 3:** For 2020/21, the additional fee will be quantified after completion of audit and will be discussed with the management before submission to PSAA. PSAA will determine the final fee.

**Note 4:** PSAA published additional information for 2020/21 audit fees in August 2021, whereby PSAA provided guidance about the range of minimum additional fee in certain areas of audit. The figures above are the ranges or minimum fee set by PSAA. PSAA also revised its hourly rates for calculating the additional fee variations.



# 10 Appendices

## Appendix A

### Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- ▶ Existence: An asset, liability and equity interest exists at a given date
- ▶ Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- ▶ Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- ▶ Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- ▶ Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Trade receivables	Substantively tested all relevant assertions	Substantively tested all relevant Assertions	No change
Property, plant and equipment	Fully substantive approach. Engaged with EY Real Estate	Fully substantive approach. Engaged with EY Real Estate	No change
Trade payables	Fully substantive approach	Fully substantive approach	No change
Cash, investments and borrowings	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change
Grants	Fully substantive approach	Fully substantive approach	No change
Pensions	Substantively tested all relevant assertions. We engaged EY Pensions to assist with reviewing actuary model.	Substantively tested all relevant assertions	We engaged our pensions specialists due to the requirements of ISA540 (revised)

## Appendix B

### Summary of communications

Date	Nature	Summary
6 September 2021	Meeting	The partner in charge and manager met with the finance team and s151 officer for a regular liaison/planning meeting.
7 September 2021	Audit Plan	The EY audit team submitted the Indicative Audit Planning Report for 2020/21
20 September 2021	Audit Committee	The partner in charge and manager of the engagement attended the Audit and Governance Committee meeting
20 September 2021	Report	The Indicative Audit Planning Report, including confirmation of independence, was presented to the Audit and Governance Committee.
2 March 2022	Audit Results Report	The Provisional Audit Results Report, including confirmation of independence is issued to the Audit and Governance Committee.
14 March 2022	Audit Committee	The partner in charge and manager of the engagement will attend the Audit and Governance Committee meeting.
Weekly meetings throughout October 2021 to February 2022	Meeting	The EY audit team met regularly to discuss the progress of the audit with Council's Finance team

## Appendix C

# Required communications with the Audit and Governance Committee

There are certain communications that we must provide to the Audit and Governance Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Indicative Audit Planning Report - 7 September 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Indicative Audit Planning Report - 7 September 2021
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Provisional Audit Results Report - 2 March 2022

## Appendix C

		 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	  <b>When and where</b>
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Provisional Audit Results Report - 2 March 2022
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Provisional Audit Results Report - 2 March 2022
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the Audit and Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Provisional Audit Results Report - 2 March 2022
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to Audit and Governance Committee responsibility.</li> </ul>	Provisional Audit Results Report - 2 March 2022

## Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the Authority</li> </ul>	Provisional Audit Results Report - 2 March 2022
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Indicative Audit Planning Report - 7 September 2021</p> <p>Provisional Audit Results Report - 2 March 2022</p>
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	<p>Indicative Audit Planning Report - 7 September 2021</p> <p>Provisional Audit Results Report - 2 March 2022</p>
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	Provisional Audit Results Report - 2 March 2022

## Appendix C

		Our Reporting to you
Required communications	 What is reported?	  When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	Provisional Audit Results Report - 2 March 2022
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Provisional Audit Results Report - 2 March 2022
Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Provisional Audit Results Report - 2 March 2022
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit planning report is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Indicative Audit Planning Report - 7 September 2021  Provisional Audit Results Report - 2 March 2022
Value for money commentary	A commentary on the arrangements in place during 2020/21 to achieve value for money, and any recommendations we may make to improve those arrangements.	Auditor's Annual Report - April/May 2022
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of</li> </ul>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.

## Appendix D

# Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Valuation of land and buildings and investment properties	Audit team's review of recently received report from EYRE, resolving any further queries and conclusion from this and completion of our documentation in audit file	EY with support from management if required
Covid grant income	We have recently received response from management on our queries. We are currently reviewing the information received and completing our documentation in relation to those queries	EY
Going concern disclosures	Review and documentation of our work on the updated going concern disclosures and cashflow forecasts once received (to April 2023)	EY and management
Value for money work	Completion of our value for money work. In particular, consideration of the potential impact of the Council's non compliance with the rent standard on our reporting in relation to the Council's value for money arrangements and audit report.	EY and management
Completion procedures	Our finalisation procedures, including receipt of final version of financial statements and signed representation from management (refer Appendix E for draft representation letter), subsequent events review, final checks on financial statements and other sign off procedures.	EY and Management
Final review from Engagement manager and Partner	Ongoing review process	EY
Clearance of queries arising from review by Engagement Partner and Manager	Ongoing review process	EY with the help from management if required
Completion of procedures required for whole of government accounts	Submission of assurance statement to be undertaken upon receipt of instructions	EY

# DRAFT Management representation letter

## Management Representation Letter - DRAFT

[To be prepared on the entity's letterhead]  
[Date]

Ernst & Young  
400 Capability Green  
Luton  
Bedfordshire  
LU1 3LU

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of East Suffolk Council ("the Group and "the Council") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Council financial statements give a true and fair view of the Group and Council financial position of East Suffolk Council as of 31 March 2021 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the Group and for the Council that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.
6. We confirm the Group and [Council] does not have securities (debt or equity) listed on a recognized exchange.

# DRAFT Management representation letter

## Management Representation Letter - DRAFT

### B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - ▶ involving financial statements;
  - ▶ related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
  - ▶ related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
  - ▶ involving management, or employees who have significant roles in internal controls, or others; or
  - ▶ in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and [all material transactions, events and conditions are reflected in the consolidated and council financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Group and Council, and committees (the Executive, Audit Committee and Review Committee) (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: [list date]
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with applicable financial reporting framework.

# DRAFT Management representation letter

## Management Representation Letter - DRAFT

6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and Council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter (17 November 2020) through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and Council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note xxxx to the consolidated and council financial statements all guarantees that we have given to third parties.

### E. Going Concern

1. Note [xxxxxxx] to the consolidated and parent entity financial statements discloses all the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

### F. Subsequent Events

1. Other than xxxxxxx described in Note xxxxxxx] to the consolidated and Council financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

### G. Group audits

1. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst Council, subsidiary undertakings and associated undertakings.

### H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Annual Financial Report 2020/2021, including the Narrative Report and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

### I. Ownership of Assets

1. The Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and [Council] has satisfactory title appear in the balance sheet(s).
2. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

### J. Reserves

1. We have properly recorded or disclosed in the consolidated and Council financial statements the useable and unusable reserves.

# DRAFT Management representation letter

## Management Representation Letter - DRAFT

### K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property and the defined benefit pension scheme liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

### L. Estimates

1. We confirm that the significant judgments made in making the valuation of property and defined benefit pension liability have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of property and defined benefit pension liability.
3. We confirm that the significant assumptions used in making the valuation of property and defined benefit pension liability estimates appropriately reflect our intent and ability to carry out on behalf of the entity.
4. We confirm that the disclosures made in the consolidated and parent entity financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the applicable financial reporting framework.
5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of property and defined benefit pension liability.
6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and parent entity financial statements, including due to the COVID-19 pandemic.

### M. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

\_\_\_\_\_  
(Chief Financial Officer)

\_\_\_\_\_  
(Chairman of the Finance, Audit and Risk Committee)

## Appendix D

### Implementation of IFRS 16 Leases

In previous reports to the Audit and Governance Committee, we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

Currently, the adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2022. However, CIPFA is currently consulting on deferring the implementation of IFRS 16 for a further year and reversing the planned changes to the 2022-23 Code. In either case, officers should be acting now to assess the Council's leasing positions and secure the required information to ensure the Council will be fully compliant with the CIPFA Code. The following table summarises some key areas officers should be progressing.

IFRS 16 theme	Summary of key measures
Data collection	Management should: <ul style="list-style-type: none"> <li>▶ Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors.</li> <li>▶ Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases</li> <li>▶ Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.</li> </ul>
Policy choices	The Council needs to agree on certain policy choices. In particular: <ul style="list-style-type: none"> <li>▶ Whether to adopt a portfolio approach</li> <li>▶ What low value threshold to set and agree with auditors</li> <li>▶ Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components</li> <li>▶ What is managements policy in relation to discount rates to be used?</li> </ul>
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the authority is lessee. However, there can be implications for some finance leases where the council is lessee; and potentially for sub-leases, where the council is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.

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ED None

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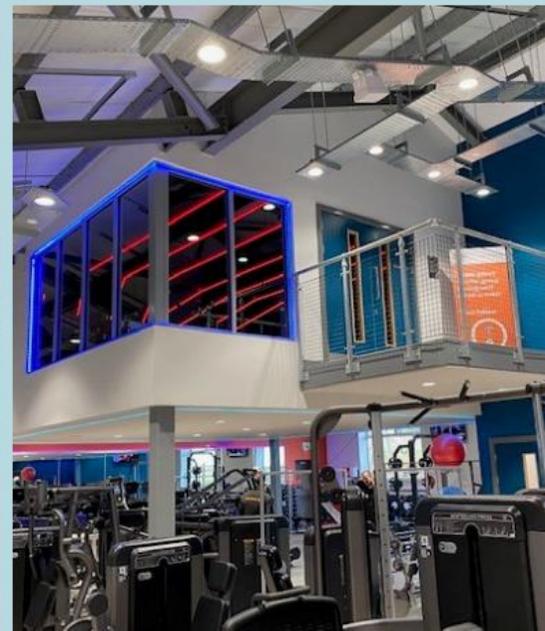
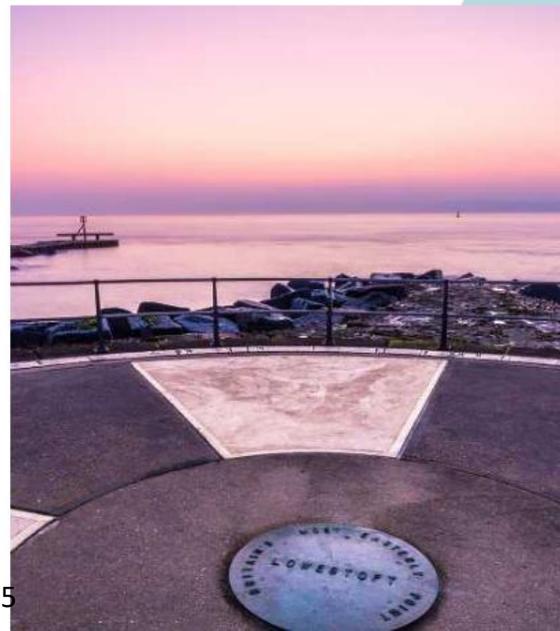
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# EAST SUFFOLK COUNCIL

# STATEMENT OF ACCOUNTS

# 2020/21



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## Introduction to the 2020/21 Statement of Accounts

As Cabinet member for Resources, I am delighted to present the Council's Statement of Accounts for the financial year ended 31 March 2021. These are the second set of Accounts for East Suffolk Council, following the merger on 1 April 2019 of Suffolk Coastal District Council and Waveney District Council.

### Covid-19

With three lockdowns and a year of homeworking, 2020/21 has challenged the way we have delivered services across East Suffolk. Service areas have worked hard to refocus resources to ensure uninterrupted support to residents, businesses, and other organisations in greatest need. A hardship fund was set up to offer community funding to new and existing groups who are working to support vulnerable people during the crisis, and a range of grants were paid out to businesses and individuals because of lockdown restrictions and self-isolation. Business Support Grant funding received, processed, and paid by the Council amounted to over £115m to date.

Although extensive financial support has been forthcoming from the Government, Covid-19 also had a direct financial impact on the Council itself, including reduced income on services such as car parking, and expenditure pressures in areas such as community support and supporting closed leisure

facilities. The Council has continually monitored and reported on these impacts, liaising closely with Central Government and multiple agencies and authorities across Suffolk.

### Strategic Plan

Following approval of the East Suffolk Strategic Plan by Full Council in February 2020, work has continued on the five key themes:

- Growing our Economy
- Enabling our Communities
- Remaining Financially Sustainable
- Delivering Digital Transformation
- Caring for our Environment

Although Covid-19 has delayed the completion of some of these objectives, the Council has continued to ensure that it maintains a robust financial position. A balanced budget was presented and agreed at Full Council on 24 February 2021 for the 2021/22 financial year, which included a freeze on Council Tax for 2021/22. This will be seen as a welcome relief by many residents during these challenging financial times.

Work has continued throughout the year to ensure the Council is compliant with the principles and standards of the Financial Management Code which further demonstrates the financial sustainability of the Council.

### Chief Finance Officer

This year, sadly, saw the passing of Section 151 and Chief Finance Officer, Simon Taylor-Buglione following a prolonged and difficult period of illness. Simon was, in no small part, responsible for the robust financial position of the Council. Myself and many of our colleagues have benefited from his acumen and expertise and Simon will be sorely missed.

I am delighted that Simon's successor as Section 151 and Chief Finance Officer is Mr Brian Mew and that equally robust and prudent financial management will continue.



**Councillor Maurice Cook**

Cabinet Member for Resources

## Foreword by the Chief Finance Officer

---

The Council's Statement of Accounts (the Accounts) for the financial year ended 31 March 2020 are the second set of Accounts for East Suffolk Council, following the merger on 1 April 2019 of Suffolk Coastal District Council and Waveney District Council. The Accounts inform readers as to the financial performance of the Council during the financial year and are an important element of demonstrating sound financial stewardship of taxpayers' money.

The deadlines for the preparation of the Accounts have once again been changed for 2020/21 and 2021/22. The Accounts and Audit (Amendment) Regulations 2021 have amended the Accounts and Audit Regulations 2015. The draft Accounts must now be published and

available for inspection on or before 1 August 2021 and the timeline for the conclusion of the audit is now 30 September 2021.

Prior to approval, the draft Accounts are subject to a single period of 30 working days for the exercise of public rights, where any objection, inspection and questioning of the local auditor must be undertaken. The unaudited Accounts were available to the public on the Council's website from 2 July 2021, so the inspection period will commence on 5 July 2021 and finish on 13 August 2021.

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

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



**Brian Mew**

Chief Finance Officer and Section 151 Officer

# Narrative Report

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## 1. Introduction

This document presents the statutory financial statements (the “Statement of Accounts”) for East Suffolk Council for the period 1 April 2020 to 31 March 2021 and provides a comprehensive summary of the overall financial position of the Council.

The Statement of Accounts is presented in the format recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA), as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code).

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

## 2. Introducing East Suffolk Council

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

East Suffolk has a population of 249,461 (ONS, 2019) and covers an area of 125,979 hectares (1,260km<sup>2</sup>), has 79km of coastline and comprises a mix of urban and rural areas with Lowestoft and Felixstowe being the largest towns. There are also a number of historic towns and a large number of villages. In total, the district has 175 town and parish councils.

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

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

## Political Leadership

The Council was governed by 55 councillors, covering 29 wards. The makeup of the Council for 2020/21 was:

Conservative Party	Labour Party	Green Party	Liberal Democrat Party	Independent
<b>40</b>	<b>7</b>	<b>4</b>	<b>3</b>	<b>1</b>

## Executive Leadership

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

## East Suffolk Strategic Plan

In 2020 the Council launched the first East Suffolk Strategic Plan. Our aim is to deliver the highest quality of life possible for everyone who lives in, works in and visits East Suffolk. To help us achieve this, we will use this strategic plan as a compass to guide all our decision making. Within the compass, our five key themes show the direction we will take. All themes are interconnected and complement each other. Our achievements over the last 12 months are presented in the Council’s Annual Report (Section 4).



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

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

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

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

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

## Service Delivery

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

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

## 3. Operating Model

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

### Human Resources

As at 31 March 2021, there were 784 full-time equivalent staff employed by East Suffolk; a wide range of professional teams, delivering a diverse range of services.

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

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



**Performance and Development**

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

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

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

The breadth of the Council services means that training and development has to be carefully tailored. Professionals from many different fields are employed, for example Accountancy, Legal, Human Resources, Environmental Services and Planning. Professional staff are required to complete

continuous professional development, which needs to be factored in alongside personal and organisational development. The workforce also includes large teams of customer facing staff including Customer Service Advisors and with our service delivery partners, Leisure Assistants and Refuse Workers.

#### 4. Council's Performance

The Council's [Annual Report](#) has been produced on its YouTube channel which reports on outcomes and key achievements in the financial year. This report was presented at the Strategic Plan Delivery Board and Full Council and is also available on the Council's website. To support this the Council published its Performance Report capturing how the Council performed in 2020/21 against priorities within the East Suffolk Strategic Plan, Key Performance Indicators (KPIs), corporate risks and performance of partners. Achievements in 2020/21 to highlight include:

- **Lowestoft Investment Plan** - In March 2021 the Council's bid to the government's Towns Fund was successful. Lowestoft was offered £24.9 million to invest in the regeneration of the town, driving economic growth and acting as a catalyst for future investment.
- **Town Revitalisation Programme** - ESC worked closely the 12 main town centres to identify challenges/opportunities to enhance high streets and address retail decline. As part of the 'Reopening High Streets Safely Fund' ESC was allocated over £200,000 for a Shop Local Stay Safe Campaign which included producing 12 videos, one for each town, and social media campaign.
- **Smart Towns** - Project was awarded £200,000 by the NALEP Innovative Projects Fund and £250,000 from Getting Building Fund. From November 2020 to March 2021, a taster programme of the Digital Advice Service was piloted, supporting over 100 businesses with expert digital help including web audits, skills workshops and 1-2-1 digital advice. Early installation plans are expected to be in place by May 2021.
- **Felixstowe Development** - Transformation of the South Seafront area of Felixstowe through significant investment in new tourism assets proceeded. Phase 3 of the scheme is up and running with the new beach village and activity park project approved in January 2021. Other planning underway included public realm improvements and the Martello Tower development as a visitor destination. The building of a new cafe on the south seafront is well advanced with completion due 2021/22.
- **Flood barrier** - ESC awarded over £43 million by Government to deliver tidal flood walls and a tidal barrier to protect and safeguard the future of Lowestoft. This was the largest single award to any scheme in the country, as part of a £170 million pot for national flood protection projects. Construction of tidal flood walls is underway as part of the wider project which, when completed will protect 1,500 homes and 800 businesses.
- **East Suffolk Community Partnerships** – ESC allocated funding to Community Partnerships to focus on specific neighbourhood issues. In 2020/21 a range of issues were targeted and addressed including:
  - £75,818 allocated across the eight Community Partnership to tackle local priorities.
  - £100,000 provided for a Bounce Back Fund to help reduce the impact of Covid-19. 60 community projects benefited from the fund.
  - £90,000 allocated to the relaunch of ESC's Hidden Needs Programme.

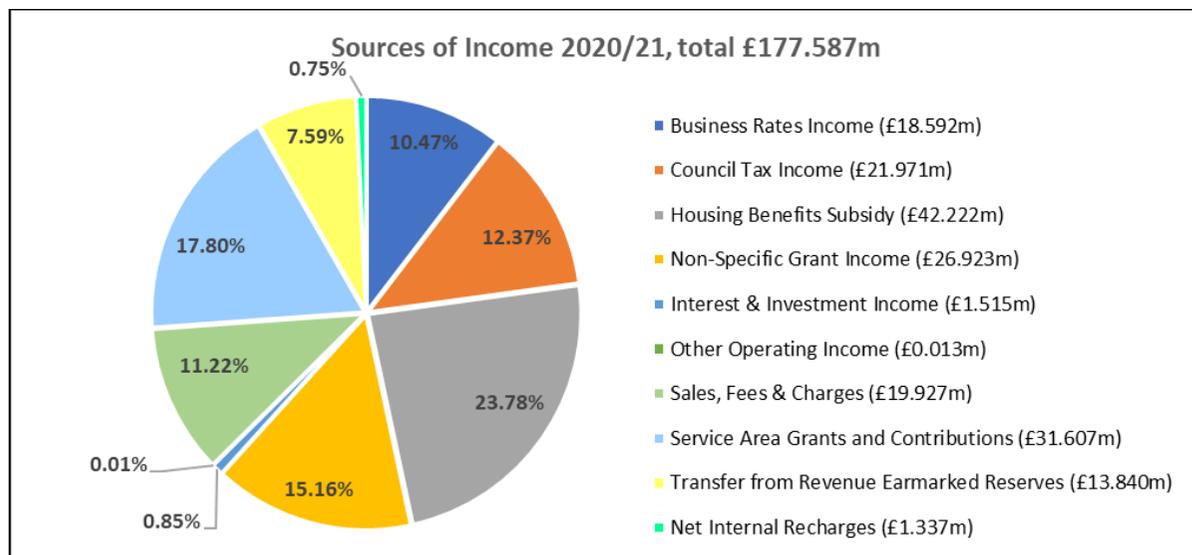
- In Kesgrave, Martlesham, Rushmere St Andrew, Carlford and Fynn Valley, allocated £5,000 to deliver two Mental Health First Aid Awareness training sessions.
  - In Felixstowe Peninsula education was identified as a key priority and £5,000 was allocated to a library project at Felixstowe School.
  - Beccles, Bungay, Halesworth and Villages Community Partnership allocated £3,250 to Bungay Town Council for a project to reclaim its old cemetery.
- **Housing**
    - Set up Independent Living East Suffolk and worked closely with Suffolk local authorities to develop outstanding services for those living with a disability.
    - Rent arrears as a percentage of the debit was 3.45% for 2020/21 exceeding its target of 4.40%. Due to predictive analytics software in place, and work of rents team to support tenants, we continued to reduce rent arrears profile to lowest level for 4 years.
    - 624 net dwellings were completed for the year including 126 affordable homes. Covid-19 restrictions reduced the number of anticipated completions, but 799 dwellings, including 150 affordable units were under construction at the end of Quarter 4.
    - The Council published two new Local Plans running until 2036, one covering the former Waveney area, and the other covering the former Suffolk Coastal area.
    - 286 homeless preventions were achieved under the Preventions Duty for the year. 65 applications were in temporary accommodation at the end of Quarter 4 and 238 were in temporary accommodation during the year.
  - **Food Hygiene Rating** - (percentage at 3-5 rating i.e. rated 'generally satisfactory' or 'better') exceeded its target of 95% with performance achieving 99% for the year.
  - **Leisure** - Project to improve Waveney Valley Leisure Centre, costing £3.4 million, was completed in October 2020. The £1 million refurbishment at Waterlane Leisure Centre concluded in February 2021.
  - **Financial** - In 2021/22 committed to spending £129 million on delivering essential services to residents, businesses and communities. ESC froze its element of council tax for 2021/22.
  - **Housing Benefit** new claims and changes continued to exceed targets throughout the year with overall performance at 4.14 days, and the number of local authority overpayments was better than the target of 0.35% at 0.16.%.
  - **Digital** - ESC website had over 3.4 million page views, more than 141,000 automated internet payment transactions and over 116,000 e-forms submitted. Twitter followers hit 10,000 for the first time and increased by around 6%. Facebook followers topped 8,000 with an increase of around 22%. Instagram had over 2,000 followers, increasing by 26% and LinkedIn up to nearly 3,000, 30% increase in followers.

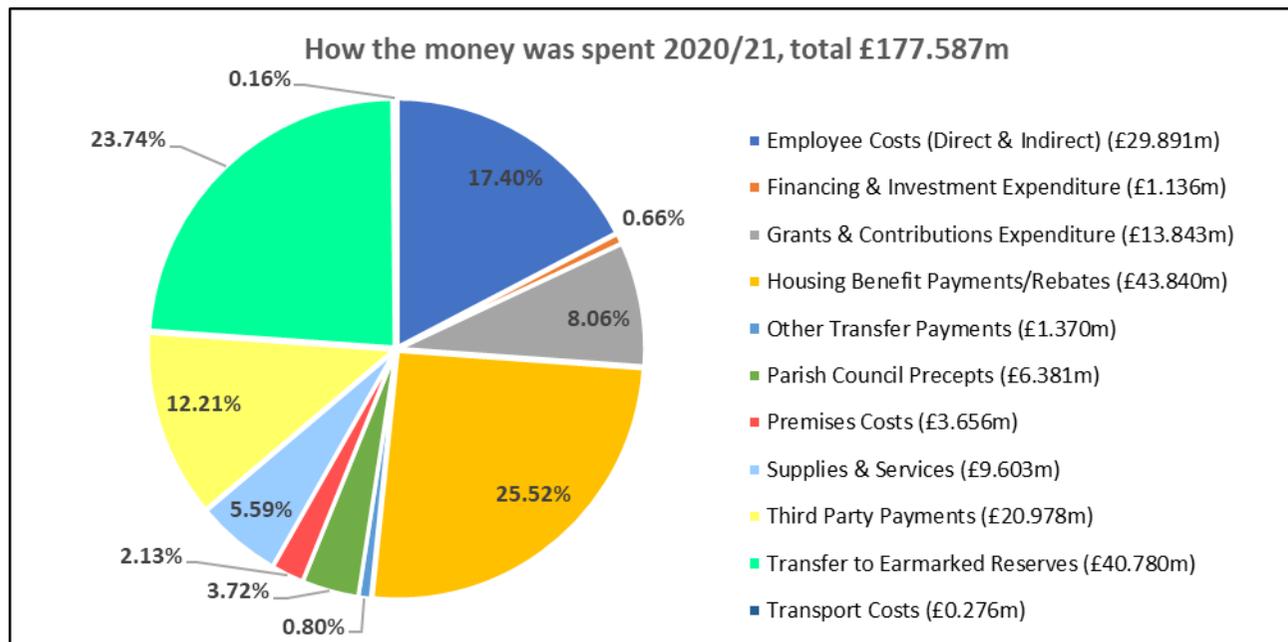
- **Waste and Recycling Services** - continues to put the environment first with 99% going to energy reproduction and recycling - not landfill. Household waste sent for reuse, recycling and composting was 39.73% for 2020/21, below its target of 44.62%. Residential waste per household performance was 508.93kg also below target.
- **Economic Development** – engaged with 6,346 businesses, high level of engagements undertaken through Covid related activities. Figure strengthened through Digital Advice Service project and engagement through Ambassador programme. 2,716 businesses received direct support.
- **Planning** - Performance for all planning applications determined consistency exceeded targets through 2020/21 with overall performance at:
  - Minor planning applications – 80% determined in 8 weeks.
  - Major planning applications – 82% determined in 13 weeks.
  - Other planning applications - 90% determined in year.

## 5. Financial Performance

### 5.1 General Fund Revenue Income and Expenditure

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





## 5.1 General Fund Revenue Outturn

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

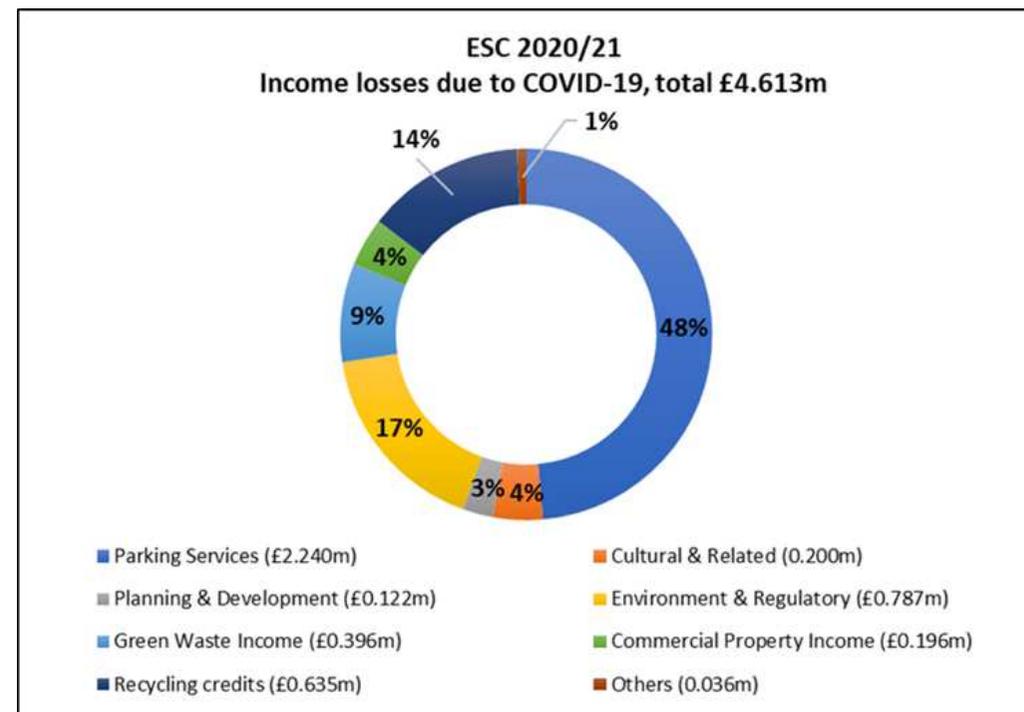
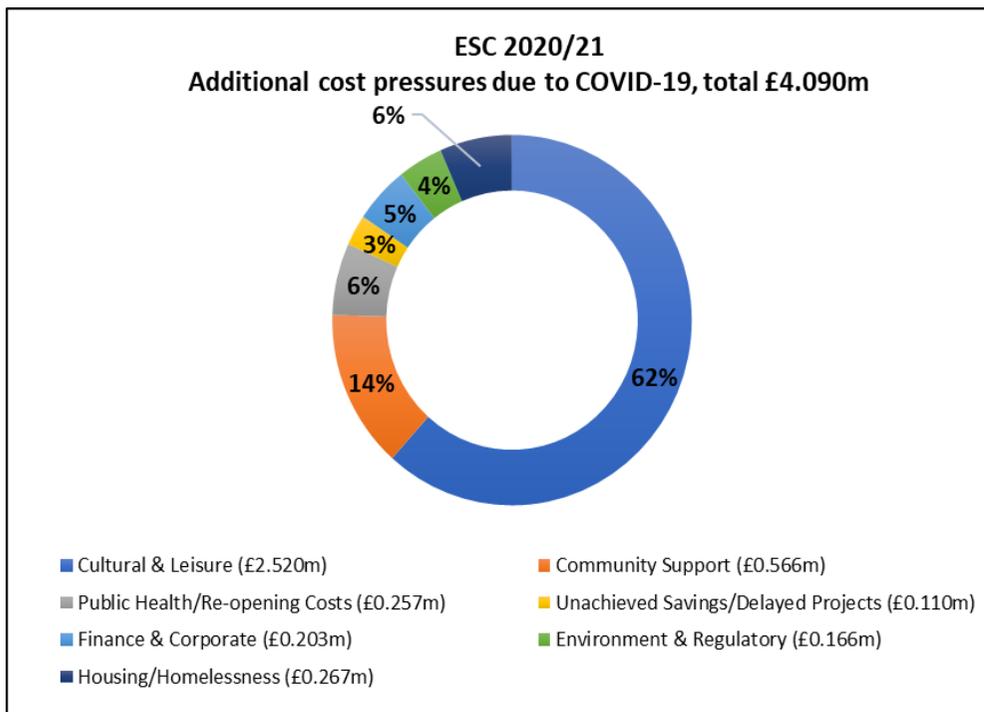
As at the 2020/21 year end, the Council was in a position to increase its Earmarked Reserves by £1.1m due to a favourable outturn position. This has been added to the Transformation Reserve to provide financial support for the delivery of the Strategic Plan. The table below provides the General Fund revenue outturn position for the Council for 2020/21, compared to the revised budget position. There are some significant variances shown in cost of service, which are largely due to Covid. Further analysis of the outturn position will be reported in the Outturn Report to Cabinet in July 2021.

Service Area	Original	Revised	Actual	Variance
	Budget	Budget	Outturn	
	2020/21	2020/21	2020/21	2020/21
	£'000	£'000	£'000	£'000
Senior and Corporate Management	2,582	2,698	2460	(238)
Economic Development and Regeneration	1,777	3,638	728	(2,910)
Financial Services, Corporate Performance and Risk	637	2,191	1,956	(235)
Revenue and Benefits	2,322	2,460	690	(1,770)
ICT	2,596	2,894	2674	(220)
Internal Audit & Corporate Investigations	501	484	430	(54)
Human Resources	655	797	771	(26)
Legal and Democratic Services	2,312	2,259	1988	(271)
Planning and Coastal Management	2,659	2,585	1543	(1,042)
Customer Services, Communications & Marketing	2,016	1,891	1725	(166)
Operations	10,455	18,728	14,417	(4,311)
Communities	1,963	2,145	(1,689)	(3,834)
Environmental Services and Port Health	683	801	29	(772)
Housing Services	2,893	1,662	1,520	(142)
<b>Net Cost of Service</b>	<b>34,051</b>	<b>45,233</b>	<b>29,242</b>	<b>(15,991)</b>
<b>Non-Cost of Service Expenditure Adjustments</b>				
Direct Revenue Financing (DRF)	1,928	5,727	4,760	(967)
Revenue provision for the repayment of debt (MRP)	1,100	821	821	0
Recharges to the Housing Revenue Account (HRA)	(1,377)	(1,337)	(1,337)	0
Bad Debt Provision	0	5	121	116
Other Accounting Adjustments	35	25	27	2
<b>Other Operating Expenditure</b>				
Town & Parish Precepts	6,381	6,381	6,381	0
Levies	240	246	252	6

	Original	Revised	Actual	Variance
	Budget	Budget	Outturn	
	2020/21	2020/21	2020/21	2020/21
	£'000	£'000	£'000	£'000
<b>Financing and Investment Income and Expenditure</b>				
Interest Payable	363	415	428	13
Interest Receivable	(800)	(800)	(1,151)	(351)
HRA Share of Interest Payable & Receivable	(104)	(61)	7	68
Investment Property Income & Expenditure	(139)	(171)	(235)	(64)
Other Financing Charges	450	450	450	0
<b>Non-Specific Grant Income</b>	<b>(7,222)</b>	<b>(31,617)</b>	<b>(25,927)</b>	<b>5,690</b>
<b>Net Budget Expenditure before Reserve Movements</b>	<b>34,906</b>	<b>25,317</b>	<b>13,839</b>	<b>(11,478)</b>
<b>Net Movements on Reserves</b>	<b>4,126</b>	<b>15,139</b>	<b>27,300</b>	<b>12,161</b>
<b>Net Budget Expenditure After Reserve Movements</b>	<b>39,032</b>	<b>40,456</b>	<b>41,139</b>	<b>683</b>
<b>Financed By:</b>				
Council Tax Income (District Council)	(15,053)	(15,053)	(15,053)	0
Council Tax Income (Town & Parish Precepts)	(6,381)	(6,381)	(6,381)	0
Share of (Surplus)/Deficit on Collection Fund - Council Tax	(537)	(537)	(537)	0
Business Rates Income	(11,308)	(12,732)	(12,872)	(140)
Share of (Surplus)/Deficit on Collection Fund - Business Rates	(5,177)	(5,177)	(5,720)	(543)
Revenue Support Grant	(328)	(328)	(328)	0
Rural Services Delivery Grant	(248)	(248)	(248)	0
<b>Total Financing</b>	<b>(39,032)</b>	<b>(40,456)</b>	<b>(41,139)</b>	<b>(683)</b>

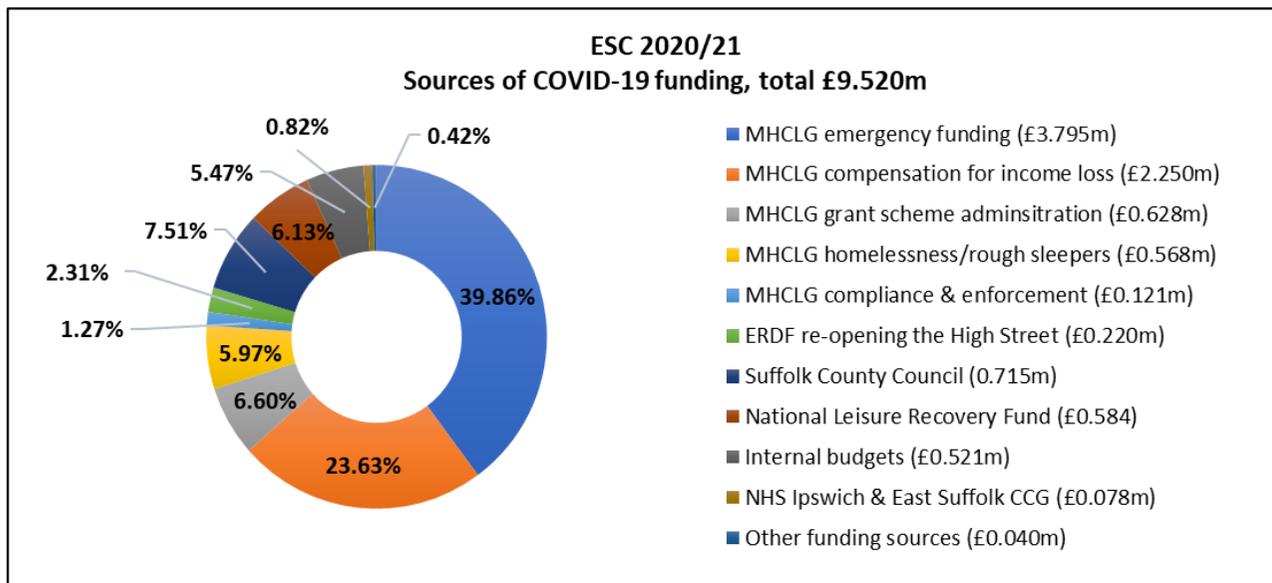
## 5.2 Impact of COVID-19 on financial performance

The following two charts outline the impact of Covid-19 on the Council's income and the additional cost pressures during the financial year. The Council also redeployed staff from business-as-usual work to assist with activities such as supporting communities and the administration and processing of business grant schemes. The value of this redeployed work is estimated to be in the region of £1m for 2020/21.



Over the course of the year, various funding streams have been made available to the Council from Central Government to support the financial pressures of Covid-19. The Council has received a total of £3.917m (£0.121m in March 2020) of Government emergency funding. Of this, £1.5m has been transferred to the Covid-19 Reserve for use in 2021/22. Over £0.620m of Government funding has been received towards the administration of the various grant schemes the Council has administered on behalf of Government. This is covered in further detail in Section 7.

A further £2.250m has been claimed from Government for compensation for the loss of income from Sales, Fees and Charges. This support is to continue for the first quarter of 2021/22. Funding was also received from other bodies, included Suffolk County Council and Ipswich and East Suffolk Clincial Commissioning Group (CCG). In total the Council received over £9.5m of funding which is illustrated in the chart below.



Of the above funding received in the year, £2.6m has been carried forward into 2021/22, by way of transfer to the Covid Earmarked Reserve or as a Receipt in Advance in the Income and Expenditure Statement (dependent on the required accounting treatment).

Savings of over £0.320m have been realised in 2020/21 due to Covid, with £0.293m arising from savings on staff and member mileage and travel costs.

Due to the level of funding that has been received, the financial net impact of the pandemic on the Council has been significantly reduced from original estimates in the first quarter of 2020/21, which was in the region of £8.6m. A summary of the overall impact of Covid-19 on the Council is set out in the table below and shows a net impact for the year of £1.461m.

<b>Covid-19 Impact 2020/21</b>	<b>£'000</b>
Covid funding received for cost and income pressures	(9,520)
Savings realised	(322)
Income loss due to Covid	4,613
Additional expenditure due to Covid	4,090
Covid ring-fenced funding carried forward to 2021/22	2,600
<b>Total net impact on the General Fund</b>	<b>1,461</b>

Details of the grant schemes administered by Council is covered in Section 7.1.

### 5.3 Housing Revenue Account (HRA)

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

The Self-Financing regime was introduced in April 2012 and the Council had to take on a significant amount of debt (£68m) in exchange for not paying future Housing Subsidy. The total debt for the Council's HRA is currently at £76m (£68m from the self-financing settlement and £8m pre-Self-Financing).

The Council's housing stock totalled 4,459 dwellings as of 31 March 2021 (4,460 as of 31 March 2020). During 2020/21 the Council added 13 properties to its housing stock and sold 14 properties through the Right to Buy Scheme.

Total Rent arrears as of 31 March 2021 was £1.162m (£0.973m as of 31 March 2020) and represented 5.8% of the HRA's gross collectable income up from 4.9% due in part to the impact of Covid-19. As illustrated in the table to the right, and in the HRA section of the Statement of Accounts, the in-year movement on the HRA working balance was a surplus position of £0.787m, increasing the HRA working balance to £6.019m as of 31 March 2021.

The HRA also holds Earmarked Reserves which are set out in Note 10 to the Statement of Accounts. As of 31 March 2021, the total balance on the HRA Earmarked Reserves was £19.619m. £12.5m of this relates to the HRA Debt Repayment Reserve which is to provide funding for future liabilities for repaying the self-financing debt.

The HRA capital programme consists of capital budgets for housing repairs, project development and the housing development programme. In 2020/21 the HRA capital spend totalled £4.151m,

which consisted of £2.099m for the new build programme, £0.860m on the Housing Project Development and £1.574m for housing repairs and improvements. The HRA spending plans, including its capital investment programme, are currently fully funded from existing resources, with no requirement for additional borrowing during 2020/21.

Housing Revenue Account Outturn Summary				
	2020/21 Original Budget £'000	2020/21 Revised Budget £'000	2020/21 Outturn £'000	2020/21 Variance £'000
<b>Income</b>				
Dwelling rent	(19,157)	(19,237)	(19,284)	(47)
Non-dwelling rents	(175)	(178)	(183)	(5)
Service charges and facilities	(1,239)	(1,265)	(1,242)	23
Leaseholders charges for services	(10)	(14)	(14)	0
Contributions towards expenditure	(34)	(48)	(48)	0
Reimbursement of costs	(285)	(341)	(341)	0
Interest income	(106)	(133)	(201)	(68)
<b>Total Income</b>	<b>(21,006)</b>	<b>(21,216)</b>	<b>(21,313)</b>	<b>(97)</b>
<b>Expenditure</b>				
Repairs & maintenance	4,318	4,889	4,969	80
Supervision and management	3,456	3,123	3,037	(86)
Special services	2,109	2,034	1,990	(44)
Rents, rates and other charges	102	141	146	5
Movement in bad debt provision	37	254	189	(65)
Contribution to CDC*	87	95	99	4
Capital charges	3,539	3,495	3,457	(38)
Interest charges	2,265	2,194	2,180	(14)
Revenue contribution to capital	5,410	1,743	1,159	(584)
Transfers to earmarked reserves	0	2,500	3,300	800
<b>Total Expenditure</b>	<b>21,323</b>	<b>20,468</b>	<b>20,526</b>	<b>58</b>
<b>Net movement on the HRA for the year</b>	<b>317</b>	<b>(748)</b>	<b>(787)</b>	<b>(39)</b>
* Corporate and Democratic Core (CDC)				

## 5.4 General Fund Capital Programme

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

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

The table in this Section summarises the General Fund Capital Programme outturn for the year. The variance at the end of the year of £5.051m is due to projects being rephased to 2021/22 and the budgets will be carried forward accordingly.

Unlike the revenue expenditure, the impact of the Covid-19 pandemic on capital programme delivery was limited. Delays at the beginning of the pandemic were offset during the year as the project teams were able to accelerate other projects to take advantage of lower footfall that resulted from lockdown. For example, the Lowestoft beach hut programme and other leisure refurbishments were brought forward.

The outturn report to Cabinet will provide further information on the Capital Programme performance in 2020/21.

General Fund Capital Programme Outturn				
Service Area	2020/21 Original Budget £'000	2020/21 Revised Budget £'000	2020/21 Outturn £'000	2020/21 Variance £'000
Economic Development & Regeneration	0	518	468	(50)
Environmental Services & Port Health	11	200	454	254
Financial Services, Corporate Performance & Risk Mgt	5,000	7,400	3,630	(3,770)
Housing Improvements	1,716	1,000	1,101	101
ICT Services	400	785	329	(456)
Operations	19,889	9,166	6,297	(2,869)
Planning & Coastal Management	14,552	8,093	9,832	1,739
<b>Total General Fund Capital Expenditure</b>	<b>41,568</b>	<b>27,162</b>	<b>22,111</b>	<b>(5,051)</b>
<b>Financed By:</b>				
<i>External:</i>				
Grants	16,940	10,191	6,845	(3,346)
Contributions	0	0	0	0
Borrowing	1,000	0	0	0
<i>Internal:</i>				
Capital Receipts	0	785	193	(592)
Borrowing	21,422	11,269	10,313	(956)
Reserves	2,206	4,917	4,760	(157)
<b>Total General Fund Capital Financing</b>	<b>41,568</b>	<b>27,162</b>	<b>22,111</b>	<b>(5,051)</b>

## 5.5 Reserves and Balances

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

The Council holds several Earmarked Revenue Reserves which have been established to meet known or predicted liabilities and to hold balances of grants and external funding which is committed to future year spend. The Council reviews these reserves to ensure the levels continue to be appropriate and if no longer required, are returned to the General Fund. As of 31 March 2021, the total balance on the General Fund Earmarked Reserves stood at £73.8m. This is an increase of £27.3m on the position as of March 2020. 2020/21 was an exceptional year due to Covid-19 and over £15m of the total reserves held is related to Covid funding, the majority of which will be released in 2021/22 and 2022/23. Earmarked Reserves to highlight include:

- **COVID-19 Response Reserve (£15.733m)** – Mainly consisting of Section 31 Grants to fund Covid related Business Rate Reliefs, Covid emergency funding, delivery of grant schemes and various community support funding streams. This reserve will be utilised in 2021/22 to deal with accounting timing differences related to the pandemic, and to fund the ongoing impact of Covid and recovery initiatives.
- **Business Rates Equalisation Reserve (£13.389m)** – This is income from Business Rates which is set aside to equalise the fluctuations in recognising Business Rate income due to timing differences, in relation to Business Rates appeals and for year-end surpluses/deficits. An additional £7.372m was added to the reserve this year. The contribution to the reserve this year has been assisted by the further delay to the reform of the Business Rate system.
- **In-Year Savings Reserve (£4.320m)** – This is in-year savings set-aside to support future year budget pressures. No transfer was made to this reserve in 2020/21.
- **Business Rate Pilot Reserve (£2.194m)** – In 2018/19, Suffolk was successful with its bid to pilot 100% Business Rates Retention Scheme. This income has been transferred to this reserve and is used to provide funding for agreed projects. Use of the reserve is made when the project spend is incurred, and £0.479m was drawn down in 2020/21, mainly for the Felixstowe south beach & Martello Café project.
- **Capital Reserve (£6.012m)** – This reserve provides a source of funding for capital investment projects. £2.543m was used from this reserve in 2020/21.
- **New Homes Bonus Reserve (£6.064m)** – This reserve established from New Homes Bonus(NHB) income is used to support community initiatives, which are detailed in the February 2021 budget report. The Council received £2.303m of NHB income in the year and £1.681m was used to fund projects.
- **Port Health (£5.597m)** – This reserve provides a source of finance to support the future investment and development of the authority's infrastructure at the Port of Felixstowe.
- **Transformation Reserve (£3.217m)** – This reserve has been established to support the delivery of the Council's Strategic Plan, with £1.683m used during the year to fund projects. £3.763m was added to the reserve to provide the financial support for the Strategic Plan going forward. This included the outturn position for the year of over £1m.

Movements on all Earmarked Reserves are set out in Note 10 to the Statement of Accounts.

## 5.6 Interests in Companies and Other Entities

In 2008/09 Waveney District Council entered an arrangement with Norse Commercial Services Limited (NCS) for the provision of a package of services including refuse, cleansing and maintenance. East Suffolk Council holds a 19.9% share of Waveney Norse Limited (Ltd). Payments made to Waveney Norse Ltd in respect of the services provided are included within the Cost of Services in the Comprehensive Income and Expenditure Statement of the Council's Statement of Accounts. Total payments to Waveney Norse Ltd were £8.183m in 2020/21 (£7.477m in 2019/20).

East Suffolk holds a 20% share of Suffolk Coastal Norse Limited (Ltd) held by Suffolk Coastal District Council since 1 April 2009. Suffolk Coastal Norse Ltd provides a package of services including refuse, cleansing and maintenance. Payments made to Suffolk Coastal Norse Ltd in respect of the services provided are included within the Cost of Services in the Comprehensive Income and Expenditure Statement of the Council's Statement of Accounts. Total payments to Suffolk Coastal Norse Ltd were £9.793m in 2020/21 (£8.988m in 2019/20).

East Suffolk Holdings Limited is wholly owned by the Council and was incorporated on 24 October 2019. East Suffolk Holdings is the sole shareholder of East Suffolk Construction Services Limited, East Suffolk Property Developments Limited, and East Suffolk Property Investments Limited, all of which were incorporated on 26 November 2019. All these companies were dormant in 2020/21 and are intended to commence trading in 2021/22.

## 5.7 Pension Liabilities

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

The Pensions Liability in the Balance Sheet reflects the underlying commitments that the Council has in the long term to pay retirement benefits. The impact of the net pension liability on overall reserves amounts to £84.267m in 2020/21 (£52.899m for 2019/20). Statutory arrangements for funding the deficit mean the financial position of the Council is not affected by this movement.

The latest triennial actuarial valuation of the assets and liabilities of the Suffolk County Pension Fund was completed on 31 March 2019. The Council has been advised that its share of the pension fund was 98% fully funded at this date. The employers pension contribution rate for 2020/21 is 34% and proposed at 33% and 32% for 2021/22 and 2022/23 respectively.

## 5.8 Provisions and Contingencies

Through the National Non-Domestic Rates (NNDR1) return, the Council has to estimate the business rates income expected to be received in the coming year based on a number of assumptions. The most significant assumption is in relation to the provision for appeals. The Council has reviewed the methodology for appeals in relation to the new check, challenge, appeal process, which has seen a significant reduction in appeals. As a result, the provision significantly decreased for both predecessor authorities in 2018/19. As a result of the Covid-19 pandemic, the national business rates

revaluation planned to take effect in April 2021 has been postponed, and the 2017 valuation list will apply for at least another year. Appeals will consequently continue to be potentially made against this list limiting the scope for further reductions to the provision. However, the Government has introduced legislation to restrict appeals arising from the pandemic itself, and the business rates outturn position for 2020/21 indicated in the NNDR3 return is now significantly better than that estimated in the 2021/22 NNDR1 return. The provision for Business Rates appeals is shown in the Collection Fund Note to the Financial Statements. The economic impact of the Covid-19 pandemic and the potential ability for debts to be recovered has also been reflected in increased provisions for doubtful debts in respect of business rates, council tax, housing benefit overpayments, and sundry debtors.

## 6. Risks and Opportunities

The Council's approach to risk management is to embed risk management into the organisation so that it is the responsibility of all managers and teams. A detailed review of corporate risks is undertaken by Corporate Management Team to manage, monitor and consider risks including management of the risk process. All corporate risks, significant for the Council, are reported to Audit and Governance Committee. The high-level details as at 31 March 2021 are:

Corporate Risk	Current rating	Target rating	Projected Direction to meet target
Covid-19 (impact on Council) (impact on Communities)	Red	Amber	↑
	Red	Amber	↑
Flood risk	Red	Amber	→
Coastal erosion	Red	Amber	→
Loss of properties from coastal erosion and wider blight of communities	Red	Amber	→
Cyber-attacks including failure of ICT (cyber security/resilience)	Amber	Amber	↑
Medium Term Overview	Amber	Green	→
Assets to assist Council meet financial requirements	Green	Green	↑
Escalating cost of waste collection/ services	Amber	Green	→
Digital Transformational Services	Amber	Green	↑
Housing Development Programme	Amber	Green	↑
Safeguarding the vulnerable	Amber	Green	→

Corporate Risk	Current rating	Target rating	Projected Direction to meet target
General Data Protection Regulation	Amber	Green	↑
Brexit	Amber	Green	→
East Suffolk Commercial Partnerships	Amber	Green	↑
St Peter's Court Tower Block, Lowestoft	Amber	Green	↑
Effective management of Key Contracts/ Partnerships	Amber	Green	→
Service Delivery Contracts / Partnerships (large/significant)	Amber	Green	→
Service Delivery Contracts / Partnerships ('other')	Green	Green	→
Flood /tidal surges (Lowestoft)	Amber	Green	→
Programme and Project Delivery	Green	Green	→
Impact of managed migration of Universal Credit	Green	Green	→
Ethical Standards (maintain and promote)	Green	Green	↑
Capital Programme	Green	Green	↑
Climate Change	Amber	Green	→
Mental wellbeing/ill health (internally)	Amber	Green	n/a

Action plans are in place to continue to improve mitigation for cyber threats and risks.

### Opportunities

As outlined in the following section, the impact of the Covid-19 pandemic represented an unprecedented challenge to the Council and the area. However, East Suffolk is well placed to take advantage of a range of opportunities and ensure sustainable economic recovery – ensuring value for money for residents and become more financially resilient.

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

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

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

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

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

## 7. Covid-19 and Forward Look

### 7.1 Covid-19

During 2020/21 significant work was undertaken to ensure the Council continued to deliver essential services to residents, businesses and communities, and those most vulnerable received support. Some functions and services impacted by Covid-19 required resource reallocation. This included the implementation of systems and processes for administering the business grant payments by Corporate Fraud, Economic Development, Finance, Internal Audit and IT Teams, and also the Community Team supporting residents and the most vulnerable in the district. Council meetings were held remotely to continue ordinary council business and homeworking for staff was enabled, supported by packages for flexible working and mental health and wellbeing. The Economic Development programme is currently being refreshed to reflect the economic impact of Covid and the Council will be monitoring the impact of the transition to long term recovery. Below are some of the ways in which the Council has responded to the pandemic;

#### Helping our communities

- Worked with volunteers, businesses and local organisations to support the most vulnerable members of our communities during the pandemic. Supported over 500 residents who were clinically extremely vulnerable.
- Introduced Grandpad Loan Scheme - specially designed tablets for older people to use.
- As part of the Suffolk-wide Home But Not Alone scheme, dealt with 2,172 requests during the first lockdown, including 750 urgent food or medicine needs.
- Created an ESC hardship fund for community funding to new and existing groups of £130,000.

- Grants of between £50 and £1,000 were given to local groups.
- Suffolk Family Focus team supported families experiencing complex and long-standing difficulties, such as domestic violence, drug and alcohol dependency, and financial issues.
- ESC converted a property to house rough sleepers during the first lockdown. ESC also secured extra funding to help support rough sleepers.
- £389,482 received in 2020/21 was in addition to the £93,312 awarded in September 2020 as part of the Government's Next Steps Accommodation Programme to help rough sleepers during the pandemic. The funding helped deliver a scheme offering a "higher level" of support to those who need it before living independently.

### **Health & Safety**

- Environmental Services teams responded to 100% of referrals from SCC's Contact & Trace Service and 100% of notifications (cases/clusters/outbreaks) from SCC's Public Health Specialist COVID-19 Co-ordination Centre Duty Team.
- Received and responded to over 1,100 Covid-19 enquiries including social distancing issues. Dealt with a 28% increase in noise complaints, mainly under restricted lockdown periods.

### **Digital**

- Enabled 750 staff and councillors to work from home. Reduced travel by 84% due to working from home and better use of technology. Deployed tablets to staff in Housing and Building Control Teams.
- Boosted capacity resulting in continuous improvement of infrastructure, networks and business systems, including rollout of technology such as Zoom, Teams and Sharepoint.
- Enabled council meetings to take place remotely, broadcast on our YouTube channel. Implemented new online services including a streamlined business grants process for administering and delivering covid-related funding.

### **Financial**

During the year the Council was responsible for the administration of various grants and relief to business and individuals on behalf of Central Government. For some grant schemes the Council was acting as Agent, this means the Council was acting at a distribution point for grants and had no control over the amount allocated to recipients. The transactions for such schemes do not appear in the Comprehensive Income and Expenditure Statement (CIES). For other grant schemes the Council did have control over the distribution of funding. For these schemes the Council was acting as Principal and the related transactions for these schemes do appear in the CEIS. Following the closure of grant schemes where the Council has acted as Agent, any unused funding awarded is returned to Central Government following a reconciliation process. Similarly, if the Council has paid out more than

it received the Council will be compensated by Government. The below table provides an overall summary of the schemes and the role of the Council in their administration.

Grant Scheme	Purpose of Grant Scheme	Council Acting as Agent or Principal	2020/21 Grant Awarded £	2020/21 Total Paid Out £
Test and Trace Support Main Scheme*	To support people on low incomes who are unable to work from home if they are told to self-isolate by the NHS Test and Trace system	Agent	(198,500)	116,500
Small Business Grants, Retail Hospitality & Leisure & Discretionary Grants*	To support eligible businesses due to the March 2020 national lockdown	Agent	(97,659,750)	62,475,000
Discretionary Grants*	To support eligible businesses due to the March 2020 national lockdown	Principal	(3,866,250)	3,866,250
Local Restrictions Support Grant (Closed)*	Support to eligible businesses required to close under Tier restrictions	Agent	(26,679,109)	18,499,177
Local Restrictions Support Grant (Open)*	Support to eligible businesses that were still open but severely impacted by Tier restrictions	Agent	(2,166,345)	1,538,612
Local Restrictions Christmas Support Package*	Christmas Support Package for Wet Led Pubs who were severely impacted by local restrictions in December 2020	Agent	(153,600)	78,000
Local Restrictions Support Grant (Sector)*	Support to eligible businesses that were required to close on a national basis since 23 March 2020	Agent	0	533
Closedown Business Lockdown*	One off payments for businesses required to close from 5 January 2021 due to the national lockdown	Agent	(18,009,000)	12,588,000
Additional Restrictions Grant*	To provide additional funding for direct business grants and wider business support	Principal	(7,205,195)	6,749,617
Test and Trace Support Discretionary Scheme	To support people on low incomes who are unable to work from home if they are told to self-isolate by the NHS Test and Trace system	Principal	(208,000)	60,000
Council Tax Hardship Fund Grant	To reduce the council tax liability of working age Local Council Tax Reduction Scheme (LCTRS) claimants	Principal	(1,916,615)	1,487,388
		<b>Total</b>	<b>(158,062,364)</b>	<b>107,459,077</b>
* Differences between the total funding awarded and the total paid out have/will be returned to Government or paid by Government following the end of the scheme.				

During 2020/21 to date the Financial impact of Covid on the Council's costs and income has been monitored and reported regularly – internally to officers and members, to central Government via monthly returns and information sharing with other Suffolk Local Authorities. The financial impact of Covid-19 during 2020/21 was detailed in Section 5.2.

The Housing Revenue Account (HRA) is generally less exposed to the financial impacts of the pandemic than the General Fund, although rent income has been affected to a degree as previously mentioned in Section 5.3.

## 7.2 Forward Look

The financial impact of Covid-19 was taken into consideration for updating the MTFs and the 2021/22 and 2022/23 budgets approved by Full Council in February 2021 and 2022 respectively. The area of expected pressure for 2021/22 is the loss of income from sales, fees and charges, in particular car parking income and also leisure services. The Business Rate Retention and Fair Funding reforms have been delayed further until 2023/24. East Suffolk is in an advantageous position under the current Business Rates Retention system and deferral of the reforms will enable the Council to benefit from another year of the current regime. This is estimated to constitute an annual financial benefit of over £3 million to the Council. The Council finds itself with pressures and uncertainties of the medium term, and the underlying budget gap that needs to be addressed. It is important that the Council's policy towards its reserves and balances seeks to provide some contingency against these future pressures and recovery from the pandemic, whilst continuing valuable community programmes and initiatives - particularly those currently funded from NHB. The table below shows the MTFs project budget gap as at February 2022. However, it should be noted that the Council achieved an improved year end position for 2020/21, enabling the Council to sustain a robust reserve position going forward.

<b>MTFS Projected Budget Gap</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>
As at February 2022	0	0	4,908	5,805	5,457

A summary of the Earmarked Reserves position for the Council over the MTFs period to 2025/26 (February 2022) is set out below, along with the actual position as at 31 March 2021. As referred to previously, Covid-19 related funding held at 31 March 2021, has been earmarked to a separate reserve. This is shown separately and stood at over £15m at year end. The Covid Reserve consists of funding to;

- support the Council's own cost pressures and the Collection Fund deficit spread over the next three years,
- deliver grant schemes the Council administered as Principal, and
- provide support to communities.

	Actual Apr-21 £'000	MTFS Apr-22 £'000	MTFS Apr-23 £'000	MTFS Apr-24 £'000	MTFS Apr-25 £'000	MTFS Apr-26 £'000
<b>General Fund Revenue Reserves</b>						
General Fund	6,000	6,000	6,000	6,000	6,000	6,000
<b>General Earmarked Reserves</b>						
Earmarked Reserves (excluding Covid related)	57,912	46,319	40,817	41,801	44,431	46,512
Earmarked Reserves (Covid related only)	15,733	9,325	2,696	1,908	1,908	1,908
<b>Total Earmarked</b>	<b>73,645</b>	<b>55,644</b>	<b>43,513</b>	<b>43,709</b>	<b>46,339</b>	<b>48,420</b>

## 8. Capital Programme

The Covid-19 pandemic had limited impact on the delivery of the Council's Capital Programme in 2020/21. Project teams reviewed our commitments, rephased projects bringing some forward and delaying others to reflect circumstances across our communities.

The Capital Programme was compiled taking account of the following main principles, to:

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

In January 2021, a General Fund capital programme of £162.281m was approved for East Suffolk Council for the period 2021/22 to 2024/25. A further £0.500m was approved in March 2021 following the Council's successful bid of £24.9m from the Towns Fund, bringing the General Fund capital programme value to £162.781m. The key capital projects in 2021/22 are:

- **Public Convenience Programme (£1.050m)** - upgrade and refurbishment of district wide public conveniences.
- **Lowestoft Flood Risk Management, Tidal Gate (£17.359m)** - a vital project to future proof Lowestoft sea front and town centre. The project has also benefited from significant external grant funding.
- **Former Deben High School Felixstowe (£2.600m)** - development of sustainable housing in the old school premises.

- **Lowestoft Beach Hut Replacement (£1.500m)** - replacement of beach huts along with the demolition, reconstruction and enhancement of the adjoining café and amenity block.
- **New Beach Hut Sites, Felixstowe (£0.900m)** - proposed investment in additional beach hut sites.
- **Southwold Harbour Fender (£1.100m)** - Southwold Harbour Fender works following damage to the fender as set out in the Cabinet Report on 3 November 2020.

The HRA capital programme totals £60.417m over the period 2021/22 to 2024/25 and includes £40.210m allocated to the New Build Programme.

# Statement of Responsibilities

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## The Council's Responsibilities

The Council is required to:

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

Councillor Geoff Lynch

Chairman of Audit & Governance Committee, East Suffolk Council

## The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code). In preparing this Statement of Accounts, the Chief Finance Officer has:

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

Certificate by the Chief Finance Officer

I certify that this Statement of Accounts has been prepared in accordance with proper accounting practices and presents a true and fair view of the financial position of the Council at 31 March 2021 and its income and expenditure for the year ending on that date.

Brian Mew

(CPFA) Chief Finance Officer and S151 Officer, East Suffolk Council – 28<sup>th</sup> June 2021

## Comprehensive Income & Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory regulations; this may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis and the Movement in Reserves Statement. The Group includes the Council's share of the Suffolk Coastal Norse Ltd and Waveney Norse Ltd profits and tax expenses.

	Authority						Group	
	2020/21			2019/20			2020/21	2019/20
	Gross Expenditure	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Net Expenditure £'000	Net Expenditure £'000
<b>Cost of Services</b>								
Communities	3,667	(5,413)	(1,746)	3,200	(1,146)	2,054	(1,746)	2,054
Customer Services	1,551	(8)	1,543	1,904	(3)	1,901	1,543	1,901
Economic Development and Regeneration	13,079	(12,293)	786	2,688	(1,274)	1,414	786	1,414
Environmental Services and Port Health	7,173	(6,444)	729	6,582	(6,099)	483	729	483
Financial Services, Corporate Performance and Risk Management	1,051	(783)	268	2,388	(827)	1,561	268	1,561
Housing Operations and Landlord Services	4,838	(4,819)	19	4,235	(4,161)	74	19	74
Housing Revenue Account	12,055	(21,113)	(9,058)	11,110	(20,650)	(9,540)	(9,058)	(9,540)
ICT Services	2,743	(5)	2,738	2,790	(8)	2,782	2,738	2,782
Internal Audit	518	(127)	391	529	(120)	409	391	409
Legal and Democratic Services	2,523	(549)	1,974	3,056	(663)	2,393	1,974	2,393
Operations	35,832	(12,593)	23,239	31,210	(11,507)	19,703	23,239	19,703
Planning and Coastal Management	9,941	(4,517)	5,424	8,934	(3,846)	5,088	5,424	5,088
Revenue and Benefits	49,063	(48,206)	857	50,668	(48,427)	2,241	857	2,241
Senior and Corporate Management	3,680	(664)	3,016	3,688	(579)	3,109	3,016	3,109
<b>Total Cost of Services</b>	<b>147,714</b>	<b>(117,534)</b>	<b>30,180</b>	<b>132,982</b>	<b>(99,310)</b>	<b>33,672</b>	<b>30,180</b>	<b>33,672</b>
<b>Other Operating Expenditure (note 11)</b>			7,866			6,086	7,866	6,086
<b>Financing and Investment Income and Expenditure (note 12)</b>			3,792			4,731	3,792	4,731
<b>Taxation and Non-Specific Grant Income (note 13)</b>			(58,764)			(52,971)	(58,764)	(52,971)
<b>(Surplus) or Deficit on Provision of Services</b>			(16,926)			(8,482)	(16,926)	(8,482)
Share of (Surplus)/Deficit on the Provision of services by Associate (note 31)			-			-	(179)	20
Tax expenses of Associate (note 31)			-			-	29	(10)
<b>(Surplus)/Deficit</b>			(16,926)			(8,482)	(17,076)	(8,472)
Surplus or deficit on revaluation of non-current assets (note 22)			(11,753)			(10,035)	(11,753)	(10,035)
Remeasurement of the net defined benefit liability / (asset) (note 22)			31,529			(27,686)	31,529	(27,686)
<b>Other Comprehensive Income and Expenditure</b>			19,776			(37,721)	19,776	(37,721)
<b>Total Comprehensive Income and Expenditure</b>			2,850			(46,203)	2,700	(46,193)

## Movement in Reserves Statement (MIRS)

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

	General Fund Balance	Earmarked General Fund Reserves	Earmarked Housing Revenue Account	Earmarked Housing Revenue Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Council's share of Reserves of Associate	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1st April 2020</b>	<b>(5,999)</b>	<b>(46,516)</b>	<b>(5,234)</b>	<b>(16,315)</b>	<b>(20,802)</b>	<b>(6,283)</b>	<b>(23,910)</b>	<b>(125,059)</b>	<b>(202,894)</b>	<b>(327,953)</b>	<b>(329)</b>	<b>(328,282)</b>
<b><u>Movement in reserves during 2020/21</u></b>												
(Surplus) or deficit on provision of services	(9,014)	-	(7,912)	-	-	-	-	(16,926)	-	<b>(16,926)</b>	-	<b>(16,926)</b>
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	19,776	<b>19,776</b>	-	<b>19,776</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(9,014)</b>	<b>-</b>	<b>(7,912)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,926)</b>	<b>19,776</b>	<b>2,850</b>	<b>-</b>	<b>2,850</b>
Adjustment between Group and Authority Accounts:												
- Purchase of Goods and Services from Associate (note 31)											(150)	(150)
- Share of Actuarial (Gains)/Losses (note 29)											557	557
<b>Net (Increase) / Decrease before Transfers</b>	<b>(9,014)</b>	<b>-</b>	<b>(7,912)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,926)</b>	<b>19,776</b>	<b>2,850</b>	<b>407</b>	<b>3,257</b>
Adjustments between accounting basis and funding basis under regulations (note 9)	(18,116)	-	3,825	-	(1,642)	(136)	(5,675)	(21,744)	21,744	-	-	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>(27,130)</b>	<b>-</b>	<b>(4,087)</b>	<b>-</b>	<b>(1,642)</b>	<b>(136)</b>	<b>(5,675)</b>	<b>(38,670)</b>	<b>41,520</b>	<b>2,850</b>	<b>407</b>	<b>3,257</b>
Transfer to / from Earmarked Reserves (note 10)	27,129	(27,129)	3,300	(3,300)	-	-	-	-	-	-	-	-
<b>(Increase) / Decrease in Year</b>	<b>(1)</b>	<b>(27,129)</b>	<b>(787)</b>	<b>(3,300)</b>	<b>(1,642)</b>	<b>(136)</b>	<b>(5,675)</b>	<b>(38,670)</b>	<b>41,520</b>	<b>2,850</b>	<b>407</b>	<b>3,257</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>(6,000)</b>	<b>(73,645)</b>	<b>(6,021)</b>	<b>(19,615)</b>	<b>(22,444)</b>	<b>(6,419)</b>	<b>(29,585)</b>	<b>(163,729)</b>	<b>(161,374)</b>	<b>(325,103)</b>	<b>78</b>	<b>(325,025)</b>

## Movement in Reserves (Continued)

	General Fund Balance	Earmarked General Fund Reserves	Earmarked Housing Revenue Account	Earmarked Housing Revenue Account Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Council's share of Reserves of Associate	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1st April 2019</b>	<b>(8,000)</b>	<b>(44,779)</b>	<b>(4,860)</b>	<b>(12,321)</b>	<b>(19,629)</b>	<b>(4,457)</b>	<b>(18,434)</b>	<b>(112,480)</b>	<b>(169,270)</b>	<b>(281,750)</b>	<b>(40)</b>	<b>(281,790)</b>
<b><u>Movement in reserves during 2019/20</u></b>												
(Surplus) or deficit on provision of services	(434)	-	(8,048)	-	-	-	-	(8,482)	-	<b>(8,482)</b>	-	<b>(8,482)</b>
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(37,721)	<b>(37,721)</b>	-	<b>(37,721)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(434)</b>	<b>-</b>	<b>(8,048)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,482)</b>	<b>(37,721)</b>	<b>(46,203)</b>	<b>-</b>	<b>(46,203)</b>
Adjustment between Group and Authority Accounts:												
- Purchase of Goods and Services from Associate (note 31)	-	-	-	-	-	-	-	-	-	-	10	10
- Share of Actuarial (Gains)/Losses (note 29)											(299)	(299)
<b>Net (Increase) / Decrease before Transfers</b>	<b>(434)</b>	<b>-</b>	<b>(8,048)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,482)</b>	<b>(37,721)</b>	<b>(46,203)</b>	<b>(289)</b>	<b>(46,193)</b>
Adjustments between accounting basis and funding basis under regulations (note 9)	698	-	3,680	-	(1,173)	(1,826)	(5,476)	(4,097)	4,097	-	-	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>264</b>	<b>-</b>	<b>(4,368)</b>	<b>-</b>	<b>(1,173)</b>	<b>(1,826)</b>	<b>(5,476)</b>	<b>(12,579)</b>	<b>(33,624)</b>	<b>(46,203)</b>	<b>(289)</b>	<b>(46,193)</b>
Transfer to / from Earmarked Reserves (note 10)	1,737	(1,737)	3,994	(3,994)	-	-	-	-	-	-	-	-
<b>(Increase) / Decrease in Year</b>	<b>2,001</b>	<b>(1,737)</b>	<b>(374)</b>	<b>(3,994)</b>	<b>(1,173)</b>	<b>(1,826)</b>	<b>(5,476)</b>	<b>(12,579)</b>	<b>(33,624)</b>	<b>(46,203)</b>	<b>(289)</b>	<b>(46,492)</b>
<b>Balance at 31 March 2020 carry forward</b>	<b>(5,999)</b>	<b>(46,516)</b>	<b>(5,234)</b>	<b>(16,315)</b>	<b>(20,802)</b>	<b>(6,283)</b>	<b>(23,910)</b>	<b>(125,059)</b>	<b>(202,894)</b>	<b>(327,953)</b>	<b>(329)</b>	<b>(328,282)</b>
<b>Balance at 1st April 2020</b>	<b>(5,999)</b>	<b>(46,516)</b>	<b>(5,234)</b>	<b>(16,315)</b>	<b>(20,802)</b>	<b>(6,283)</b>	<b>(23,910)</b>	<b>(125,059)</b>	<b>(202,894)</b>	<b>(327,953)</b>	<b>(329)</b>	<b>(328,282)</b>

## Balance Sheet

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

	Note	Authority		Group	
		2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000
Property, Plant and Equipment	14	376,400	362,349	376,400	362,349
Investment Property	16	5,000	2,900	5,000	2,900
Heritage Assets		588	588	588	588
Intangible Assets		133	149	133	149
Long Term Investments	17 + 32	34,031	18,676	34,031	18,676
Investment in Associate	31	-	-	(78)	329
Long Term Debtors	18	2,015	1,392	2,015	1,392
<b>Long Term Assets</b>		<b>418,167</b>	<b>386,054</b>	<b>418,089</b>	<b>386,383</b>
Short Term Investments	17	71,102	84,388	71,102	84,388
Current Assets held for sale		4	4	4	4
Inventories		111	106	111	106
Short Term Debtors	18	42,257	19,292	42,257	19,292
Cash and Cash Equivalents	Cash Flow	25,453	19,718	25,453	19,718
<b>Current Assets</b>		<b>138,927</b>	<b>123,508</b>	<b>138,927</b>	<b>123,508</b>
Short Term Borrowing	17	(11,286)	-	(11,286)	-
Short Term Creditors	19	(56,831)	(38,294)	(56,831)	(38,294)
Short Term Capital Grants Receipts in Advance	21	(66)	(151)	(66)	(151)
<b>Current Liabilities</b>		<b>(68,183)</b>	<b>(38,445)</b>	<b>(68,183)</b>	<b>(38,445)</b>
Long Term Creditors	19	(6,903)	(6,644)	(6,903)	(6,644)
Long Term Provisions	20	(2,668)	(2,603)	(2,668)	(2,603)
Long Term Borrowing	17	(65,967)	(77,413)	(65,967)	(77,413)
Long Term Capital Grants Receipts in Advance	21	(4,004)	(3,606)	(4,004)	(3,606)
Other Long Term Liabilities - Pension Liability	29	(84,267)	(52,899)	(84,267)	(52,899)
<b>Long Term Liabilities</b>		<b>(163,809)</b>	<b>(143,165)</b>	<b>(163,809)</b>	<b>(143,165)</b>
<b>Net Assets</b>		<b>325,102</b>	<b>327,952</b>	<b>325,024</b>	<b>328,281</b>

## Balance Sheet (Continued)

	Note	Authority		Group	
		2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000
<u>Capital Reserves</u>					
Capital Receipts Reserve		(6,419)	(6,283)	(6,419)	(6,283)
Capital Grants Unapplied		(29,585)	(23,910)	(29,585)	(23,910)
Major Repairs Reserve		(22,444)	(20,802)	(22,444)	(20,802)
Share of Reserves of Associate	31	-	-	78	(329)
<u>Revenue Reserves</u>					
General Fund					
- Fund Balance		(6,000)	(6,000)	(6,000)	(6,000)
- Earmarked Reserves		(73,645)	(46,515)	(73,645)	(46,515)
Housing Revenue Account					
- Fund Balance		(6,020)	(5,233)	(6,020)	(5,233)
- Earmarked Reserves		(19,615)	(16,315)	(19,615)	(16,315)
<b>Usable reserves</b>		<b>(163,728)</b>	<b>(125,058)</b>	<b>(163,650)</b>	<b>(125,387)</b>
Unusable reserves	22	(161,374)	(202,894)	(161,374)	(202,894)
<b>Total Reserves</b>		<b>(325,102)</b>	<b>(327,952)</b>	<b>(325,024)</b>	<b>(328,281)</b>

Brian Mew (CPFA) Chief Finance Officer and Section 151 Officer 28<sup>th</sup> June 2021

## Cash Flow Statement

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

	2020/21 £'000	2019/20 £'000
Net (surplus) or deficit on the provision of services	(16,926)	(8,482)
Adjust net surplus or deficit on the provision of services for non cash movements:		
- Depreciation and Amortisation of Non Current Assets	(8,622)	(8,791)
- Impairment and Downward valuations	(3,327)	(1,040)
Impairment for Bad Debts	(304)	(323)
- Change in Creditors	(17,942)	(2,663)
- Change in Debtors	902	(2,845)
- Change in Inventory	5	25
- Pension Liability	161	(5,192)
- Other non-cash items charged to Surplus / Deficit on Provision of Services	949	1,191
- Carrying value of Non-Current Assets disposed	(2,564)	(1,581)
- Movement in Investment Property Values	(1,106)	18
	<b>(31,848)</b>	<b>(21,201)</b>
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	10,328	16,898
<b>Net cash flows from Operating Activities</b>	<b>(38,446)</b>	<b>(12,785)</b>
Investing Activities:		
- Purchase of property, plant and equipment, investment property and intangible assets	20,331	11,679
- Purchase of short-term and long-term investments	208,100	223,200
- Other payments for investing activities	-	288
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,604)	(2,592)
- Proceeds from short-term and long-term investments	(201,100)	(210,700)
- Other receipts from investing activities	(7,214)	(12,955)
	<b>18,513</b>	<b>8,920</b>

## Cash Flow (Continued)

	2020/21 £'000	2019/20 £'000
Financing Activities:		
- Other receipts from financing activities	(2)	(2)
- Cash payments for the reduction of the outstanding liabilities relating to finance leases	280	263
- Repayments of short- and long-term borrowing	160	10,161
- Other payments for financing activities	14,045	2,468
	<u>14,483</u>	<u>12,890</u>
<b>Net increase or decrease in cash and cash equivalents</b>	<b>(5,450)</b>	<b>9,025</b>
Cash and cash equivalents at the beginning of the reporting period	(19,718)	(28,743)
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>(25,168)</b>	<b>(19,718)</b>
- Cash held by officers	1	1
- Short-term deposits	15,002	7,000
- Bank current account	10,450	12,717
<b>Sub-Total - Cash and Cash Equivalents</b>	<b>25,453</b>	<b>19,718</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>25,453</b>	<b>19,718</b>
The cashflows for operating activities include the following items:		
- Interest received	(2,581)	(938)
- Interest paid	2,965	3,060
- Dividends received	(589)	(267)

# Notes to the Core Financial Statements

## 1. Accounting Policies

### a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts, by the Accounts and Audit Regulations 2015, which are required to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. Preparer's materiality has been set at £2.650m and only accounting policies and disclosures that exceed this materiality level have been provided, with the exception of politically sensitive areas of the Statement of Accounts, such as Members Allowance (Note 23) and Officers Remuneration (Note 26).

### Going Concern

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

As mentioned in the Narrative report (Section 7.2), the Covid-19 pandemic has had a negative financial impact on East Suffolk Council in 2020/21, and in particular the loss of income from sales, fees and charges. It is also likely to impact in future years as the economy recovers. The Medium-Term Financial Strategy shows that from 2021/22 there is an underlying budget gap in the medium term that needs to be addressed.

As at 31 March 2021, the Council had the following Earmarked Reserves available to largely enable it to absorb any shock to its income streams in the short to medium term:

- In Year Savings Reserve £4.320m
- Business Rates Equalisation Reserve £13.389m

However, a prolonged and sustained recession, combined with the need to close the already

forecast budget gap could put pressure on other earmarked reserves and Council projects and services.

The Housing Revenue Account (HRA) is generally less exposed to the financial impacts of the pandemic than the General Fund, although rent income will be affected to a degree.

The Council has considered the impacts of the Covid-19 pandemic on its financial position, liquidity and performance during 2021/22 and beyond including scenarios of:

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

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

## Note 1 Accounting Policies (Continued)

The Council has also considered the impact as an event after the balance sheet date in Note 6 to the accounts.

### b) Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract. Accrued interest is accounted for in the Balance Sheet as part of the carrying value of the financial instrument.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where payments have been received in advance of obligations being performed, they have been recognised as a liability on the Balance Sheet.
- Works are charged as expenditure when they are completed before which they are carried as works in progress with inventories on the Balance Sheet.
- In calculating the accrual for major grant claims including Housing Benefit Subsidy, the sum receivable has been estimated using the latest information available from the Housing Benefit system.
- Where the Council is acting as an agent for another party (e.g., in the collection of non-domestic rates (NDR) and council tax), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

### c) Cash and Cash Equivalents

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

## Note 1 Accounting Policies (Continued)

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

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

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

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

- depreciation attributable to the assets used by the relevant service;

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

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

### e) Employee Benefits

#### Benefits payable during employment

Short-term employee benefits are those that fall due to be settled wholly within 12 months of the year-end. They include such benefits as

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

#### Termination benefits

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

## Note 1 Accounting Policies (Continued)

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to

the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### Post-employment benefits

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

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

- The liabilities of the Suffolk County Council pension fund attributable to the

Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices. The discount rate employed for the 2020/21 accounts is 2.00% which is derived by reference to market yields on high quality corporate bonds at the reporting date using a corporate bond yield curve constructed based on the constituents of the iBoxx AA corporate bond index. The currency and term of the high-quality corporate bonds used to set the discount rate is consistent with the currency and term of the liabilities.
- The assets of the Suffolk County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price;
  - unquoted securities - professional estimate;
  - unitised securities - current bid price; and
  - property - market value.

The change in the net pensions liability is analysed into the following components:

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

## Note 1 Accounting Policies (Continued)

period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

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

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the

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

### Discretionary benefits

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

### f) Events After the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that

occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

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

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

### g) Financial Instruments

#### Financial liabilities

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

## Note 1 Accounting Policies (Continued)

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the

amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

### Financial assets

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

- amortised cost;
- fair value through profit or loss; and

- fair value through other comprehensive income.

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

### Financial Assets Measured at Amortised Cost

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

## Note 1 Accounting Policies (Continued)

Statement is the amount receivable for the year in the loan agreement.

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

### Expected Credit Loss Model

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

The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

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

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

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

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

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

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

- Level 3 inputs – unobservable inputs for the asset.

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

### h) Government Grants and Contributions

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

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

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

## Note 1 Accounting Policies (Continued)

or future economic benefit or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which any conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet

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

### Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area. CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

### i) Interests in Companies and Other Entities

In May 2008, Waveney District Council signed an agreement with Norse Commercial Services Limited (NCS). A new company, Waveney Norse Limited was incorporated on 23 May 2008 and began trading on 1 July 2008. The Council transferred the responsibility for the delivery of the refuse, cleansing and maintenance services to Waveney Norse Limited. East Suffolk Council

has a 19.9% share in the Company. Profits and losses are shared 50%/50% with NCS.

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

Following a review of the Group Accounting requirements in the 2018/19 Code of Practice on Local Authority Accounting (the Code), the councils' accounting relationships with both Waveney Norse Limited and Suffolk Coastal Norse Limited companies were determined to be Associates. In the Council's own single-entity accounts, the interests in Waveney Norse Limited and Suffolk Coastal Norse Limited are recorded as a financial asset at cost, less any provision for losses.

The Group Accounting information for Waveney Norse Limited and Suffolk Coastal Norse Limited is based on their financial results at their accounting date of 1 April 2021. Further detailed information regarding the agreement is set out in the Notes to the Core

## Note 1 Accounting Policies (Continued)

Financial Statements (Interests in Companies and Other Entities).

East Suffolk Holdings Limited is wholly owned by the Council and was incorporated on 24 October 2019. East Suffolk Holdings is the sole shareholder of East Suffolk Construction Services Limited, East Suffolk Property Developments Limited, and East Suffolk Property Investments Limited, all of which were incorporated on 26 November 2019. All of these companies have been dormant since this date, and it is intended to commence trading in 2021/22.

### j) Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are

measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

### k) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and

buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### The Council as Lessee – Finance leases

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

Lease payments are apportioned between:

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

## Note 1 Accounting Policies (Continued)

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

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

### The Council as Lessor – Operating leases

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

Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### l) Overheads and Support Services

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

### m) Fair Value Measurement

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

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

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

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or

## Note 1 Accounting Policies (Continued)

liabilities that the Council can access at the measurement date;

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; or
- Level 3 – unobservable inputs for the asset or liability.

### n) Property, Plant and Equipment

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

#### Recognition

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

but does not add to an asset's potential to deliver future economic benefits or service

potential (i.e. repairs and maintenance), and expenditure below a de-minimis level of

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

#### Measurement

Assets are initially measured at cost, comprising:

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

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

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

- infrastructure, community assets and assets under construction - depreciated historical cost;
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective; or
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five

## Note 1 Accounting Policies (Continued)

years. The effective date of revaluation of those assets revalued in 2020/21 is:

- 31 December 2020 for assets measured at current value;
- 31 December 2020 for assets measured at fair value and those assets at risk of material movements in their valuation during the year; and
- 31 March 2021 for assets measured at social housing discount.

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no or insufficient balance in the Revaluation Reserve, the carrying

amount of the asset is written down against the relevant service line(s) in

the Comprehensive Income and Expenditure Statement for the amount not covered by any Revaluation Reserve balance for that asset.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### Impairment

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that

balance (up to the amount of the accumulated gains).

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

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

## Note 1 Accounting Policies (Continued)

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

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, and whose life is materially different to that of the main asset, the components are depreciated separately. This will generally apply where the cost of the potential component exceeds 25% of the total cost of the asset, and where the life of that component is less than 50% of the expected life of the main asset. Below those de minimis levels, it is unlikely that a failure to account separately for components would have a material impact on depreciation charges, using the Council's capital expenditure de minimis level of £10,000 as a guide for material impact.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been

chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account. Disposals and non-current assets held for sale

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

before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised

had they not been classified as held for sale, and their recoverable amount at the date of the decision to sell.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

## Note 1 Accounting Policies (Continued)

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

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

### o) Provisions, Contingent Liabilities and Contingent Assets

#### Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive

Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. Where the obligation is expected to be settled within 12 months of the Balance

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

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

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

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

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

#### Contingent liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

#### Contingent assets

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

## Note 1 Accounting Policies (Continued)

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

### p) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance or Housing Revenue Account in the Movement in Reserves Statement. When expenditure to be financed from a reserve, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance or Housing Revenue Account in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept in relation to non-current assets, financial instruments, retirement and employee benefits and therefore do not represent usable resources

for the Council - these Unusable Reserves are explained elsewhere in the relevant accounting policies.

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

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

#### Accounting for council tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the

income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

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

### r) VAT

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code:

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2022 in light of Covid-19 pressures.
- Definition of a Business: Amendments to IFRS 3 Business Combinations will clarify the definition of a business, with the aim of helping entities to determine whether a transaction should be accounted for as an asset acquisition or a business combination. This will take effect for asset acquisitions after 1<sup>st</sup> April 2021. This is likely to have minimal or no impact on East Suffolk Council.
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7, and Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, will provide certain reliefs in connection with interest rate benchmark reform and will be included within the 2021/22 CIPFA Code. The changes are not expected to have a material impact on the Council's single entity statements or group statements.

## 3. Critical judgements in applying accounting policies

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

- The Council has examined its leases and classified them as either operational or finance leases. In some cases, the lease transaction is not always conclusive, and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease, the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.
- Suffolk Coastal Norse Limited and Waveney Norse Limited are recognised as Associates in the Council's financial statements and Group Accounts have been prepared in 2020/21. The Council's arrangement for leisure services provision with Sentinel Leisure Trust which commenced in 2011/12 and which was terminated in 2020/21 has been assessed as not requiring Group Accounting, following a review against the guidance in the Code. East Suffolk Holdings Limited is wholly owned by the Council and was incorporated on 24 October 2019. East Suffolk Holdings is the sole shareholder of East Suffolk Construction Services Limited, East Suffolk Property Developments Limited, and East Suffolk Property Investments Limited, all of which were incorporated on 26 November 2019. All these companies were dormant in 2020/21 and are intended to commence trading in 2021/22. Consequently, these companies have been assessed as not requiring Group Accounting in 2020/21. The position will be reviewed annually and other areas potentially requiring Group Accounts will be kept under review.

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

- The nature of the accounting treatment in respect of the use of the Council's assets by Waveney Norse Limited has not been considered an embedded lease under IFRIC 4 as the Council retains ultimate control over those assets.
- Any potential legal claims by or against the Council are not adjusted in the accounts but are disclosed as part of Contingent Liabilities or Assets as required under the CIPFA Code.
- As part of the National Non-Domestic Rates (NNDR1) return in January 2020, the Council had to estimate the business rates income expected to be received in 2020/21 based on several assumptions. The most significant assumption was in relation to the provision for appeals. There are two separate provisions, one relating to the 2010 Valuation list and the other to the 2017 Valuation list. The 2010 provision was based on Government guidance and trend analysis in respect of appeals that had been lodged with the Valuation Office, backdated to 1 April 2010 where an appeal was lodged before 31 March 2015 or backdated to 1 April 2015 where the appeal was lodged after this date but before 31 March 2017. The relevant percentage used because of this was 4.04%.
- The 2017 Valuation list provision methodology has been amended with effect from the 2018/19 NNDR3 year-end return. With the new check, challenge, appeal process, there has been a significant reduction in appeals in respect of bills issued since 2017/18. As well as provision for actual challenges lodged based on the proposed reductions, a provision of 2.7% has been calculated for the two large hereditaments within the Council's valuation list and then for the remaining liabilities, this has been based on all remaining unchallenged assessments. Provision has been calculated by taking the rateable value of the unchallenged assessments, multiplying this by the business rates multiplier to get the income due, applying the 2.7% trend analysis referred to above and then finally taking 8.78% of the value as the provision based on the number of challenges lodged to date. This percentage has reduced from 25% in 2019/20 as once Covid Material Change in Circumstances (MCC) appeals were excluded the volume of appeals relating to the 2017 valuation list is less than originally expected. The government has stated that Covid MMC appeals will not be allowed and will compensate businesses through a business rate relief scheme instead.

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, plant & equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.</p> <p>Uncertainty regarding public finances and local government finance makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, potentially bringing into doubt the useful lives assigned to assets.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £615k for non-housing properties and £76k for council dwellings for every year that useful lives had to be reduced. Whilst this risk is inherent in the valuation process, any change to the useful lives of assets and the subsequent depreciation charge will not impact on the Council's usable reserve balances, as depreciation charges do not fall on the taxpayer and are removed in the Movement in Reserves Statement.</p>
Pension's liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>Whilst the effects on the net pension's liability of changes in individual assumptions can be measured, they are complex and inter-related. Any change in estimates can have a material impact on the Council's Accounts. It is important to note, however, that the impact of pension costs is protected in the short to medium term under national pension arrangements.</p>
Arrears and Provisions for Doubtful Debts	<p>In the light of the economic impacts of the Covid-19 pandemic on business and household finances, the impairment allowances for doubtful debts have been reviewed. Provisions for doubtful debts have been increased in respect of council tax, business rates; housing benefit overpayments; and sundry debtors.</p>	<p>If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required. If necessary, such a sum could be met from reserves and balances in the short term. Monitoring of the Council's debt will be intensified in the light of the Covid-19 pandemic.</p>

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Housing benefit subsidy	<p>In preparing the accounts for the year the Council has submitted a grant claim to the Department for Work and Pensions in relation to Housing Benefit paid in the year to the value of £36.5 million. The grant claim is subject to detailed audit and the accounts have been prepared on the basis that all entries on the claim have been correctly stated.</p>	<p>If the auditor identifies errors or system weakness within the grant claim there is a risk the grant income shown within the accounts is overstated. If this were to be the case, any shortfall would reduce the General Fund balance.</p>
Business rates appeals	<p>Under the Business Rates Retention scheme, which came into operation in April 2013, the Council as Billing Authority collects all Non-Domestic Rates from local business and distributes these to Central Government (50%), Suffolk County Council (10%) and Suffolk Coastal District Council (40%).</p> <p>Changes have been made by the Government in several areas since the introduction of the system, such as the imposition of a time limit for backdating appeals and the capping of year-on-year increases in rates bills. In general, the Council assumes that there will be no further significant in-year changes and fundamental changes to the system in the medium term.</p> <p>The Council must make assumptions in the returns to Government required under the system. These include estimates of growth or contraction in the rates base; the value of outstanding appeals; the value of reliefs to be awarded; and the value of doubtful debts. Methodologies for the estimation of these variables have been continually refined since April 2013.</p>	<p>If there are in-year changes to the system and there are actual variances from the assumptions on key variables included in Government returns, these will be reflected in changes in the Collection Fund surpluses or deficits attributable to Central Government, Suffolk County Council and East Suffolk Council in future years based on their distribution proportions.</p>

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair value measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for <i>similar</i> assets or liabilities in active markets or the discounted cash flow (DCF) model).</p> <p>Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk.</p> <p>However, changes in the assumptions used could affect the fair value of the Council’s assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council’s chief valuation officer and external valuer).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the authority’s assets and liabilities is disclosed in notes 14 and 15 below.</p>	The fair value for all surplus assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the authority’s area.
Covid-19 Pandemic	Assumptions in the MTFS based on the current assessment of the Covid-19 pandemic and economic impact.	This could have potential further adverse or positive impact on the Councils income streams depending on how the economy recovers.

## 5. Comprehensive Income & Expenditure Statement: Material items of income and expenditure

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

For 2020/21, there is one item to disclose:

### Active Suffolk

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

<b>Active Suffolk</b>	<b>2020/21</b>	<b>2019/20</b>
	<b>£,000</b>	<b>£,000</b>
<b>Income:</b>		
Educational Courses	(4)	(24)
Leisure Activity Fees	(4)	(34)
Contributions from Local Authorities	(100)	(125)
Contributions from NHS	(6)	(15)
Contributions from other entities	(813)	(843)
	<b>(927)</b>	<b>(1,041)</b>
<b>Expenditure:</b>		
Employee expenses	803	725
Transport costs	-	4
Supplies and services	84	152
Grants and subscriptions	116	56
	<b>1,003</b>	<b>937</b>
<b>(Surplus) transferred to earmarked reserves</b>	<b>76</b>	<b>(104)</b>

## 6. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 28 June 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. Where events taking place before this date did not relate to conditions at the Balance Sheet date but provided information that is relevant to an understanding of the Council's financial position, these events are disclosed as part of this note. There are three non-adjusted Post Balance Sheet Events to disclose as follows:

### **Covid-19 Impacts**

Since the removal of all Covid restrictions in England on 19 July 2021, Covid has continued to make an impact. At the end of November another variant, Omicron, was discovered and has since then become the dominant variant in the UK. A booster vaccination programme was quickly established; however, impacts have still been felt with Covid cases rising rapidly again. Self-Isolation payments have continued with £658,000 paid out from April 2021 to the end of January 2022. The Council also received in January 2022, a further £6.939m in business grant funding to be paid out by the end of March 2022.

### **Suffolk Coastal Norse Limited and Waveney Norse Limited**

In December 2021, the Council gave notice to Norse Commercial Services Limited that it intends to terminate the joint venture arrangements for provision of services through Suffolk Coastal Norse Limited and Waveney Norse Limited with effect from July 2023. The council intends to establish a local authority trading company for the provision of these services.

### **Freeport East**

In December 2021 Freeport East was legally designated a Freeport under the Designation of Freeport Tax Sites (Freeport East) Regulations 2021. Freeport East includes Tax Sites at Felixstowe (East Suffolk Council), Harwich (Tendring District Council), and Gateway 14 (Mid Suffolk District Council). East Suffolk Council is the accountable body for Freeport East, which will entail the receipt and distribution of significant amounts of Government seed funding and retained rates income.

### **Energy Rebate**

In February 2022 HM Treasury announced all households in Council Tax Bands A-D will receive £150 rebate as a one-off payment paid by Local Authorities from April 2022. The Council will receive grant funding in March 2022 to cover the payments. In addition, there is a discretionary fund to provide support to vulnerable people and individuals on low incomes that do not pay council tax or pay council tax for properties in Bands E-H. This will again be covered by grant funding received in March 2022.

## 7. Expenditure and Funding Analysis

This analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by Councils in comparison with those resources consumed or earned by the council in accordance with generally accepted accounting practices. It also shows how this

expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Note 7 Expenditure and Funding Analysis (Continued)

Net Expenditure in the Comprehensive Income & Expenditure Statement £'000	2020/21 (Note 9)				Net Expenditure Chargeable to GF & HRA Balances £'000		Net Expenditure in the Comprehensive Income & Expenditure Statement £'000	2019/20 (Note 9)				Net Expenditure Chargeable to GF & HRA Balances £'000
	Adjustments between the Funding & Accounting Basis							Adjustments between the Funding & Accounting Basis				
	Capital £'000	s £'000	Other £'000	Total Adj £'000				Capital £'000	Pensions £'000	Other £'000	Total Adj £'000	
(1,746)	-	(7)	(7)	(1,753)	Communities	2,054	-	174	174	2,228		
1,543	-	(9)	(9)	1,534	Customer Services	1,901	(1)	266	265	2,166		
786	(50)	(6)	(56)	730	Economic Development and Regeneration	1,414	(34)	185	151	1,565		
729	(76)	(27)	(103)	626	Environmental Services and Port Health	483	(26)	672	646	1,129		
268	(10)	1,540	1,530	1,798	Financial Services, Corporate Performance and Risk Management	1,561	(245)	3,294	3,049	4,610		
19	1,495	(11)	1,484	1,503	Housing Operations and Landlord Services	74	1,273	237	1,510	1,584		
(9,058)	1,582	(33)	1,549	(7,509)	Housing Revenue Account	(9,540)	2,973	882	3,855	(5,685)		
2,738	(256)	(9)	(265)	2,473	ICT Services	2,782	(301)	205	(96)	2,686		
391	-	(3)	(3)	388	Internal Audit	409	-	75	75	484		
1,974	(3)	(7)	(10)	1,964	Legal and Democratic Services	2,393	(3)	171	168	2,561		
23,239	(9,156)	(9)	(9,165)	14,074	Operations	19,703	(8,214)	218	(7,996)	11,707		
5,424	(4,089)	(25)	(4,114)	1,310	Planning and Coastal Management	5,088	(2,731)	665	(2,066)	3,022		
857	-	(17)	(17)	840	Revenue and Benefits	2,241	-	457	457	2,698		
3,016	-	(16)	(16)	3,000	Senior and Corporate Management	3,109	-	394	394	3,503		
<b>30,180</b>	<b>(10,563)</b>	<b>1,361</b>	<b>-</b>	<b>(9,202)</b>	<b>20,978</b>	<b>Cost of Services</b>	<b>33,672</b>	<b>(7,309)</b>	<b>7,895</b>	<b>-</b>	<b>586</b>	<b>34,258</b>
7,866	(963)	-	-	(963)	6,903	Other Operating Expenditure	6,086	727	-	-	727	6,813
3,792	5,366	(1,200)	281	4,447	8,239	Financing and Investment Income and Expenditure	4,731	3,797	(13,089)	(1,708)	(11,000)	(6,269)
(58,764)	11,703	-	(20,276)	(8,573)	(67,337)	Taxation and Non-Specific Grant Income	(52,971)	12,278	-	1,787	14,065	(38,906)
<b>(16,926)</b>	<b>5,543</b>	<b>161</b>	<b>(19,995)</b>	<b>(14,291)</b>	<b>(31,217)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>(8,482)</b>	<b>9,493</b>	<b>(5,194)</b>	<b>79</b>	<b>4,378</b>	<b>(4,104)</b>
					(74,064)	Opening General Fund and HRA Balance						(69,960)
					(31,217)	Less/Plus Surplus of (Deficit) on General Fund and HRA Balance in Year						(4,104)
					<b>(105,281)</b>	Closing General Fund and HRA Balance at 31 March*						<b>(74,064)</b>

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

## Note 7 Expenditure and Funding Analysis (Continued)

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

### Adjustments for capital purposes

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

### Net change for the pension's adjustments

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

### Other Differences

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

## 8. Expenditure and Income analysed by nature

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

	2020/21 £'000	2019/20 £'000
<b>Expenditure</b>		
Employee benefits expenses	32,564	33,218
Other service expenses	103,201	89,935
Dereciation, amortisation, impairment	13,055	9,813
Interest payments	4,178	5,022
Net (gains)/losses on financial assets at fair value through profit and loss	(281)	1,164
Impairment Losses including Reversals of Impairment Losses or Impairment Gains	304	323
Precepts and levies	6,633	6,302
Payments to Government in respect of the Housing Capital Receipts Pool	288	430
Business rates tariff payment and levy	27,640	27,250
Gain or loss on the disposal of assets	945	(646)
<b>Total expenditure</b>	<b>188,527</b>	<b>172,811</b>
<b>Income</b>		
Fees, Charges and other service income	(117,899)	(99,311)
Interest and investment income	(1,151)	(1,760)
Income from council tax, non-domestic rates, district rate income	(48,076)	(60,093)
Government grants and contributions	(38,327)	(20,129)
<b>Total income</b>	<b>(205,453)</b>	<b>(181,293)</b>
<b>Surplus or deficit on the provision of services</b>	<b>(16,926)</b>	<b>(8,482)</b>

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

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

### General Fund Balance

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

### Housing Revenue Account Balance

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

### Major Repairs Reserve

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

### Capital Receipts Reserve

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

### Capital Grants Unapplied Account

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

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

2020/21	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	
<b>Adjustments Involving the Capital Adjustment Account:</b>							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
- Charges for depreciation and impairment of non current assets	(5,111)	-	(3,423)	-	-	(8,534)	8,534
- Revaluation losses on Property, Plant and Equipment	(4,911)	1,584	-	-	-	(3,327)	3,327
- Movements in the market value of Investment Properties	(1,106)	-	-	-	-	(1,106)	1,106
- Amortisation of intangible assets	(71)	-	(17)	-	-	(88)	88
Finance Lease capital payments	-	-	-	-	-	-	-
Expenditure capitalised under Approvals:							
- Capital grants and contributions that have been applied to capital financing	376	446	-	-	-	822	(822)
- Revenue expenditure funded from capital under statute	(3,785)	-	-	-	-	(3,785)	3,785
- Revenue expenditure funded from community infrastructure levies	(607)	-	-	-	-	(607)	607
- Revenue expenditure funded from section 106 receipts	(274)	-	-	-	-	(274)	274
- Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,481)	(1,083)	-	-	-	(2,564)	2,564
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
- Statutory provision for the financing of capital investment	820	-	-	-	-	820	(820)
- Capital expenditure charged against the General Fund and HRA balances	4,760	1,159	-	-	-	5,919	(5,919)
<b>Adjustment involving the Capital Grants Unapplied Account:</b>							
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	13,284	207	-	-	(13,491)	-	-
- Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	7,816	7,816	(7,816)

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

2020/21	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments involving the Capital Receipts Reserve:</b>							
- Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	58	1,545	-	(1,603)	-	-	-
- Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	1,180	-	1,180	(1,180)
- Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts	(287)	-	-	287	-	-	-
<b>Adjustments involving the Major Repairs Reserve</b>							
Use of the Major Repairs Reserve to fund new capital expenditure	-	-	1,798	-	-	1,798	(1,798)
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>							
- Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	21	-	-	-	-	21	(21)
<b>Adjustments involving the Pooled Investments Adjustment Account:</b>							
- Amount by which Financial Instruments held under Fair Value through Profit and Loss are subject to MHCLG statutory over-ride Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	281	-	-	-	-	281	(281)
<b>Adjustments involving the Pensions Reserve:</b>							
- Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(7,616)	(1,423)	-	-	-	(9,039)	9,039
- Employer's pensions contributions and direct payments to pensioners payable in the year	7,810	1,390	-	-	-	9,200	(9,200)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>							
- Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements.	(20,277)	-	-	-	-	(20,277)	20,277
<b>Total Adjustments</b>	<b>(18,116)</b>	<b>3,825</b>	<b>(1,642)</b>	<b>(136)</b>	<b>(5,675)</b>	<b>(21,744)</b>	<b>21,744</b>

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

2019/20	Usable Reserves						Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	
<b>Adjustments Involving the Capital Adjustment Account:</b>							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
- Charges for depreciation and impairment of non current assets	(5,300)	-	(3,308)	-	-	(8,608)	8,608
- Revaluation losses on Property, Plant and Equipment	(4,013)	2,973	-	-	-	(1,040)	1,040
- Movements in the market value of Investment Properties	18	-	-	-	-	18	(18)
- Amortisation of intangible assets	(160)	-	(23)	-	-	(183)	183
Expenditure capitalised under Approvals:							
- Capital grants and contributions that have been applied to capital financing	663	-	-	-	-	663	(663)
- Revenue expenditure funded from capital under statute	(2,419)	-	-	-	-	(2,419)	2,419
- Revenue expenditure funded from community infrastructure levies	(504)	-	-	-	-	(504)	504
- Revenue expenditure funded from section 106 receipts	(218)	-	-	-	-	(218)	218
- Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(81)	(1,500)	-	-	-	(1,581)	1,581
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
- Statutory provision for the financing of capital investment	815	-	-	-	-	815	(815)
- Capital expenditure charged against the General Fund and HRA balances	2,761	612	-	-	-	3,373	(3,373)
<b>Adjustment involving the Capital Grants Unapplied Account:</b>							
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	13,636	308	-	-	(13,944)	-	-
- Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	8,468	8,468	(8,468)

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

2019/20	Usable Reserves						
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000
<b>Adjustments involving the Capital Receipts Reserve:</b>							
- Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	135	2,177	-	(2,312)	-	-	-
- Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	52	-	52	(52)
- Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(4)	-	-	4	-	-	-
- Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts	(430)	-	-	430	-	-	-
<b>Adjustments involving the Major Repairs Reserve</b>							
Use of the Major Repairs Reserve to fund new capital expenditure	-	-	2,158	-	-	2,158	(2,158)
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>							
- Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	21	-	-	-	-	21	(21)
<b>Adjustments involving the Pooled Investments Adjustment Account:</b>							
- Amount by which Financial Instruments held under Fair Value through Profit and Loss are subject to MHCLG statutory over-ride Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(1,164)	-	-	-	-	(1,164)	1,164
<b>Adjustments involving the Pensions Reserve:</b>							
- Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(10,771)	(1,772)	-	-	-	(12,543)	12,543
- Employer's pensions contributions and direct payments to pensioners payable in the year	6,469	882	-	-	-	7,351	(7,351)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>							
- Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,244	-	-	-	-	1,244	(1,244)
<b>Total Adjustments</b>	<b>698</b>	<b>3,680</b>	<b>(1,173)</b>	<b>(1,826)</b>	<b>(5,476)</b>	<b>(4,097)</b>	<b>4,097</b>

## 10. Transfers to/ from Earmarked Reserves

	Balance 31 March 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance 31 March 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance 31 March 2021	Purpose of the Earmarked Reserve
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>General Fund:</b>								
Actuarial Contributions	637	-	863	1,500	(1,500)	-	-	Financing pension strain budget pressures.
Additional Disabled Facilities Grant(DFG) funding (Non-Air Quality	8	-	21	29	(17)	-	12	External funding supporting additional Disabled Facilities Grant works above standard DFG.
Better Broadband	36	(24)	-	12	(5)	500	507	External funding received to support Broadband delivery.
Brexit	35	(35)	55	55	(61)	150	144	External funding received to finance Brexit cost pressures.
Budget Carry Forwards	212	(211)	202	203	(114)	109	198	Unspent revenue budgets carried forward to fund approved requests.
Building Control	519	(4)	-	515	-	-	515	Statutory fund to smooth Building Control expenditure and income over a rolling annual period.
Business Incentive	97	(95)	-	2	-	-	2	External Funding to support economic development.
Business Rates Equalisation	7,880	(4,651)	2,652	5,881	(14)	7,522	13,389	Business rates income set aside to equalise business rate income fluctuations and accounting timing differences.
Business Rates Pilot	3,011	(499)	161	2,673	(479)	-	2,194	Business rate retention pilot scheme income (2018/19) set aside to fund agreed projects.
Capital Reserve	3,761	(1,743)	5,932	7,950	(2,543)	605	6,012	Source of finance for capital investment plans.
Climate Change (includes Suffolk Energy Link)	58	(20)	40	78	(1)	3	80	Additional source of finance for initiatives to reduce climate change.
Coastal Management - Revenue Works	222	(56)	-	166	-	144	310	Funding of coastal defence revenue expenditure.
Coastal Protection - Capital Works	176	-	-	176	-	-	176	Funding of coastal defence capital expenditure.
Communities	899	(771)	54	182	(52)	3,025	3,155	External Funding for community initiatives.
Community Health	35	(35)	-	-	-	-	-	Delivery of Community Health projects.
Community Housing Fund	2,191	(57)	-	2,134	(53)	-	2,081	Enabling local community groups to deliver affordable housing units.
Contractual Liability	-	-	-	-	-	500	500	Supporting any third party contractual issues.
County Sports Partnership	761	(19)	123	865	(152)	76	789	Delivery of the County Sports Partnership.
COVID-19 Response	-	-	99	99	(2,368)	18,002	15,733	Government funding received in response to the COVID-19 pandemic.
Customer Services	156	-	-	156	-	90	246	Funding project support and implementation costs.
Deployment of Flood Barrier	88	-	-	88	-	-	88	Meeting Lowestoft flood barrier deployment costs.
District Elections	403	(323)	-	80	-	60	140	Supporting costs of future elections.
Domestic Violence Support Funding	53	-	93	146	(83)	-	63	Funding domestic violence support schemes.
East Suffolk Partnership	123	(123)	-	-	-	-	-	Funding to support East Suffolk Partnership projects and initiatives.
Economic Development	99	(16)	572	655	(55)	521	1,121	Funding to support Economic Development projects.
Economic Regeneration	153	(56)	172	269	(148)	60	181	Post 2013 flooding Lowestoft Seafront recovery activity.
Empty Properties & Houses in Disrepair	190	(57)	-	133	-	2	135	Assisting bringing empty properties back into use.
Enterprise Zone	684	(669)	625	640	(474)	381	547	Enterprise Zone retained business rates income pending distribution.

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

	Balance 31 March 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance 31 March 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance 31 March 2021	Purpose of the Earmarked Reserve
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Environmental Protection	-	-	-	-	-	151	151	Sizewell funding for Environmental Protection staffing.
Felixstowe Forwards	33	(7)	7	33	(3)	1	31	External funding received to fund projects in Felixstowe.
Flood Prevention	12	(6)	-	6	-	-	6	Funding for flood prevention assistance.
Great Places	13	(13)	-	-	-	-	-	- Funding new ways of working, building capacity, research, consultations and developing partnerships within Lowestoft.
Green Homes Funding	-	-	-	-	-	18	18	External funding received to facilitate greener home initiatives.
Growth Programme	184	(44)	-	140	(72)	-	68	External funding received to fund work on Suffolk Design Concepts.
Gypsy & Traveller	-	(2)	27	25	-	29	54	Fund for macerator at Kessingland site and external funding to find a new suitable site.
Heritage Action Zone North	-	-	30	30	(2)	1	29	Funding received to deliver the North Heritage Action Zone project.
Homelessness Prevention	313	(191)	316	438	(151)	284	571	Homelessness prevention revenue grants received in advance to be matched with expenditure in subsequent years.
Homes & Communities Agency (HCA) - Area Action Plan (AAP) Land Contamination Grant	162	-	-	162	-	-	162	To fund site investigative works covering the Area Action Plan in Lowestoft. Externally funded with conditions attached.
Homes & Communities Agency (HCA) Development Grant	75	-	-	75	-	-	75	Funding received for the Adastral Park development.
Housing and Planning Delivery	182	(182)	-	-	-	-	-	- To provide a source of finance to fund service improvements in these service areas.
Housing Benefit (HB) Subsidy	352	(52)	-	300	-	-	300	Meeting budget pressures due to fluctuations with HB subsidy and implementation/changes due to Government legislation.
Housing Condition Survey & Improvements	97	(6)	-	91	(46)	-	45	To meet the cost of the periodic survey of Private Sector Housing within the district.
Individual Electoral Registration	266	-	112	378	-	140	518	To meet the additional cost for administration of Individual Electoral Registration.
Indoor Leisure	120	(120)	50	50	-	-	50	Providing a source of finance to support the closure cost of Deben Leisure Centre during refurbishment.
Insurance	166	-	-	166	-	5	171	To provide a source of finance for any uninsured losses.
In-Year Contingency	400	(400)	-	-	-	-	-	- To provide in-year contingency provision.
In-Year Savings	5,606	(686)	-	4,920	(600)	-	4,320	In-Year savings set aside to support future year budget gaps.
Key Capital Programme	200	(18)	-	182	-	-	182	To provide a source of finance to support the revenue costs associated with the delivery of key capital projects.
Land Charges	372	(222)	-	150	-	-	150	To support the General Fund from losses in future Land Charges income.
Landguard	-	-	16	16	(6)	8	18	Funding for the Landguard Governance review.
Local Development Framework	477	(472)	-	5	-	-	5	To meet the costs arising from the periodic preparation and adoption of the Local Development Framework.
Lowestoft Rising	90	(24)	35	101	(44)	1	58	Funding received to deliver earmarked work under the Lowestoft Rising project.
Modular Ramps - DFG	-	-	-	-	-	-	-	- DFG funding for the removal of temporary ramps when no long required.
New Homes Bonus	4,594	(1,560)	2,408	5,442	(1,681)	2,303	6,064	Supporting community initiatives across East Suffolk.
Next Step Accommodation Programme	-	-	-	-	-	36	36	External funding to help Rough Sleepers get off the streets and into accommodation.
Planning	-	(65)	465	400	-	-	400	To provide a source of finance for planning appeals, local plans and planning challenges.

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

	Balance 31 March 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance 31 March 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance 31 March 2021	Purpose of the Earmarked Reserve
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Planning & Building Control	51	(51)	-	-	-	-	-	- To provide a source of finance for professional training and development needs of the service.
Planning Legal	-	-	200	200	-	200	400	To provide for legal costs in respect of planning appeals.
Planning Policy	255	(255)	-	-	-	-	-	- To support development work and audit of the Local Plan.
Port Health	4,623	(101)	659	5,181	(789)	1,205	5,597	Supporting the future investment and development of the Authority's infrastructure at the Port of Felixstowe.
Private Sector Housing	41	-	13	54	-	18	72	Grants repaid to be set aside for empty property/home improvement initiatives.
Private Sector Housing Renovation Grants	872	(62)	-	810	(67)	-	743	Grants repaid set aside to fund future renovation works.
Rent Guarantee Scheme	15	-	-	15	-	-	15	To provide a source of finance for landlord claims.
Revenue & Benefits Administration	191	-	52	243	-	-	243	To provide a source of finance for budget pressures on the administration of Revenues & Benefits.
S106 Interest	-	-	30	30	-	-	30	Contingency related to Affordable Housing S106 should conditions not be met.
Short Life Assets	588	(784)	596	400	(144)	618	874	To fund the purchase of short life assets. Any capital funding will be repaid from revenue budgets.
Southwold Beach Huts	175	-	-	175	-	-	175	Receipt of monies from letting of new beach hut sites in Southwold in 2014/15 approved to be used within Southwold.
Stepping Homes	68	(53)	47	62	(47)	1	16	External funding received to support hospital patients to return home (Stepping Home project).
Strategic Plan Delivery	234	-	16	250	-	-	250	Facilitating the delivery of the Council's Strategic Plan, including any emerging priorities.
Transformation	1,322	(185)	-	1,137	(1,683)	3,763	3,217	To provide funding for efficiency (invest to save) initiatives and to support the delivery of the Strategic Plan.
Warmer Homes Healthy People	36	(17)	46	65	(26)	80	119	To provide a source of finance to fund grants towards heating of homes.
Youth Leisure	10	-	-	10	-	-	10	Project funding received to support Active Leisure for young people.
<b>Total General Fund</b>	<b>44,779</b>	<b>(15,065)</b>	<b>16,801</b>	<b>46,515</b>	<b>(13,482)</b>	<b>40,612</b>	<b>73,645</b>	
<b>Housing Revenue Account:</b>	-	-	-	-	-	-	-	
Hardship Reserve	500	-	-	500	-	-	500	Providing financial help to tenants who find themselves in financial hardship.
Debt Repayment Reserve	10,000	-	1,000	11,000	-	1,500	12,500	Set aside funds to meet future liabilities for repaying the Self-Financing debt.
Impairment/Revaluation Reserve	255	-	-	255	-	-	255	Providing for potential impairment and revaluation losses to HRA assets due to changes in Accounts and Audit Regulations.
Municipal Mutual Insurance Limited (MMI) Reserve	66	(6)	-	60	-	-	60	To provide for potential liabilities relating to Municipal Mutual Insurance Limited (MMI).
Acquisition & Development Reserve	1,500	-	3,000	4,500	-	1,800	6,300	Funding for the Housing development programme.
<b>Total Housing Revenue Account</b>	<b>12,321</b>	<b>(6)</b>	<b>4,000</b>	<b>16,315</b>	<b>-</b>	<b>3,300</b>	<b>19,615</b>	
<b>Total</b>	<b>57,100</b>	<b>(15,071)</b>	<b>20,801</b>	<b>62,830</b>	<b>(13,482)</b>	<b>43,912</b>	<b>93,260</b>	

## 11. CIES - Other operating expenditure

	2020/21 £'000	2019/20 £'000
Parish Council precepts	6,381	6,067
Payments to the Government Housing Capital Receipts Pool	288	430
Gains/losses on the disposal of non current assets	945	(646)
Levies	252	235
<b>Total</b>	<b>7,866</b>	<b>6,086</b>

## 12. CIES - Financing and investment income

	2020/21 £'000	2019/20 £'000
Interest payable and similar charges	2,864	3,016
Net interest on the net defined benefit liability	1,200	1,886
Interest receivable and similar income	(569)	(1,071)
Net (gains)/losses on financial assets at fair value through profit and loss	(281)	1,164
Impairment Losses including Reversals of Impairment Losses or Impairment Gains	304	323
Income and expenditure in relation to investment properties and changes in their fair value	856	(180)
Other Investment Income	(582)	(407)
<b>Total</b>	<b>3,792</b>	<b>4,731</b>

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

	2020/21 £'000	2019/20 £'000
Council tax income	(21,307)	(20,562)
Non domestic rates	(37,819)	(37,022)
Tariff payment to Suffolk County Council	22,193	21,837
Share of (surplus)/deficit on collection fund	12,800	(625)
Share of pooling benefit with other Suffolk Councils	(1,750)	(1,722)
Levy payment to Suffolk Business Rates Pool	5,447	5,413
Share of Pilot Pooling Benefit with other Suffolk Councils	-	(161)
Non-ring fenced government grants	(26,625)	(7,851)
Capital grant and contributions	(11,703)	(12,278)
<b>Total</b>	<b>(58,764)</b>	<b>(52,971)</b>

## 14. Property, Plant & Equipment

### Movements in 2020/21:

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction		Total PPE £'000
							Construction £'000	Land £'000	
<b>Cost or Valuation</b>									
At 1 April 2020	215,452	91,650	16,547	54,687	1,748	6,474	13,213	2,851	402,622
Additions	2,571	1,217	1,028	166	31	1	10,897	122	16,033
Donated Assets	-	112	-	-	-	-	17	575	704
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,639	3,914	-	-	-	142	-	-	7,695
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	615	(5,223)	-	-	-	(48)	-	-	(4,656)
Derecognition - Disposals	(1,064)	(306)	(142)	-	(971)	-	(49)	-	(2,532)
Derecognition - Other	-	(84)	(1,131)	-	-	-	-	-	(1,215)
Other movements in Cost or Valuation	1,347	8,425	-	3,089	866	(23)	(13,797)	93	-
<b>At 31 March 2021</b>	<b>222,560</b>	<b>99,705</b>	<b>16,302</b>	<b>57,942</b>	<b>1,674</b>	<b>6,546</b>	<b>10,281</b>	<b>3,641</b>	<b>418,651</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2020	-	2,238	11,292	26,707	-	20	16	-	40,273
Depreciation charge	3,266	2,668	1,245	1,320	-	35	-	-	8,534
Depreciation written out to the Revaluation Reserve	(2,288)	(1,744)	-	-	-	(26)	-	-	(4,058)
Depreciation written out to the Surplus/Deficit on the Provision of	(973)	(347)	-	-	-	(8)	-	-	(1,328)
Derecognition - Disposals	(5)	(22)	(142)	-	-	-	-	-	(169)
Derecognition - Other	-	(4)	(995)	-	-	-	-	-	(999)
Other movements in Depreciation and Impairment	-	-	-	9	-	-	(11)	-	(2)
<b>At 31 March 2021</b>	<b>-</b>	<b>2,789</b>	<b>11,400</b>	<b>28,036</b>	<b>-</b>	<b>21</b>	<b>5</b>	<b>-</b>	<b>42,251</b>
<b>Net Book Value</b>									
<b>At 31 March 2021</b>	<b>222,560</b>	<b>96,916</b>	<b>4,902</b>	<b>29,906</b>	<b>1,674</b>	<b>6,525</b>	<b>10,276</b>	<b>3,641</b>	<b>376,400</b>
<b>At 31 March 2020</b>	<b>215,452</b>	<b>89,412</b>	<b>5,255</b>	<b>27,980</b>	<b>1,748</b>	<b>6,454</b>	<b>13,197</b>	<b>2,851</b>	<b>362,349</b>

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

Comparative Movements in 2019/20									
	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction		Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000	Construction	Land	£'000
<b>Cost or Valuation</b>									
At 1 April 2019	203,758	93,012	16,366	54,488	1,783	1,526	13,013	3,689	<b>387,635</b>
Additions	2,438	637	950	239	(35)	55	7,313	-	<b>11,597</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,813	(1,233)	-	-	-	3,705	-	-	<b>6,285</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on	1,718	(3,500)	-	-	-	(941)	-	-	<b>(2,723)</b>
Derecognition - Disposals	(1,512)	(24)	(241)	-	-	-	-	-	<b>(1,777)</b>
Derecognition - Other	(1)	-	(528)	-	-	(15)	1	-	<b>(543)</b>
Other movements in Cost or Valuation	5,238	2,758	-	(40)	-	2,144	(7,114)	(838)	<b>2,148</b>
<b>At 31 March 2020</b>	<b>215,452</b>	<b>91,650</b>	<b>16,547</b>	<b>54,687</b>	<b>1,748</b>	<b>6,474</b>	<b>13,213</b>	<b>2,851</b>	<b>402,622</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2019	-	1,964	10,828	24,988	-	18	57	-	<b>37,855</b>
Depreciation charge	3,133	2,521	1,212	1,718	-	25	-	-	<b>8,609</b>
Depreciation written out to the Revaluation Reserve	(1,903)	(1,833)	-	-	-	(14)	-	-	<b>(3,750)</b>
Depreciation written out to the Surplus/Deficit on the Provision of	(1,253)	(421)	-	-	-	(9)	-	-	<b>(1,683)</b>
Derecognition - Disposals	(12)	-	(241)	-	-	-	-	-	<b>(253)</b>
Derecognition - Other	-	-	(506)	-	-	-	-	-	<b>(506)</b>
Other movements in Depreciation and Impairment	35	7	(1)	1	-	-	(41)	-	<b>1</b>
<b>At 31 March 2020</b>	<b>-</b>	<b>2,238</b>	<b>11,292</b>	<b>26,707</b>	<b>-</b>	<b>20</b>	<b>16</b>	<b>-</b>	<b>40,273</b>
<b>Net Book Value</b>									
<b>At 31 March 2020</b>	<b>215,452</b>	<b>89,412</b>	<b>5,255</b>	<b>27,980</b>	<b>1,748</b>	<b>6,454</b>	<b>13,197</b>	<b>2,851</b>	<b>362,349</b>
<b>At 1 April 2019</b>	<b>203,758</b>	<b>91,048</b>	<b>5,538</b>	<b>29,500</b>	<b>1,783</b>	<b>1,508</b>	<b>12,956</b>	<b>3,689</b>	<b>349,780</b>

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

### Depreciation

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

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

### Fair Value Measurement of Surplus Asset

Fair Value Hierarchy - All the Councils' surplus assets have been assessed as having level 2 inputs as at 31 March 2021. Valuation Techniques used to determine Level 2 Fair Values for Surplus Assets are Significant Observable Inputs (Level 2). The fair value for all surplus assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the Council area. The fair value of surplus assets as at 31 March 2021 was £6.546 million (value as at 31 March 2020 was £6.474 million).

### Capital commitments

At 31 March 2021, the Council had contractual commitments of £21.6 million relating to the Lowestoft Flood Risk Management Project.

### Effects of changes in estimates

There were no material changes to accounting estimates for property, plant and equipment in 2020/21.

### Revaluations

The following statement shows the progress of the Council's programme of revaluation of property, plant and equipment. The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years. All valuations, with the exception of Council dwellings were carried out by the Council's in-house valuers. NPS Property Services Ltd carried out the beacon valuations of Council Dwellings. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The basis for valuation of non-current assets is set out in the Statement of Accounting

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

Policies. There were no significant assumptions made by the valuer in the year. The effective date of revaluation of those assets revalued during 2020/21 was:

- 31 December 2020 for assets measured at current value, fair value and those assets at risk of material movements in their valuation during the year; and
- 31 March 2021 for assets measured at social housing discount.

	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant &amp; £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction</b>		<b>Total PPE £'000</b>
							<b>Construction £'000</b>	<b>Land £'000</b>	
Carried at historical cost			16,302	57,942	1,674	-	10,281	3,641	89,840
Value at current value as at:									
31 March 2021	222,560	43,131	-	-	-	6,522	-	-	272,213
31 March 2020		15,605	-	-	-	13	-	-	15,618
31 March 2019		11,735	-	-	-	-	-	-	11,735
31 March 2018		18,367	-	-	-	-	-	-	18,367
31 March 2017		10,867	-	-	-	11	-	-	10,878
<b>Total Cost or Valuation</b>	<b>222,560</b>	<b>99,705</b>	<b>16,302</b>	<b>57,942</b>	<b>1,674</b>	<b>6,546</b>	<b>10,281</b>	<b>3,641</b>	<b>418,651</b>

## 15. Assets held for sale

	<b>Current Assets</b>	
	<b>2020/21 £'000</b>	<b>2019/20 £'000</b>
<b>Balance outstanding at start of year</b>	<b>4</b>	<b>2,148</b>
Assets declassified as held for sale:		
- Property, Plant and Equipment	-	(2,144)
<b>Balance outstanding at year-end</b>	<b>4</b>	<b>4</b>

## 16. Investment Properties

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

	2020/21	2019/20
	£'000	£'000
Rental income from investment properties	364	282
Direct operating expenses arising from investment properties	(114)	(120)
<b>Net gain/(loss)</b>	<b>250</b>	<b>162</b>

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

	2020/21	2019/20
	£'000	£'000
Balance at 1 April	2,900	2,882
Additions:		
- Purchases	3,206	-
Net gains/losses from fair value adjustments	(1,106)	18
<b>Balance at 31 March</b>	<b>5,000</b>	<b>2,900</b>

### Fair Value Measurement of Investment Properties

Fair Value Hierarchy - all the Council's investment properties have been assessed as having level 2 inputs as at 31 December 2020. Valuation Techniques used to determine Level 2 Fair Values for Surplus Assets are Significant Observable Inputs (Level 2). The fair value for all surplus assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the authority's area.

## 17. Financial Instruments

### Classifications

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

### Financial Assets

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

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

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

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

### Financial Liabilities

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

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

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

## Note 17 Financial Instruments (Continued)

### Balances

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

Financial Liabilities	Long-term	Short-term	Long-term	Short-term
	2020/21	2020/21	2019/20	2019/20
	£'000	£'000	£'000	£'000
Loans at amortised cost:				
Principle sum borrowed	65,967	11,286	77,413	-
<b>Total Borrowing</b>	<b>65,967</b>	<b>11,286</b>	<b>77,413</b>	<b>-</b>
Liabilities at amortised cost:				
Creditors	15	4,468	7	7,118
Finance Leases	5,779	300	6,079	280
<b>Financial Liabilities in Creditors</b>	<b>5,794</b>	<b>4,768</b>	<b>6,086</b>	<b>7,398</b>
<b>Non Financial Liabilities</b>	<b>92,048</b>	<b>51,844</b>	<b>59,666</b>	<b>31,047</b>
<b>Total Financial Liabilities</b>	<b>163,809</b>	<b>67,898</b>	<b>143,165</b>	<b>38,445</b>

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

Financial Assets	Long-term	Short-term	Long-term	Short-term
	2020/21	2020/21	2019/20	2019/20
	£'000	£'000	£'000	£'000
At amortised cost:				
Principle	-	71,000	-	84,000
Accrued Interest	-	102	-	388
At fair value through profit and loss:				
Principle	34,031	-	18,676	-
<b>Total Investments</b>	<b>34,031</b>	<b>71,102</b>	<b>18,676</b>	<b>84,388</b>
At amortised cost:				
Principle	-	25,453	-	19,718
<b>Total Cash &amp; Cash Equivalents</b>	<b>-</b>	<b>25,453</b>	<b>-</b>	<b>19,718</b>
At amortised cost:				
Debtors	222	6,280	236	6,036
Lease Receivables	4	-	4	-
Loss Allowance	-	(858)	-	(744)
<b>Financial Assets in Debtors</b>	<b>226</b>	<b>5,422</b>	<b>240</b>	<b>5,292</b>
<b>Non Financial Assets</b>	<b>1,789</b>	<b>38,037</b>	<b>1,152</b>	<b>14,110</b>
<b>Total Assets</b>	<b>36,046</b>	<b>140,014</b>	<b>20,068</b>	<b>123,508</b>

Note 17 Financial Instruments (Continued)

**Offsetting Financial Assets and Liabilities**

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

	<b>31-Mar-21</b>	<b>Net</b>	<b>31-Mar-20</b>	<b>Net</b>
	<b>(Liabilities)</b>	<b>Position on</b>	<b>(Liabilities)</b>	<b>Position</b>
	<b>Gross Assets</b>	<b>assets set</b>	<b>Gross Assets</b>	<b>assets set</b>
	<b>(Liabilities)</b>	<b>off</b>	<b>(Liabilities)</b>	<b>off</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank accounts in credit	20,221		18,675	-
Bank overdrafts		(9,771)	-	(5,958)
<b>Total Financial Assets (Liabilities)</b>		<b>10,450</b>		<b>12,717</b>

## Note 17 Financial Instruments (Continued)

### Gains and Losses

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

	2020/21			2019/20		
	Amortised cost £'000	Fair Value through Profit and Loss £'000	Total £'000	Amortised cost £'000	Fair Value through Profit and Loss £'000	Total £'000
Interest expense	2,864	-	2,864	3,016	-	3,016
Losses from change in fair value	-	(281)	(281)	-	1,164	1,164
Impairment losses	304	-	304	323	-	323
<b>Interest payable and similar charges</b>	<b>3,168</b>	<b>(281)</b>	<b>2,887</b>	<b>3,339</b>	<b>1,164</b>	<b>4,503</b>
Interest income	(569)	-	(569)	(1,071)	-	(1,071)
<b>Interest and investment income</b>	<b>(569)</b>	<b>-</b>	<b>(569)</b>	<b>(1,071)</b>	<b>-</b>	<b>(1,071)</b>
<b>Net gain / (loss) for the year</b>	<b>2,599</b>	<b>(281)</b>	<b>2,318</b>	<b>2,268</b>	<b>1,164</b>	<b>3,432</b>

### Fair Values

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

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2021, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of finance lease assets and liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.

## Note 17 Financial Instruments (Continued)

- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

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

- Level 1: fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices  
 Level 2: fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments  
 Level 3: fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

	31-Mar-21		31-Mar-20	
	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
<b>PWLB Loans (Level 2)</b>	<b>77,253</b>	<b>91,370</b>	<b>77,413</b>	<b>91,738</b>

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

Recurring Fair Value Measurement	Input level in Fair Value Hierarchy	Valuation technique used to measure Fair Value	31-Mar-21 Fair Value £000s	31-Mar-20 Fair Value £000s
<b>Fair Value through Profit &amp; Loss</b> CCLA Property Fund	1	Unadjusted quotes prices in active markets for identical shares	<b>9,203</b>	<b>9,270</b>
CCLA Diversified Income Fund	1	Unadjusted quotes prices in active markets for identical shares	<b>4,774</b>	<b>4,404</b>
Ninety One Diversified Income Fund	1	Unadjusted quotes prices in active markets for identical shares	<b>4,976</b>	-

## Note 17 Financial Instruments (Continued)

### Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

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

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

The main risks covered are:

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

### Credit Risk: Treasury Investments

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

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

## Note 17 Financial Instruments (Continued)

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

Credit Rating	31-Mar-21		31-Mar-20	
	Long Term £000s	Short Term £000s	Long Term £000s	Short Term £000s
Local Authorities - AAA	15,074	71,102	18,676	84,000
AAA				
AA+				
AA				
AA-				
A+				
A				
A-				
BBB+				
Unrated Pooled Funds	18,957			
<b>Total Investments</b>	<b>34,031</b>	<b>71,102</b>	<b>18,676</b>	<b>84,000</b>

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

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

	2020/21 £,000	2019/20 £,000
Less than three months	3,924	4,827
Three to six months	203	340
Six months to one year	264	39
More than one year	732	433
	<b>5,123</b>	<b>5,639</b>

### Note 17 Financial Instruments (Continued)

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

	<b>Range of allowances set aside</b>	<b>Gross Receivables £'000</b>	<b>Loss Allowance £'000</b>
<b>Trade Receivables 31-Mar-21</b>	4%-100%	3,578	(774)
<b>Trade Receivables 31-Mar-20</b>	4%-100%	2,877	(653)

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

### Liquidity Risk

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

Note 17 Financial Instruments (Continued)

		2020/21	2019/20
		£'000	£'000
Analysis by Lender:			
	Public Works Loan Board	77,253	77,413
Analysis by Maturity:			
	Repayable within:		
	Less than 1 year (short term)	11,286	-
	1 to 2 years	-	11,286
	2 to 5 years	2,000	2,000
	5 to 10 years	10,007	10,007
	over 10 years	53,960	54,120
		77,253	77,413
Fair Value of PWLB Loans at the year-end		91,370	91,643

Maturity of Fixed Rate Debt:	Upper Limit	Lower Limit	Actual 31-Mar-21	Actual 31-Mar-20
	%	%	%	%
Under 12 months (see note below)	50%	0%	2%	0%
12 months and within 24 months	50%	0%	0%	2%
24 months and within 5 years	75%	0%	3%	3%
5 years and within 10 years	75%	0%	15%	15%
10 years and within 20 years	75%	0%	64%	49%
20 years and above	100%	0%	16%	31%

**Market Risks: Interest Rate Risk**

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

## Note 17 Financial Instruments (Continued)

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

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

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2021, £6.63m of net principal borrowed (i.e. borrowing net of investments) was exposed to fixed rates. If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	31-Mar-21	31-Mar-20
	£'000	£'000
Increase in interest payable on variable rate borrowings	103	52
Increase in interest receivable on variable rate investments	(6)	(5)
Increase in government grant receivable for financing costs	(86)	(91)
Impact on Surplus or Deficit on the Provision of Services	(33)	(44)
Share of overall impact debited to the HRA	(16)	(21)

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

### Market Risks: Price Risk

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £9.20m. A 5% fall in commercial property prices at 31st March 2021 would result in a £0.460m charge to Other Comprehensive Income and Expenditure / the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account. The Council's investment in a diversified income fund is subject to the risk of falling rental and commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £9.75m. A 5% fall in commercial property prices at 31st March 2021 would result in a £0.488m charge to Other Comprehensive Income and Expenditure / the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

## 18. Debtors

### Short term Debtors:

	2020/21	2019/20
	£'000	£'000
Central Government bodies	18,885	3,160
Other Local Authorities	6,577	3,113
NHS bodies	132	423
Public corporations and trading funds	-	-
Council Taxpayers	2,407	2,286
Other entities and individuals	17,398	16,369
Prepayments	3,932	359
<b>Total</b>	<b>49,331</b>	<b>25,710</b>
<b>less Bad Debt Impairment Provisions:</b>		
Council Taxpayers	(1,208)	(1,121)
Other service debtors	(5,866)	(5,297)
<b>Total</b>	<b>42,257</b>	<b>19,292</b>

The large variance in Central Government bodies debtors is due to an Non-Domestic Rate (NDR) debtor for prior overpayments due from DCLG for £15.175 million. Debtors for local taxation - The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

	2020/21	2019/20
	£'000	£'000
Less than 12 months	1,639	1,540
More than one year	2,897	2,467
	<b>4,536</b>	<b>4,007</b>

### Long term Debtors:

	2020/21	2019/20
	£'000	£'000
Other Local Authorities	196	214
Finance Leases	4	4
Prepayments	-	230
Other entities and individuals	1,815	944
	<b>2,015</b>	<b>1,392</b>

## 19. Creditors

### Short term Creditors:

	2020/21	2019/20
	£'000	£'000
Central Government bodies	34,222	5,740
Other Local Authorities	8,443	14,831
NHS bodies		3
Other entities and individuals	8,580	8,272
Receipts in Advance	5,586	9,448
<b>Total</b>	<b>56,831</b>	<b>38,294</b>

### Long term Creditors:

	2020/21	2019/20
	£'000	£'000
Creditors	659	7
Finance Leases	5,779	6,079
Receipts in Advance	465	558
	<b>6,903</b>	<b>6,644</b>

## 20. Provisions

	Other £'000	Business Rates Appeals £'000	Total £'000
<u>Long Term Provisions</u>			
<b>Balance at 1 April 2020</b>	5	2,598	2,603
Movement in Provision in 2020/21	(5)	702	697
Amounts used in 2020/21	-	(539)	(539)
Unused amounts reversed in 2020/21	-	(93)	(93)
<b>Balance at 31 March 2021</b>	<u>-</u>	<u>2,668</u>	<u>2,668</u>

### Outstanding Legal Cases

The Council has no substantial legal cases in progress that require provision in the accounts.

### National Non-Domestic Rates

As part of the National Non-Domestic Rates (NNDR1) return in January 2020, the Council had to estimate the business rates income expected to be received in 2020/21 based on several assumptions. The most significant assumption was in relation to the provision for appeals. There are two separate provisions, one relating to the 2010 Valuation list and the other to the 2017 Valuation list. The 2010 provision was based on Government guidance and trend analysis in respect of appeals that had been lodged with the Valuation Office, backdated to 1 April 2010 where an appeal was lodged before 31 March 2015 or backdated to 1 April 2015 where the appeal was lodged after this date but before 31 March 2017. The relevant percentage used because of this was 4.04%.

The 2017 Valuation list provision methodology has been amended with effect from the 2018/19 NNDR3 year-end return. With the new check, challenge, appeal process, there has been a significant reduction in appeals in respect of bills issued since 2017/18. As well as provision for actual challenges lodged based on the proposed reductions, a provision of 2.7% has been calculated for the two large hereditaments within the Council's valuation list and then for the remaining liabilities, this has been based on all remaining unchallenged assessments. Provision has been calculated by taking the rateable value of the unchallenged assessments, multiplying this by the business rates multiplier to get the income due, applying the 2.7% trend analysis referred to above and then finally taking 8.78% of the value as the provision based on the number of challenges lodged to date. This percentage has reduced from 25% in 2019/20 as once Covid Material Change in Circumstances (MCC) appeals were excluded the volume of appeals relating to the 2017 valuation list is less than originally expected. The government has stated that Covid MMC appeals will not be allowed and will compensate businesses through a business rate relief scheme instead.

## 21. Grant Income

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

	2020/21 £'000	2019/20 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
<u>Non-ringfenced grants:</u>		
Revenue Support Grant	(328)	(322)
New Homes Bonus	(2,303)	(2,408)
Business Rates Reliefs	(17,144)	(4,686)
Covid19 Government Grant Schemes	(6,399)	-
Other Non-ringfenced grants	(451)	(435)
<u>Capital grants and contributions:</u>		
Coastal Management/ Protection	(4,890)	(7,741)
HRA Developments	(579)	(308)
Community Infrastructure Levy	(5,519)	(3,971)
s106 contributions	(382)	(248)
Covid19 Government Grant Schemes	(74)	-
Leisure Development	(258)	-
Other capital grants and contributions	(1)	(10)
<b>Total</b>	<b>(38,328)</b>	<b>(20,129)</b>
<b>Credited to Services</b>		
Housing Benefits Subsidy	(42,222)	(45,158)
Benefits Administration Grant	(883)	(870)
Disabled Facilities Grants	(2,725)	(2,255)
Discretionary Housing Payments Grant	(441)	(429)
Homelessness Grants	(1,212)	(783)
Covid19 Government Grant Schemes	(13,736)	-
European Union Exit Grants	(1,124)	(356)
Regeneration of Coastal Communities	(1,605)	-
Other Grants	342	(1,169)
<b>Total</b>	<b>(63,605)</b>	<b>(51,020)</b>

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

	2020/21 £'000	2019/20 £'000
<b>Capital Grants Receipts in Advance (Short-Term)</b>		
s106 Contributions	66	151
<b>Total</b>	<b>66</b>	<b>151</b>
<b>Capital Grants Receipts in Advance (Long-Term)</b>		
Other grants	25	26
s106 Contributions	3,979	3,580
<b>Total</b>	<b>4,004</b>	<b>3,606</b>

## 22. Unusable Reserves

	2020/21	2019/20
	£'000	£'000
Revaluation Reserve	(71,570)	(61,351)
Capital Adjustment Account	(189,555)	(189,951)
Financial Instruments Adjustment Account	682	703
Pooled Investment Funds Adjustment Account	1,028	1,309
Deferred Capital Receipts Reserve	(4)	(4)
Pensions Reserve	84,267	52,899
Collection Fund Adjustment Account	13,778	(6,499)
<b>Total Unusable Reserves</b>	<b>(161,374)</b>	<b>(202,894)</b>

### Revaluation Reserve

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

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

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

## Note 22 Unusable Reserves (Continued)

	2020/21	2019/20
	£'000	£'000
<b>Balance at 1 April</b>	<b>(61,351)</b>	<b>(52,620)</b>
Upward revaluation of assets	(14,729)	(12,945)
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	2,976	2,910
<b>Surplus or deficit on revaluation of non-current assets posted to the Surplus or Deficit on the Provision of Services</b>	<b>(11,753)</b>	<b>(10,035)</b>
Difference between fair value depreciation and historical cost depreciation	1,344	1,225
Accumulated gains on assets sold or scrapped	190	79
<b>Amount written off to the Capital Adjustment Account</b>	<b>1,534</b>	<b>1,304</b>
<b>Balance at 31 March</b>	<b>(71,570)</b>	<b>(61,351)</b>

### Pooled Investment Funds Adjustment Account

With the adoption of accounting standard IFRS 9 Financial Instruments, the 'Available for Sale Financial Instruments Reserve' category is no longer available and has been replaced with the 'Pooled Investment Funds Adjustment Account'. The new standard requires that where the relevant criteria are met for fair value gains and losses on a pooled investment fund, the charge must be applied to an account established, charged and used solely for the purpose of recognising fair value gains and losses, this being the 'Pooled Investment Funds Adjustment Account'.

	2020/21	2019/20
	£'000	£'000
<b>Balance at 1 April</b>	<b>1,309</b>	<b>145</b>
Transfer in from Financial Instruments Available for Sale Reserve	-	-
Financial Instruments held under Fair Value through Profit and Loss subject to MHCLG statutory over-ride	(281)	1,164
<b>Balance at 31 March</b>	<b>1,028</b>	<b>1,309</b>

## Note 22 Unusable Reserves (Continued)

### Capital Adjustment Account

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

	2020/21 £'000	2019/20 £'000
<b>Balance at 1 April</b>	<b>(189,951)</b>	<b>(187,653)</b>
<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>		
- Charges for depreciation and impairment of non current assets	8,534	8,608
- Revaluation losses on Property, Plant and Equipment	3,327	1,040
- Amortisation of intangible assets	88	183
- Revenue expenditure funded from capital under statute	3,785	2,419
- Revenue expenditure funded from section 106 receipts	274	218
- Revenue expenditure funded from community infrastructure levies	607	504
- Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,564	1,581
<u>Adjusting amounts written out of the Revaluation Reserve:</u>		
- Difference between fair value depreciation and historical cost depreciation in Revaluation Reserve	(1,344)	(1,225)
- Amounts written out on disposal of assets	(190)	(79)
<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>17,645</b>	<b>13,249</b>
<u>Capital financing applied in the year:</u>		
- Use of Capital Receipts Reserve to finance new capital expenditure	(1,180)	(52)
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(734)	-
- Application of grants to capital financing from the Capital Grants Unapplied Account	(7,816)	(8,468)
- Application of grants to capital financing from Receipts in Advance	(88)	(663)
- Statutory provision for the financing of capital investment charged against the General Fund and and HRA balances	(820)	(815)
- Use of Major Repairs Reserve to finance new capital expenditure	(1,798)	(2,158)
- Capital expenditure charged against the General Fund and HRA balances	(5,919)	(3,373)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	1,106	(18)
<b>Balance at 31 March</b>	<b>(189,555)</b>	<b>(189,951)</b>

## Note 22 Unusable Reserves (Continued)

### Financial Instruments Adjustment Account

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

	2020/21	2019/20
	£'000	£'000
<b>Balance at 1 April</b>	<b>703</b>	<b>724</b>
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(21)	(21)
<b>Balance at 31 March</b>	<b>682</b>	<b>703</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2020/21	2019/20
	£'000	£'000
<b>Balance at 1 April</b>	<b>52,899</b>	<b>75,393</b>
Remeasurements of the net defined benefit liability / (asset)	31,529	(27,686)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	9,039	12,543
Employer's pensions contributions and direct payments to pensioners payable in the year	(9,200)	(7,351)
<b>Balance at 31 March</b>	<b>84,267</b>	<b>52,899</b>

## Note 22 Unusable Reserves (Continued)

### Collection Fund Adjustment Account

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

	2020/21	2019/20
	£'000	£'000
<b>Balance at 1 April</b>	<b>(6,499)</b>	<b>(5,255)</b>
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements.	20,277	(1,244)
<b>Balance at 31 March</b>	<b>13,778</b>	<b>(6,499)</b>

## 23. Members Allowances

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

	2020/21	2019/20
	£'000	£'000
Basic, Attendance and Special Responsibility Allowances	621	595
Subsistence and Expenses	2	38
<b>Total</b>	<b>623</b>	<b>633</b>

## 24. External Audit costs

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

	2020/21	2019/20
	£'000	£'000
Fees payable to the Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the year	70	60
Additional fees payable to the Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the previous year	24	64
Fees payable to the Ernst and Young LLP for the certification of grant claims and returns for the year	41	41
Additional fees payable to the Ernst and Young LLP for the certification of grant claims and returns for the previous year	(9)	26
<b>Total</b>	<b>125</b>	<b>190</b>

## 25. Related Parties

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

### Central Government

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties (e.g. council tax bills, business rates and housing benefits). Grants received from Government departments and grants receipts outstanding at 31 March 2020 are shown in Note 20.

## Note 25 Related Parties (Continued)

### **Suffolk County Council**

Transactions include income and expenditure, precept payments and Business Rates pooling (Collection Fund statement), pension payments (Note 28), and funding of partnership arrangements. Income relating to Waste Recycling Credits totalled £1.845m (2019/20 £1.702m) with a year-end debtor of £0.206m (2019/20 £0.220m).

### **Members and Chief Officers**

Members and Chief Officers of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2020/21 is shown in note 23. The Council made payments in 2020/21 totalling £0.715m (2019/20 £0.438m) with a year-end creditor of £0.000m (2019/20 £0.119m) to other organisations in which Members had an interest. The Council also received income from other organisations totalling £0.038m (2020/21 £0.046m) with a year-end debtor of £0.000m (2019/20 £0.003m) in which members had an interest. Any contracts were entered into in full compliance with the Council's standing orders, and any grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to awarding of the contract or grant.

### **Levies Paid to other Authorities**

Rivers and Drainage Authorities £0.252m (2019/20 £0.235m) as shown in note 11.

### **Waveney Norse Ltd**

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

### **Suffolk Coastal Norse Ltd**

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

### **East Suffolk Holdings Limited**

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

## Note 25 Related Parties (Continued)

### **East Suffolk Construction Services Limited / East Suffolk Property Developments Limited / East Suffolk Property Investments Limited**

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

## 26. Officer's remuneration and exit packages

The remuneration paid to senior employees is set out in the table below. No bonuses were paid in 2020/21. The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

		Salary, Fees and Allowances	Benefits in Kind (e.g. Car Allowances)	Total Excluding Pension Contributions	Employer's Pension Contribution	Total including Pension Contributions
		£	£	£	£	£
Chief Executive	2020/21	153,615	963	154,578	52,229	206,807
	2019/20	149,503	3,906	153,409	34,087	187,496
Strategic Director	2020/21	105,022		105,022	35,707	140,729
	2019/20	102,211	-	102,211	23,304	125,515
Strategic Director	2020/21	105,022		105,022	35,707	140,729
	2019/20	102,211	-	102,211	23,304	125,515
Chief Finance Officer & S151 Officer *	2020/21	79,129		79,129	16,820	95,949
	2019/20	78,044	-	78,044	17,794	95,838
Interim Chief Finance Officer & S151 Officer	2020/21	26,431		26,431	8,987	35,418
	2019/20	-	-	-	-	-
Head of Communities	2020/21	75,080		75,080	25,527	100,607
	2019/20	70,364	-	70,364	16,043	86,407
Head of Customer Services, Communications & Marketing	2020/21	71,090		71,090	23,636	94,726
	2019/20	36,161	-	36,161	8,239	44,400
Head of Economic Development & Regeneration	2020/21	75,080		75,080	25,527	100,607
	2019/20	70,364	-	70,364	16,043	86,407
Head of Environmental Services & Port Health	2020/21	88,503		88,503	30,091	118,594
	2019/20	82,535	-	82,535	18,818	101,353
Head of Housing **	2020/21	73,151		73,151	23,943	97,094
	2019/20	80,867	-	80,867	18,438	99,305
Head of ICT ***	2020/21	68,856		68,856	20,272	89,128
	2019/20	71,002	-	71,002	15,691	86,693
Head of Internal Audit	2020/21	75,080		75,080	25,527	100,607
	2019/20	70,364	-	70,364	16,043	86,407
Head of Legal & Democratic Services	2020/21	88,773		88,773	30,091	118,864
	2019/20	76,277	-	76,277	17,391	93,668
Head of Operations	2020/21	75,080		75,080	25,527	100,607
	2019/20	70,364	-	70,364	16,043	86,407
Head of Planning & Coastal Management	2020/21	88,503		88,503	30,091	118,594
	2019/20	82,535	-	82,535	18,818	101,353

## Note 26 Officers Remuneration (Continued)

\* postholder - Ill Health Retirement 31st October 2020

\*\* postholder - left Councils employment January 2021

\*\*\* postholder - DIS January 2021

The table below shows employees remuneration by band over £50,000 in £5k increments. The numbers include officers who were made redundant voluntarily during the 2020/21 financial year, and whose remuneration may not have normally been included within the limits of the above table, but who had received a redundancy payment which increased their earnings to over the minimum of £50k. An additional column in the Table above shows leavers. In addition, other transactions are disclosed in Note 25, Related Parties.

Remuneration band	2020/21		2019/20	
	Number of employees		Number of employees	
	Total	Left in Year	Total	Left in Year
£50,000 - £54,999	11	-	9	-
£55,000 - £59,999	3	-	1	-
£60,000 - £64,999	1	-	4	-
£65,000 - £69,999	4	-	1	-
£70,000 - £74,999	3	-	5	-
£75,000 - £79,999	5	-	2	-
£80,000 - £84,999	1	-	3	-
£85,000 - £89,999	3	-	-	-
£90,000 - £94,999	-	-	-	-
£95,000 - £99,999	-	-	1	-
£100,000 - £104,999	-	-	1	-
£105,000 - £109,999	2	-	-	-
£110,000 - £114,999	-	-	-	-
£115,000 - £119,999	-	-	-	-
£120,000 - £124,999	-	-	-	-
£125,000 - £129,999	-	-	-	-
£130,000 - £134,999	-	-	-	-
£135,000 - £139,999	-	-	-	-
£140,000 - £144,999	-	-	-	-
£145,000 - £149,999	-	-	-	-
£150,000 - £154,999	1	-	1	-
	<b>34</b>	-	<b>28</b>	-

## Note 26 Officers Remuneration (Continued)

### Exit Packages

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

Exit Package cost band (including special payments)	Number of Compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
£								£
0 to 20,000	2	4	-	2	2	6	36,352	25,185
20,001 to 40,000	-	-	1	-	1	-	21,715	-
40,001 to 60,000	-	1	-	-	-	1	-	50,099
60,001 to 80,000	-	-	-	-	-	-	-	-
80,001 to 100,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2</b>	<b>5</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>7</b>	<b>58,067</b>	<b>75,284</b>

The total cost in the above table covers exit packages (also known as termination benefits) that have been agreed, accrued for and charged to the Council's Comprehensive Income and Expenditure Statement for the disclosed financial year. The figures exclude payments made for ill-health retirements, of which there were costs of £1,818,086 as they are not discretionary and do not therefore meet the definition of termination benefits under the CIPFA Code of Practice.

## 27. Capital expenditure and capital financing

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

	2020/21	2019/20
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>114,737</b>	<b>115,553</b>
<i>Capital investment</i>		
Property, Plant and Equipment*	16,737	11,597
Investment Properties*	3,206	-
Intangible Assets	72	-
Heritage Assets	-	12
Payment in advance	4,147	-
Revenue Expenditure Funded from Capital under Statute	4,666	3,141
Property, Plant and Equipment written out to Revenue	(14)	-
<b>Total Capital Investment</b>	<b>28,814</b>	<b>14,750</b>
<i>Sources of finance</i>		
Capital receipts	1,180	52
Government grants and other contributions	8,638	9,131
Sums set aside from revenue:		
Direct revenue contributions	5,919	3,373
Minimum Revenue Provision	820	815
Release of Payment in Advance	935	37
Major Repairs Reserve	1,798	2,158
<b>Closing Capital Financing Requirement</b>	<b>124,261</b>	<b>114,737</b>
<i>Explanation of movements in year</i>		
Increase in underlying need to borrowing (unsupported by government financial	9,524	(816)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>9,524</b>	<b>(816)</b>

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

## 28. Leases

### Disclosures as Lessee

#### Finance Leases

No assets under finance leases were acquired by the Council in the year. Assets acquired under finance leases prior to 1st April 2020 are carried as property, plant and equipment in the Balance Sheet at the net amount of £11.000m. The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council, and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2020/21		2019/20	
	£'000		£'000	
Finance lease liabilities (net present value of minimum lease payments):				
- current		300		280
- non current		5,779		6,079
Finance costs payable in future years		3,419		3,869
Minimum lease payments		<b>9,498</b>		<b>10,228</b>
The minimum lease payments will be payable over the following periods:				
	Minimum Lease Payments		Finance Lease Liabilities	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Not later than one year	731	731	300	280
Later than one year and not later than five years	2,922	2,922	1,429	1,335
Later than five years	5,845	6,575	4,350	4,744
	<b>9,498</b>	<b>10,228</b>	<b>6,079</b>	<b>6,359</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. There were no material contingent rents payable by the Council under finance leases for 2020/21. In relation to one of the Council's finance leases, the Lessor had to secure financing to be able to fulfil the capital project it was undertaking for the Council. It was agreed between the Lessor and Santander, that as part of the Council's monthly lease payment, the Council would make direct payment to Santander to cover the cost of the Lessor's monthly repayment of the financing.

## Note 28 Leases (Continued)

### Operating Leases

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

	Other Land and Buildings	
	2020/21	2019/20
	£'000	£'000
Not later than one year	94	97
Later than one year and not later than five years	225	149
Later than five years	321	328
	<b>640</b>	<b>574</b>

### Disclosures as Lessor

#### Finance Leases

The Council has no material finance leases as a lessor.

#### Operating Leases

The Council leases out property under operating leases for the following purposes:

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

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

	2020/21	2019/20
	£'000	£'000
Not later than one year	1,618	1,446
Later than one year and not later than five years	4,993	5,077
Later than five years	28,819	29,551
	<b>35,430</b>	<b>36,074</b>

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

There were no material contingent rents receivable by the Council under operating leases for 2020/21. All assets provided under operating lease assets by the Council are shown within the movements included within Property, Plant and Equipment (Note 14).

## 29. Pensions

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

The Pensions Liability in the Balance Sheet reflects the underlying commitments that the Council has in the long term to pay retirement benefits. The impact of the net pension liability on overall reserves amounts to £84.267m in 2020/21. However statutory arrangements for funding the deficit mean the financial position of the Council is not affected.

The latest triennial actuarial valuation of the assets and liabilities of the Suffolk County Pension Fund was completed on 31 March 2019. The Council has been advised that its share of the pension fund was 98% fully funded at this date. The proposed

employers pension contribution rate for 2021/22 and 2022/23 is 33% and 32%.

### **Participation in the pension scheme**

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

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

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

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

### **Transactions relating to post-employment benefits**

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

Note 29 Pensions (Continued)

	Local Government Pension Scheme	
	2020/21	2019/20
	£'000	£'000
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Cost of Services:</i>		
- Current service cost	7,831	9,541
- Past Service cost	8	1,116
<i>Financing and investment income and expenditure:</i>		
- Net interest expense	1,200	1,886
<b>Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>9,039</b>	<b>12,543</b>
<i>Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in the net interest expense)	(39,722)	20,013
- Actuarial gains and losses arising on changes in demographic assumptions	4,111	(6,222)
- Actuarial gains and losses arising on changes in financial assumptions	70,232	(22,765)
- Other	(3,119)	(18,685)
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>31,502</b>	<b>(27,659)</b>
<i>Movement in Reserves Statement:</i>		
- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(9,039)	(12,543)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
- Employers' contributions payable to scheme	9,173	7,378

## Note 29 Pensions (Continued)

### Pension's assets and liabilities recognised in the Balance Sheet

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

	Local Government Pension Scheme	
	2020/21 £'000	2019/20 £'000
Present value of the defined benefit obligation	(351,891)	(274,225)
Fair value of plan assets	267,624	221,326
<b>Net liability arising from defined benefit obligation</b>	<b>(84,267)</b>	<b>(52,899)</b>

Note 29 Pensions (Continued)

	Local Government Pension Scheme	
	2020/21	2019/20
	£'000	£'000
<b>Reconciliation of the movements in the fair value of the scheme (plan) assets:</b>		
Opening fair value of scheme assets	221,326	236,247
Interest Income	5,104	5,659
Effect of Settlements		
Remeasurement gain / (loss):		
- The return on plan assets, excluding the amount included in net interest expense	39,722	(20,013)
- Other		
Contributions from employer	9,173	7,378
Contributions by employees into the scheme	1,436	1,376
Benefits paid	(9,137)	(9,321)
Closing fair value of scheme assets	<b>267,624</b>	<b>221,326</b>
<b>Reconciliation of present value of the scheme liabilities (defined benefit obligation):</b>		
	Local Government Pension Scheme	
	2020/21	2019/20
	£'000	£'000
Opening balance 1 April	274,225	311,640
Current service cost	7,831	9,541
Interest cost	6,304	7,545
Contributions from scheme participants	1,436	1,376
Remeasurement (gains) and losses:		
- Actuarial gains / losses arising from changes in demographic assumptions	4,111	(6,222)
- Actuarial gains / losses arising from changes in financial assumptions	70,232	(22,765)
- Other	(3,119)	(18,685)
Past service costs	8	1,116
Benefits paid	(9,137)	(9,321)
Closing balance at 31 March	<b>351,891</b>	<b>274,225</b>

## Note 29 Pensions (Continued)

Local Government Pension Scheme assets comprised: (Active Markets unless otherwise stated)	Fair Value of Scheme Assets	
	2020/21	2019/20
	£'000	£'000
Equity instruments:		
- Consumer	6,484	5,583
- Manufacturing	3,711	2,374
- Energy and Utilities	870	1,056
- Financial Institutions	3,536	2,577
- Health and Care	1,710	1,706
- Information Technology	1,443	908
- Other	3,590	1,857
	<b>21,344</b>	<b>16,061</b>
Debt Securities:		
- Corporate (Investment Grade)	<b>58,603</b>	<b>49,568</b>
Private Equity (Non-active Market 2020/21 - 7,992 (2019/20 - 7,766))	<b>10,699</b>	<b>9,605</b>
Real Estate:		
- UK Property	<b>20,891</b>	<b>21,416</b>
Investment Funds & Unit Trusts:		
- Equities	114,202	73,970
- Bonds	10,407	17,926
- Hedge Funds	14,459	13,183
- Infrastructure (Non-active Market)	6,991	12,010
- Other (Non-active Market)	6,086	3,848
	<b>152,145</b>	<b>120,937</b>
Derivatives:		
- Foreign exchange	<b>(23)</b>	<b>92</b>
Cash and cash equivalents	<b>3,965</b>	<b>3,647</b>
<b>Total Assets (Non-active Market 2020/21 - 21,069 (2019/20 - 23,624))</b>	<b>267,624</b>	<b>221,326</b>

## Note 29 Pensions (Continued)

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, based on the roll forward from the 2019 formal valuation.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2020/21	2019/20
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	22.1	21.9
- Women	24.5	24.1
Longevity at 65 for future pensioners:		
- Men	23.2	22.7
- Women	26.4	25.6
Rate of inflation	2.85%	1.90%
Rate of increase in salaries	3.55%	2.60%
Rate of increase in pensions	2.85%	1.90%
Rate for discounting scheme liabilities	2.00%	2.30%

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

## Note 29 Pensions (Continued)

### Sensitivity Analysis

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

<b>Change in assumptions at 31 March 2021</b>	<b>Approx. increase in Employers Liability</b>	<b>Approx. amount £'000</b>
0.5% decrease in Real Discount Rate	10%	34,462
0.5% increase in the Salary Increase Rate	1%	3,233
0.5% increase in the Pension Increase Rate	9%	30,506

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

### Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at a constant rate as far as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over 20 years. Funding levels are monitored on an annual basis. The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31st March 2015. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. The Council anticipates paying £7.405m in contributions to the scheme in 2021/22.

## 30. Contingent Assets & Liabilities

As at 31 March 2021, the Council had 2 material contingent liabilities:

- A potential error has been identified in relation to East Suffolk Council's (and its predecessor, Waveney District Council's) approach to rent setting, rent review and associated compliance with the Regulator of Social Housing's Rent Standard. The amount and timing of any liability to the Council is currently uncertain.
- East Suffolk Council has received a letter of claim in respect of termination of a partnership agreement in October 2020. The Council is seeking external legal advice in assessing the claim, and to date.

## 31. Interests in companies and other entities

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

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

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

### **Waveney Norse Limited and Suffolk Coastal Norse Limited**

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

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

The Group Accounts are included in this document as additional columns to East Suffolk Council's Primary Statements, showing the extent of the Council's 19.9% interest in Waveney Norse Ltd and 20% interest in Suffolk Coastal Norse Ltd.

In addition to the Group Accounts, the following information has been disclosed to aid an understanding of the nature of the group relationship and the impact of the arrangements East Suffolk Council's Statement of Accounts.

#### Note 31 Interests in Companies & other entities (Continued)

- a) The registered names of the Companies are Waveney Norse Limited and Suffolk Coastal Norse Limited;
- b) Nature of the business - the principal activities of Waveney Norse Ltd and Suffolk Coastal Norse Limited are refuse, cleansing and maintenance services;
- c) The immediate parent undertaking is Norse Commercial Services Limited;
- d) The ultimate parent undertaking is Norse Group Limited;
- e) The ultimate controlling party is Norfolk County Council, by virtue of them owning 100% of the ordinary share of Norse Group Limited;
- f) East Suffolk Council holds fully paid Ordinary Share capital of £2, in Waveney Norse Ltd with no special rights or constraints. It has a 19.9% share and also receives a 50-50 profit / loss share at year-end;
- g) East Suffolk Council holds fully paid Ordinary Share capital of £2, in Suffolk Coastal Norse Ltd with no special rights or constraints. It has a 20% share and also receives a 50-50 profit / loss share at year-end;
- h) Both companies' contributions to their pension schemes are treated as if they are contributions to a defined contribution scheme. Set contributions are paid over the life of the Agreement, with any increase or decrease in funding being met by the Council.
- i) Payments made to Waveney Norse Limited in respect of refuse, cleansing and maintenance services are included within the Cost of Services in the Comprehensive Income and Expenditure Statement. Total payments to Waveney Norse Ltd were £8.183m in 2020/21 and included in the Accounting Statements as follows:

	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Housing Operations and Landlord Services	685	669
Legal and Democratic Services	9	9
Operations	7,448	6,762
Planning and Coastal Management	40	38
	<b>8,183</b>	<b>7,477</b>

j) Details of Waveney Norse Limited's draft annual financial results to 31 March 2021 are set out below;

Note 31 Interests in Companies & other entities (Continued)

	2020/21 Waveney Norse £000	2020/21 Council Investment (19.9%) £000	2019/20 Waveney Norse £000	2019/20 Council Investment (19.9%) £000
Current Assets				
Stock	28	6	127	25
Debtors	3,195	636	3,141	625
Cash at Bank	657	131	-	-
Gross Assets	<b>3,879</b>	772	3,268	650
Creditors falling due within one year	<b>(1,367)</b>	(272)	(962)	(191)
Net Assets / Shareholder's Funds	<b>2,512</b>	500	<b>2,306</b>	<b>459</b>
Turnover	<b>10,134</b>	2,017	10,424	2,074
Profit on ordinary activity before taxation	<b>302</b>	60	158	31
Tax on profit on ordinary activity	<b>(61)</b>	(12)	(25)	(5)
Profit for the Financial Period	<b>241</b>	48	<b>133</b>	<b>26</b>
<u>Tax components included in the above figures are as follows:</u>				
Debtors				
- Deferred Tax asset	<b>35</b>	7	24	5
Creditors falling due within one year				
- Corporation Tax	<b>(69)</b>	(14)	27	5
Tax on profit on ordinary activity				
- Current Tax	<b>(61)</b>	(12)	(26)	(5)
	<b>(61)</b>	(12)	<b>(26)</b>	<b>(5)</b>

### Note 31 Interests in Companies & other entities (Continued)

- k) Payments made to Suffolk Coastal Norse Limited in respect of refuse, cleansing and maintenance services are included within the Cost of Services in the Comprehensive Income and Expenditure Statement. Total payments to Suffolk Coastal Norse Ltd were £9.793m in 2020/21 and included in the Accounting Statements as follows:

	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Planning & Coastal Management	13	13
Legal & Democratic Services	2	2
Housing Operations & Landlord services Operations	1 9,777	1 8,972
	<b>9,793</b>	<b>8,988</b>

- l) Details of Suffolk Coastal Norse Limited's draft annual financial results to 31 March 2020 are set out below:

Note 31 Interests in Companies & other entities (Continued)

	2020/21	2020/21	2019/20	2019/20
	Suffolk	Council	Suffolk	Council
	Coastal	Investment	Coastal	Investment
	Norse Ltd	(20%)	Norse Ltd	(20%)
	£'000	£'000	£'000	£'000
<b>Current Assets</b>				
Stock	58	12	138	28
Debtors	4,806	961	4,946	989
Cash at Bank	186	37	133	27
	<b>5,050</b>	<b>1,010</b>	<b>5,217</b>	<b>1,044</b>
Creditors falling due within one year	(1,616)	(323)	(1,207)	(241)
Defined Benefit Pension Scheme Liability	(7,906)	(1,582)	(4,664)	(934)
Net Assets / Shareholder's funds	<b>(2,931)</b>	<b>(587)</b>	(654)	(131)
Share of Actuarial Gains/(Losses)	<b>(2,786)</b>	(557)	1,494	299
Turnover	<b>14,156</b>	2,831	14,247	2,849
Loss on ordinary activity before taxation	595	119	(257)	(51)
Tax on profit on ordinary activity	(86)	(17)	75	15
Loss for the Financial Period	<b>510</b>	<b>102</b>	<b>(182)</b>	<b>(36)</b>
<u>Tax components included in the above figures are as follows:</u>				
Debtors				
- Deferred Tax asset	1,541	308	903	181
Creditors falling due within one year				
- Corporation Tax	98	20	56	11
Tax on profit on ordinary activity				
- Current Tax	13	3	55	11
- Deferred Tax	(98)	(20)	(130)	(26)
	<b>(86)</b>	<b>(17)</b>	<b>(75)</b>	<b>(15)</b>

## Note 31 Interests in Companies & other entities (Continued)

### **Sentinel Leisure Trust**

With effect from 1 April 2011, Waveney District Council transferred the management and operation of its leisure operations to the newly formed Sentinel Leisure Trust. Seven volunteers were initially appointed as Trustees and Directors of the new Trust and were joined by two Council representatives on the Board. The Council has a 15-year partnership management agreement with Sentinel. The facilities and equipment remain the property of the Council throughout the Partnership, with the Trust operating under a lease. The Council gave Sentinel 12 months' notice in October 2019, and the contract terminated in October 2020.

## 32. Long term investments

As at 31 March 2021, East Suffolk Council had long term investment balances of £34.031m of which £15.074 was held with other local authorities and £18.917m was held in a mix of Property Funds and Diversified Income Funds and £40k in Anglia Revenues Partnership (ARP). The Council has invested in these funds for the long term and therefore expect any downturn in fund values due to Covid19 will be mitigated over time.

	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Analysis by Lender:		
Public Works Loan Board	<b>77,253</b>	77,413
Analysis by Maturity:		
Repayable within		
2 years	<b>11,286</b>	11,286
2 to 5 years	<b>2,000</b>	2,000
5 to 10 years	<b>10,007</b>	10,007
over 10 years	<b>53,960</b>	54,120
	<b>77,253</b>	77,413
Fair Value of PWLB Loans at the year-end	<b>91,370</b>	91,643

During 2020/201 the Council has received dividends on the investments and the principal invested in the Property Fund has depreciated in value, by £66k and the diversified income fund had appreciated by £347k resulting in a net adjustment of £281k. This was charged to Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement and added to the long term investment balance resulting in the balance decreasing to £9.166m for the Property Fund and £9.751m for the Diversified Income Fund.

## 33. Prior period adjustments

There are no prior period adjustments to report in 2020/21.

## Housing Revenue Account Income & Expenditure Statement

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

	HRA Note	2020/21	2019/20
		£'000	£'000
<b>Income</b>			
Gross rental income:			
- Dwelling rents		(19,284)	(18,839)
- Non-dwelling rents		(183)	(184)
Charges for services and facilities		(1,243)	(1,218)
Lease holders charges for services and facilities		(14)	(9)
Contributions towards expenditure		(48)	(73)
Reimbursement of costs		(341)	(327)
<b>Total income</b>		<b>(21,113)</b>	<b>(20,650)</b>

## Housing Revenue Account Income & Expenditure Statement (Continued)

	HRA Note	2020/21	2019/20
		£'000	£'000
<b>Expenditure</b>			
Repairs, maintenance and management:			
- Repairs and maintenance		4,966	4,735
- Supervision and management		3,059	3,934
- Special Services		1,990	1,929
- Redundancy and associated pension costs		15	9
Rents, rates and other charges		146	124
Movement in the allowance for bad debts		189	(161)
Depreciation of HRA non-current assets:			
- Dwellings	8	3,267	3,133
- Other assets	8	173	198
Revaluation & impairment of HRA non-current assets		(1,583)	(2,973)
Debt management costs	4	22	21
<b>Total expenditure</b>		<b>12,244</b>	<b>10,949</b>
<b>Net expenditure or (income) of HRA services as included in the whole authority CIES</b>		<b>(8,869)</b>	<b>(9,701)</b>
- HRA share of Corporate and Democratic Core		98	88
<b>Net expenditure or (income) of HRA services</b>		<b>(8,771)</b>	<b>(9,613)</b>
HRA share of the operating income and expenditure included in the whole authority CIES:			
- (Gain) or loss on sale of HRA non-current assets		(467)	(679)
- Interest payable and similar charges	4	2,180	2,258
- Pension Cost Contribution		-	477
- HRA interest and similar income	4	(201)	(183)
- HRA Impairment Losses including Reversals of Impairment Losses or Impairmer	4	-	-
- HRA Capital Grants & Contributions		(653)	(308)
<b>(Surplus) or deficit for the year on HRA services</b>		<b>(7,912)</b>	<b>(8,048)</b>

## Movement on the Housing Revenue Account Statement

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

	2020/21	2019/20
	£'000	£'000
<b>Movement on the HRA Statement</b>		
<b>HRA balance brought forward</b>	<b>(5,233)</b>	<b>(4,859)</b>
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(7,912)	(8,048)
Adjustments between accounting basis and funding basis under statute (Note 9 to the Core Statements)	3,825	3,680
<b>Net (increase) or decrease before transfers to or from reserves</b>	<b>(4,087)</b>	<b>(4,368)</b>
Transfers (from) or to HRA Earmarked Reserves (Note 10 to the Core Statements)	3,300	3,994
<b>(Increase) or decrease in year on the HRA</b>	<b>(787)</b>	<b>(374)</b>
<b>Balance on the HRA at the end of the year</b>	<b>(6,020)</b>	<b>(5,233)</b>

## Notes to the Housing Revenue Account

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

The account shows the rent and charges for services and facilities due in the year after allowing for voids and other losses in collection. 2020/21 is a 52-week rent year. Charges for Services and Facilities relate to heating, warden and other communal services provided to residents in sheltered accommodation.

	2020/21	2019/20
Average dwelling rent per week (£)	83.26	81.43
Arrears at 31 March (£'000)	1,162	973
Arrears at 31 March as % of the gross income collectable	5.8%	4.9%
Provision for bad debts at 31 March (£'000)	850	661

### 2. Major Repairs Reserve (MRR)

	2020/21	2019/20
	£'000	£'000
The movement on the Major Repairs Reserve (MRR) for the financial year is analysed below:		
MRR opening balance	20,802	19,629
Amounts transferred to/(from) the MRR during the year	3,440	3,331
Debits to the MRR during the year in respect of HRA capital expenditure	(1,798)	(2,158)
<b>MRR closing balance</b>	<b>22,444</b>	<b>20,802</b>

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

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

	2020/21	2019/20
Capital receipts from sales of council houses (Right to Buys) can be summarised as follows:		
- Number of disposals under Right to Buy	11	28
- Value of disposals under Right to Buy (£'000)	750	2,090
Value of capital receipts from the disposal of other HRA land, houses and property	930	256

### 4. Capital Related Charges

	2020/21	2019/20
	£'000	£'000
Depreciation charge	3,440	3,331
Debt management expenses	22	21
Interest payable	2,169	2,247
Premium charges for early repayment of debt	10	10
Transfer to Capital Financing Account via MRR	1,799	2,158
Interest income on notional cash balances	(201)	(183)

## 5. Housing Stock

	2020/21	2019/20
The stock of dwellings has changed as follows:		
Opening stock of dwellings	4,460	4,446
Add: new build/purchases/additions	13	44
Less: sales	(14)	(30)
<b>Closing stock of dwellings</b>	<b>4,459</b>	<b>4,460</b>
Analysis of closing stock numbers:		
Houses	2,013	2,014
Bungalows	1,188	1,210
Flats	1,258	1,236
	<b>4,459</b>	<b>4,460</b>

## 6. Capital Expenditure

	2020/21	2019/20
	£'000	£'000
Dwellings	1,789	2,179
Dwelling acquisitions	1,360	176
Other Land and Buildings	191	47
Assets Under Construction	811	725
Capital Prepayment	-	3
	<b>4,151</b>	<b>3,130</b>
Financed by:		
Usable capital receipts	986	53
Revenue contributions	1,159	612
Grants and contributions	207	307
Major Repairs Reserve	1,799	2,158
	<b>4,151</b>	<b>3,130</b>

## 7. Non-Current Assets

The Balance Sheet value of land, dwellings and other property within the HRA as at 1 April 2020 in the financial year and the closing Balance Sheet value as at 31 March 2021 is included within Note 14 to the Core Statements. The Balance Sheet values of HRA non-current assets are disclosed below:

	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Council dwellings	222,560	215,452
Other land and buildings	1,715	1,911
Vehicles, plant, furniture and equipment	205	289
Assets under construction	1,904	1,779
Land Awaiting Development	3,097	1,835
Assets held for sale	4	4
<b>Total Balance Sheet value of HRA non-current assets (PPE)</b>	<b>229,485</b>	<b>221,270</b>
Intangibles	13	30
<b>Total Balance Sheet value of HRA non-current assets</b>	<b>229,498</b>	<b>221,300</b>
Dwellings - Vacant Possession Value	585,685	566,979

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

## 8. Depreciation

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

	2020/21	2019/20
	£'000	£'000
Council dwellings	3,258	3,133
Other land and buildings	73	73
Vehicles, plant, furniture and equipment	83	102
<b>Total charge for depreciation within the HRA (PPE)</b>	<b>3,414</b>	<b>3,308</b>
Intangibles	17	23
<b>Total charge for depreciation within the HRA</b>	<b>3,431</b>	<b>3,331</b>

## 9. Revaluation and Impairment Charges

The 2020/21 financial results include £1.584m credit for Revaluation Gains or Losses against HRA Assets charged to the Comprehensive Income and Expenditure Statement.

## Collection Fund Income & Expenditure Statement

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

	Notes	2020/21		2019/20	
		Business rates £'000	Council tax £'000	Business rates £'000	Council tax £'000
<b>Income</b>					
Income from council tax	1		(157,992)	-	(153,525)
Transfer from General Fund - council tax benefits	1		(7)	-	(4)
Transfer from General Fund - S13A discretionary reliefs			(1,522)		(19)
Transitional relief				-	-
Income from business rates	2	(66,276)		(96,470)	-
Transitional protection payments		(679)		(2,089)	-
		<b>(66,955)</b>	<b>(159,521)</b>	<b>(98,559)</b>	<b>(153,548)</b>
<b>Expenditure</b>					
Precepts, demands and shares:					
- Central Government		45,255		43,584	-
- Suffolk County Council		9,051	118,088	8,717	112,099
- Police and Crime Commissioner for Suffolk			19,577	-	18,458
- East Suffolk Council		37,825	21,434	36,897	20,496
Transitional protection payments		4,855		6,396	-
Charges to Collection Fund					
- Write offs of uncollectable amounts		655	402	231	262
- Increase / (decrease) in bad debt provision		681	962	502	1,737
- Increase / (decrease) in provision for appeals		174		208	-
- Cost of collection allowance		460		462	-
Apportionment of previous years surplus / (deficit)					
- Central Government		1,846		(396)	-
- Suffolk County Council		1,430	2,940	104	-
- Police and Crime Commissioner for Suffolk			484	-	-
- East Suffolk Council		5,720	537	416	
		<b>107,952</b>	<b>164,424</b>	<b>97,121</b>	<b>153,052</b>
<b>(Surplus) / deficit for year</b>	3	<b>40,997</b>	<b>4,903</b>	<b>(1,438)</b>	<b>(496)</b>
<b>Balance brought forward - (surplus) / deficit</b>		<b>(6,866)</b>	<b>(3,405)</b>	<b>(5,428)</b>	<b>(2,909)</b>
<b>Balance carry forward - (surplus) / deficit</b>		<b>34,131</b>	<b>1,498</b>	<b>(6,866)</b>	<b>(3,405)</b>

## Notes to the Collection Fund

### 1. Income from council tax

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

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

	2020/21	2019/20
	£	£
The average Band D Council Tax set was:	1,810.23	1,741.13
The Council estimated its Tax Base for 2020/21 as follows:	Chargeable dwellings	Band D Equivalents
Valuation Band		
A	23,514	15,676
B	27,282	21,219
C	20,741	18,436
D	16,687	16,687
E	10,488	12,819
F	4,987	7,204
G	2,718	4,530
H	192	383
	<b>106,608</b>	<b>96,954</b>
Less: local council tax reduction scheme		(8,595)
Provision for bad and doubtful debts (1.0%)		(886)
Add: Ministry of Defence properties		192
Additional Properties		224
Tax Base 2020/21 (Band D equivalents)		<b>87,889</b>

## 2. Business Rates

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

In response to the coronavirus pandemic, in the Budget on 11 March 2020 the government announced that it would increase the Business Rates Retail Discount to 100% and extend it to include the leisure and hospitality sectors. In addition, on 18 March 2020, in response to the coronavirus, the government announced that many childcare providers would pay no business rates in 2020 to 2021. Billing authorities would be compensated by S31 grant. This has resulted in significant reduction in the Business Rates income collected. The additional S31 grant due to East Suffolk is shown in note 21 under Business Rate Reliefs.

	2020/21	2019/20
The rateable value at 31 March was	£232.9m	£232.2m
The multiplier was	51.2p	50.4p

### 3. Collection Fund Balances

The Collection Fund in year (surplus) / deficit comprises the following:

	2020/21	2019/20
(Surplus) / Deficit relating to:	£'000	£'000
<u>Council Tax</u>		
Suffolk County Council	3,640	(344)
Police and Crime Commissioner for Suffolk	600	(84)
East Suffolk Council	663	(68)
Total Council Tax	4,903	(496)
<u>Business Rates</u>		
Central Government	17,846	(1,856)
Suffolk County Council	4,630	84
East Suffolk Council	18,521	334
Total Business Rates	40,997	(1,438)

# Independent Auditors Report to the Members of East Suffolk Council

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## Glossary of Financial Terms

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### Accounting Period

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

### Accounting Policies

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

### Accruals

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

### Business Rates (Non-Domestic Rates)

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

### Capital Adjustment Account

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

### Capital Charge

A charge to service accounts to reflect the cost of non-current assets used in the provision of services, usually comprising depreciation charges, impairment and any associated write down of capital grant financing.

### Capital Expenditure

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

### Capital Receipts

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

### Capital Receipts Reserve

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

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

CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the Code, which defines proper accounting practice for local authorities.

### Collection Fund

This Fund records the collection of the council tax and Non-Domestic Rates and its distribution.

### Contingent Liabilities

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

### Contingent Assets

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

### Corporate and Democratic Core

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

### Council Tax

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

### Council Tax Base

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

### Council Tax Benefit

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

### Creditors

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

### Debt

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

### Debtors

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

### Deferred Capital Receipts

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

### Depreciation

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

### Direct Revenue Financing

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

### Earmarked Reserves

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

### General Fund

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

### Government Grants

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

### Heritage Assets

Heritage Assets are a distinct class of asset which is reported separately from property, plant & equipment. These assets would previously have been classified as community assets prior to 1<sup>st</sup> April 2011. The CIPFA Code defines a tangible heritage asset as: *a tangible asset with historical, artistic, scientific, technological, geophysical, or environmental qualities that is held and maintained principally for its contribution to knowledge and culture*. An intangible heritage asset is *'an intangible asset with cultural, environmental or historical significance'*.

### Housing Advances

Loans by an authority to individuals towards the cost of acquiring or improving their homes.

### Housing Benefit

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

### Housing Revenue Account (HRA)

The statutory account to which are charged the revenue costs of providing, maintaining, and managing Council owned dwellings. These are financed by

rents charged to tenants and subsidies received from the government. (See later paragraph on self-financing HRA).

### Impairment

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

### Infrastructure Assets

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

### International Financial Reporting Standards

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

### Leasing or Leases

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

### Levies

Payments made to Internal Drainage Boards.

### Minimum Revenue Provision

A prudent sum required by law to be set aside from revenue for the repayment of loan debt.

### Net Book Value

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

### Non-Current Assets

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

### Net Realisable Value

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

### Operational assets

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

### Out-turn

Actual income and expenditure for the financial year.

### Post Balance Sheet Events

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

### Precept

The net expenditure of a non-billing authority (e.g. County Council, Police Authority or Parish Council) which the billing authority must include when setting its Council Tax and then pay over to the precepting authority in agreed instalments.

### Property, Plant and Equipment

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

## Provisions

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

## Public Works Loan Board

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

## Rateable Value

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

## Reserves

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

## Revaluation Reserve

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

## Revenue Expenditure

This is expenditure mainly on recurring items and consists principally of salaries and wages, capital charges and general running expenses. Revenue Expenditure Funded from Capital under Statute (REFCuS)

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

## Revenue Support Grant

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

## Section 151 Officer

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

## Self-Financing for the HRA

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

## The Code

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

## Trading Accounts

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

## Usable Capital Receipts

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

## UK GAAP

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

### Valuation Loss

Impairment of an asset due to a general fall in prices, supported by a valuer's certificate. Valuation losses are charged initially to any balance in the Revaluation Reserve, and subsequently to the Comprehensive Income and

Expenditure Account. Impairment charges do not, however, fall on the taxpayer, and the impact is reversed in the Movement in Reserves Statement.

### Value Added Tax (VAT)

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



## AUDIT & GOVERNANCE COMMITTEE

Monday, 14 March 2022

<b>Subject</b>	ANNUAL GOVERNANCE STATEMENT 2020/21
<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 Accounts and Audit Regulations 2015 require councils to produce an Annual Governance Statement, in line with the conclusion of the audit of the Statement of Accounts.

The purpose of this report is for the Committee to approve the final Annual Governance Statement for 2020/21, which has been updated from the draft approved by the Audit and Governance Committee on 28 June 2021 in respect of a significant governance issue identified in 2021/22 relating to Housing regulation.

The Annual Governance Statement is subject to external audit review and has been updated as stated above.

### **Options:**

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

### **Recommendation/s:**

That the final Annual Governance Statement for 2020/21 (1 April 2020 to 31 March 2021) be approved and the update in relation to Housing regulation is noted.

## Corporate Impact Assessment

### **Governance:**

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

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

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

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

### **Environmental:**

No impact.

### **Equalities and Diversity:**

No impact.

### **Financial:**

No direct financial impact.

<b>Human Resources:</b> No impact.
<b>ICT:</b> No impact.
<b>Legal:</b> No impact.
<b>Risk:</b> The Council's Corporate Risk Register is regularly monitored and managed which is a key document feeding into the production of the Annual Governance Statement.

<b>External Consultees:</b> None.
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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"/>
XXX	<b>Governance</b>		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>How does this proposal support the priorities selected?</b>			
<p>It is a statutory requirement that the Annual Governance Statement (AGS) is produced each year to provide assurance as to how governance of the Council is conducted and is effectively being managed. The AGS is significant to all areas of the Council and feeds into the governance theme of the East Suffolk Strategic Plan.</p>			

## Background and Justification for Recommendation

1 Background facts	
1.1	<p>The Annual Governance Statement is a key document that helps provide assurance to Members and other stakeholders as to how governance of the Council is conducted, how effective it has been for the year and identifies major issues of concern raised by the Corporate Management Team and Head of Internal Audit together with emerging issues upon which the Council will need to focus over the coming year. The Council's AGS for 1 April 2020 to 31 March 2021 is appended to this report.</p> <p>The Council's AGS embraces the seven core principles set out in the CIPFA framework: <i>Delivering Good Governance in Local Government</i>.</p>
1.2	<p>The Council has a duty to ensure that public money is safeguarded and properly accounted for, and is used economically, efficiently and effectively. It also has a duty under the Local Government Act 2000 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.</p>
1.3	<p>In discharging this overall responsibility, the Council is required to put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements of the management of risk to a reasonable level rather than eliminate all risk of failure to achieve the Council's policies, aims and objectives.</p> <p>Risk management is an integral part of the Council's corporate governance arrangements, which is independently assessed by the Head of Internal Audit. Recommendations made to improve the control environment and ensure good governance are assessed by External Audit and the Audit &amp; Governance Committee.</p>

## 2 Current position

2.1	The overall effectiveness of the Council's governance arrangements continued to improve, with positive assessments and feedback by Internal Audit, the Council's external auditors Ernst and Young LLP and other external bodies.
2.2	A sound system of internal control and the management of risks are integral elements of the Council's corporate governance arrangements. Based on the findings of the managed audits and governance reviews carried out throughout 2020/21 and considering the current climate in which the Council is operating it is the opinion of the Head of Internal Audit that the Authority's control environment provides <b>Reasonable Assurance</b> of sound systems of control. Generally, risks are professionally managed but some areas require internal control improvements to ensure strategic objectives are met.
2.3	The opinion of Head of Internal Audit is based on internal work undertaken, and completed, alongside emergency measures being implemented because of the Coronavirus Pandemic. These measures have resulted in significant levels of strain being placed on normal procedures and control arrangements. The level of impact is also changing as the situation continues. All findings that are found to be of a significant corporate concern have been considered during 2020/21 and are reported within the Annual Governance Statement for this year under areas called Ongoing Governance Issues.
2.4	Section 5 of the Annual Governance Statement (AGS) provides a review of effective governance measures undertaken in the year.
2.5	The draft AGS for 2020/21 was approved by the Audit & Governance Committee at its meeting on 28 June 2022.

## 3 How to address current situation

3.1	The areas to address in the AGS (1 April 2020 to 31 March 2021) within the Statement have been informed by: <ul style="list-style-type: none"><li>• the outcomes of internal and external review bodies that report on the Council's effective governance performance during the year;</li><li>• Corporate Management Team review and assurance (Corporate Governance arrangements);</li><li>• the AGS Steering Group assessment and progress monitoring; and</li><li>• changes in Government policy that impact across a wide range of Council's activities.</li></ul>
3.2	The AGS has been updated in respect of a significant governance issue identified in 2021/22 relating to Housing regulation.

## 4 Reason/s for recommendation

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

## Appendices

### Appendices:

<b>Appendix A</b>	East Suffolk Council Annual Governance Statement 2020/21 (1 April 2020 to 31 March 2021).
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### Background reference papers:

None



**Annual  
Governance  
Statement**

2020/21

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## **1. SCOPE OF RESPONSIBILITY**

1.1 East Suffolk Council's responsibilities are to:

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

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

1.3 East Suffolk Council has produced a [Code of Corporate Governance](#) which is consistent with the principles of the revised CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. The document was reviewed on 14 December 2020 by the Audit and Governance Committee and due to be reported to Full Council in July 2021.

1.4 The AGS also explains how the Council has complied with governance elements within the Accounts and Audit Regulations.

1.5 This document supported the East Suffolk Strategic Plan 2020-24 adopted by Full Council on 26 February 2020.

## **2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

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

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

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

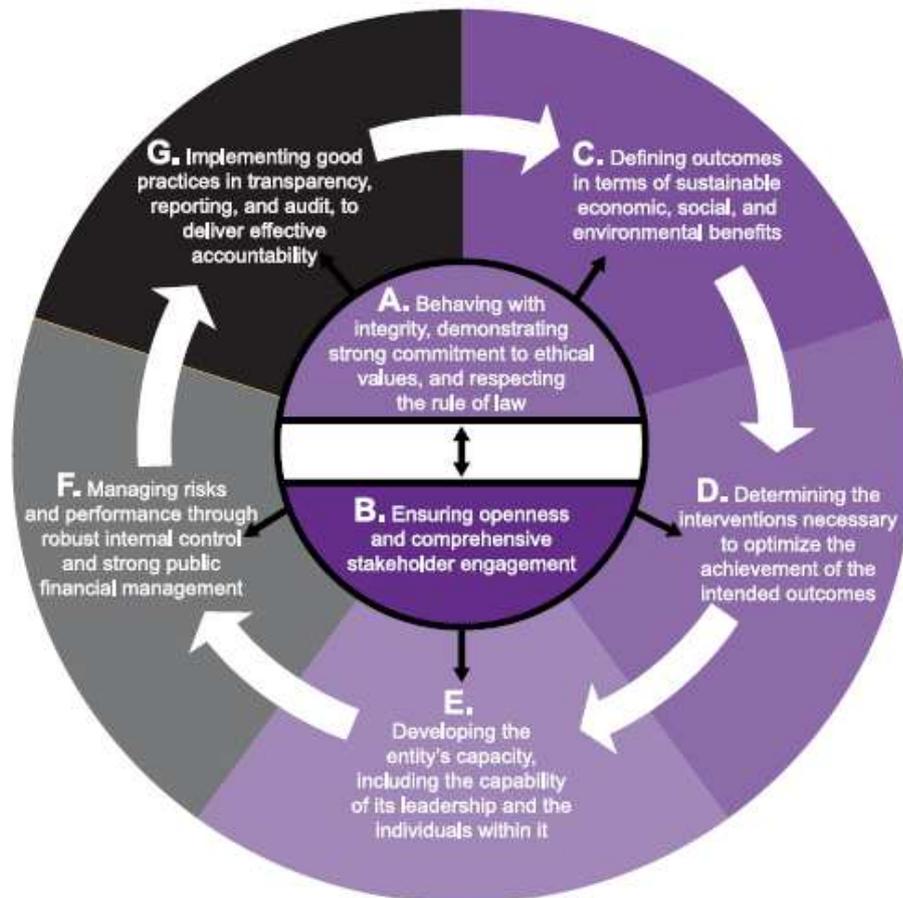
2.3 The system of internal control cannot eliminate all risk of failure so only provides reasonable and not absolute assurance of effectiveness.

2.4 The governance framework has been in place at the Council for the year ended 31<sup>st</sup> March 2020 and up to the date of approval of the annual report and statement of accounts.

### 3. THE GOVERNANCE FRAMEWORK

- 3.1 The Council has committed itself to the pursuit of proper corporate governance throughout its services and to establishing the principles and practices by which this can be achieved. To support this, briefings on topical issues are held to enable Member development.
- 3.2 Corporate governance is the system by which the Council leads, directs and controls its functions and relates to the community and its partners. Through various systems and processes the Council strives to adhere to the principles of good governance: openness, inclusivity, integrity, and accountability.
- 3.3 The Council's governance environment is consistent with the seven core principles of the revised CIPFA/SOLACE framework, pictured below, which illustrates the various principles of the good governance in the public sector and how they relate to each other.

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



- 3.4 Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.
- 3.5 Each of the core principles above have multiple sub principles and the framework in operation is evidenced at Appendix A 'The Council's Governance Assurance Framework', and Appendix B 'Documents/Processes Supporting the Code of Corporate Governance'.
- 3.6 The framework in operation directly supports the Council's five strategic themes, namely economy, communities, financial sustainability, digital transformation and environment.

## **4. REVIEW OF EFFECTIVENESS**

### **Governance**

- 4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Auditor's annual report, and also by comments made by the External Auditor and other review agencies and inspectorates.

### **External Audit**

- 4.2 The Council's auditors, Ernest & Young LLP (EY), independently audit the Council and provide an opinion on the truth and fairness of the financial statements, the Council's use of resources and provide a value for money judgement. In reaching an opinion EY take account of statutory requirements, national standards, their own audit work and the reports of Internal Audit. The Council aims to achieve an unqualified audit opinion for the financial years 2020/21 and will respond to any improvements suggested. No interim recommendations for 2020/21 have been made to date by the External Auditor.

### **Risk Management**

- 4.3 Risk Management covers all services and operations throughout the Council and is continuously monitored and managed across the Council by Corporate Governance Group (CGG) and as part of the governance arrangements for Strategic Plan Delivery Board and Strategic Theme Delivery Teams. The CGG meets at least every quarter and reviews the corporate risk register. Corporate risks continue to be fully integrated into the Council's overall performance management and embedded as part of the Strategic Plan Delivery Board meetings. Risks are also reviewed monthly at each Strategic Theme Delivery Team meeting
- 4.4 The risk management e-learning module is a mandatory requirement for all members of staff and is part of the induction programme for new members of staff.
- 4.5 As part of the ongoing risk management training programme, Zurich Insurance Group delivered, on behalf of the council, risk management training to members on 13 January 2021. The event was delivered to increase knowledge and understanding on risk management (including reporting and responsibilities and achieving objectives of the Council). On 9 November 2020 a session involving CMT focused on Covid-19 and how it impacted on the Council's existing risks and identification of new and emerging risks. Following this session an 'horizon scanning/risk session' was delivered to CMT on 22 January 2021 which reviewed and challenged existing risks and identified new risks. There is also a training programme to ensure risk management needs continue to be met.
- 4.6 The Council's risk management activity is co-ordinated and led by the CGG, chaired by the Chief Executive and supported by CMT members who have delegated responsibilities along with other senior officers. A risk management framework is also in place clearly identifying responsibilities and roles.
- 4.7 An annual report on corporate risk management, including any changes to processes, is reported to the Audit and Governance Committee. The Risk Management Strategy continues to provide details of risk management roles and the responsibilities of individuals and groups across the Council.

### **Senior Information Risk Owner**

- 4.8 Senior Information Risk Owner (SIRO) – The Council has a designated SIRO (the Head of Internal Audit) who has responsibility for the Council 's information management (governance) framework and acts as the champion for information risk. The SIRO aims to mirror the model prescribed by central government (Cabinet Office). Following this 'best practice' approach allows for uniformity across the public sector as it strives to meet the competing demands of further transparency and public/private engagement in contrast to increased cybersecurity threats and the need to prevent data leakage. By treating information has a business priority and not as an ICT or technical issues, the Council can ensure that risks are addressed, managed, and capitalised upon.

- 4.9 SIRO Annual Report - The following paragraphs represents the SIRO Annual Report. The main purpose of such reporting and management is to provide accountability and greater assurance that information risks are addressed.
- 4.10 Risk Register – Information Governance is recognised as a serious risk on the Corporate Risk Register and is regularly monitored, with mitigation plans implemented, when necessary, by the Corporate Management Team and Councillors.
- 4.11 Information Governance – Information is treated as a priority by the Council which acknowledges that information is of value to enable effective and efficient outcomes for all stakeholders.
- 4.12 Data Quality - The importance of data quality is communicated at all levels throughout the organisation, via workshops covering business planning, performance and risk management and report writing, etc. The Council acknowledges that information is a priority, which aids the delivery of its services effectively and efficiently. Moreover, protecting personal data is the overarching responsibility of the Council to meet obligatory legal duties and to fulfil its public service duty to everyone.
- 4.13 Designated Posts – Job Descriptions are appropriate and filled i.e., Data Protection Officer, Deputy Data Protection Officer, and Senior Information Risk Owner, Freedom of Information Strategic Lead, ICT Security Officer. Plus, appointed Information Champions exist across all services.
- 4.14 Policies – Key information governance documents are promoted across the organisation, and some are listed at Appendix B.
- 4.15 Compliance – The Council is currently compliant with the Central Government Public Service Network (PSN) information security requirements (this is a mandatory annual process). The Council acts upon any advice from the Cyber Security Information Sharing Partnership and National Cyber Security Centre. Internal ICT training has been provided to all staff.
- 4.16 General Data Protection Regulations and UK Data Protection Act 2018 – Qualified and experienced staff in post. The impact on GDPR of the exit from the EU is also being closely monitored, and Government guidance on this will be followed.
- 4.17 Personal Data Breaches. The Data Protection Officer has investigated 71 potential personal data breaches, 32 were confirmed breaches. Zero breaches were reported to the Information Commissioners Office (ICO). Data Protection Act – Subject Access Requests and requests for advice has increased significantly, as expected given the change in the law in 2018 and post Brexit data protection amendments to the General Data Protection Regulation. There is recognition that the process of capturing and reporting any breaches is operating effectively.
- 4.18 Freedom of Information Act (FOI) – 3413 FOI requests (including EIR request) were received by the Council in 2020/21 of which 98.6% were answered within 20 days. One case has been referred to the ICO by a customer which is still being investigated. Twelve requests required an internal review (six upheld, four partly upheld, and two not upheld).
- 4.19 Training - Data Protection Act and Freedom of Information Act training is provided throughout the year and forms part of the induction process. Increased cyber security precautions including an e-learning training module for all staff and sponsoring a cyber security qualified officer demonstrates the Council's commitment to good information governance.
- 4.20 Whistleblowing - The Council has a whistleblowing policy, which encourages staff and other concerned parties to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment. Zero whistleblowing cases were reported in 2020-21.
- 4.21 Local Government Transparency Code – The Council provides all information that must be published to comply with this Code by ensuring local people can see and access data covering:
- How money is spent – for example, all spending transactions over £250, all Corporate Credit Card spend, and contracts valued over £5,000;

- Use of assets – ensuring that local people can scrutinise how well their local authority manages its assets enabling local people the information they need to ask questions about how their authority is managing its housing stock to ensure it is put to best use;
- Decision making – how decisions are taken and who is taking them, including how much senior staff are paid, and,
- Issues important to local people – for example, parking and the amount spent by an authority subsidising trade union activity.

### **East Suffolk Strategic Plan**

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

### **Project Management**

4.23 The Project Management Framework is fully established and can be adapted according to the scale of a particular project. Advice and support continue to be offered to relevant staff on the application of good project practices, particularly surrounding changes in service delivery.

4.24 A new governance structure has been implemented for projects delivering to the Strategic Plan, approved by full Council in February 2020. Each Theme of the Strategic Plan has a programme delivery team to monitor projects feeding into that theme including to govern the progress and delivery to the objectives. The Digital Theme Programme Team, for example, monitors all ICT and digital projects. All corporate projects and tasks are recorded on service plans to build up the programme for each Theme, covering the whole authority.

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

### **Contract Management**

4.26 Contract Procedure Rules are in place and form part of the Council's Constitution. The Contracts Procedure Rules support effective procurement by setting out key responsibilities and actions that are required when undertaking procurements within the Council. They support officers to meet legislative requirements and to meet the Council's ambitions for procurement, the Council's Procurement Strategy and related policies and procedures.

4.27 Procurement reported the new Procurement Strategy to Cabinet in July 2021 summarising work carried out by cross party group. In addition, an external review by the East of England LGA was commissioned on our Procurement Team and processes to ensure that it is fit for the future and, in particular, implementing the Council's own strategy and the Government draft Procurement Strategy.

4.28 Guidance is published on the intranet, and support is offered by the specialist procurement and legal teams to relevant managers. In addition, a corporate contracts register is maintained by the Procurement Team, and contracts are monitored to ensure effective management. Comprehensive contract manuals are available detailing requirements of contracts, setting out business continuity arrangements, key personnel and key performance indicators.

4.29 A health and safety review has been carried out by an external organisation. A health and safety checklist has been produced for contract managers, and this will be used to carry out audits throughout the year of high-risk areas.

## Corporate Governance Group

- 4.30 Membership of the Corporate Governance Group is those officers that hold statutory roles within the Council, such as Head of Paid Service, Monitoring Officer, Section 151 Officer and Head of Internal Audit. The group met regularly to discuss management of:
- finances and governing business (value for money / Medium Term Financial Strategy (MTFS) and budget setting / risk management / internal audit / ethical issues / business continuity);
  - resources (workforce planning / recruitment monitoring / absences / health & safety / asset management); and
  - performance (inspections / business plan / service plans / partnerships / measuring performance / emerging issues).

## Head of Internal Audit

- 4.31 The Council's Head of Internal Audit conforms with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit in Local Government, <https://www.cipfa.org/roleofthehia>. The Internal Audit Service is also compliant with the Public Sector Internal Audit Standards. A sound system of internal control and the management of risks are integral elements of the Council's corporate governance arrangements. Based on the findings of the managed audits and governance reviews carried out throughout 2020/21 and considering the current climate in which the Council is operating it is the opinion of the Head of Internal Audit that the Authority's control environment provides **Reasonable Assurance** of sound systems of control. Generally, risks are professionally managed but some areas require internal control improvements to ensure strategic objectives are met.
- 4.32 This opinion is based on internal work undertaken, and completed, alongside emergency measures being implemented because of the Coronavirus Pandemic. These measures have resulted in significant levels of strain being placed on normal procedures and control arrangements. The level of impact is also changing as the situation continues. All findings that are found to be of a significant corporate concern have been considered during 2020/21 and are reported within the Annual Governance Statement for this year under areas called Ongoing Governance Issues.
- 4.33 Internal Audit is an independent and objective function with all audit work carried out in this capacity and in accordance with the Internal Audit Charter, Code of Ethics and Public Sector Internal Audit Standards. The Head of Internal Audit has performed her duties in accordance with CIPFA's guidance on the Role of the Head of Internal Audit. In giving the audit opinion, it should be noted that assurance can never be absolute. The most that can be provided is a reasonable assurance that there are no major weaknesses in risk management, governance, and control processes.
- 4.34 Quantifying the additional risks arising from the current short-term measures or the overall impact on the framework of governance, risk management and control brought about by the Coronavirus Pandemic continues. Ongoing assessments will take place by the Head of Internal Audit and be reported accordingly.

## Financial Management

- 4.35 A new set of financial procedure rules were introduced for East Suffolk Council from 1<sup>st</sup> April 2019. It is planned to review these in mid-2021/22 as part of the implementation of the CIPFA Financial Management Code and a refresh of Financial Management.
- 4.36 The Government had announced proposals for Councils to retain 75% of all locally raised business rates and had intended to consult on Relative Needs and Resources as they look to revise the distribution of core grant from central Government. However, the Covid-19 pandemic has now meant that reforms to the local government finance system have been deferred until 2022/23 at the earliest and the planned national business rates revaluation exercise has also been postponed. The continuation of the current arrangements into 2021/22 is of significant financial benefit to the Council, given its advantageous position under the current system. The Government implemented a wide range of support measures to

local authorities, including additional grant and compensation for lost income, mitigating the financial impact of the Covid-19 pandemic to a significant degree. However, there is still a net impact on the Council's General Fund in 2020/21 and some continuing impacts, primarily income reductions in areas such as car parking and increased spend in areas such as leisure provision are forecast in 2021/22. The most significant impacts on the Council's income streams of council tax and business rates are now anticipated to be avoided as a result of Government support measures, the nature of the economic recession, and Government action to legislate against pandemic-related business rate appeals. Impacts over the rest of the MTF period are uncertain and dependent on the scale and duration of the economic recession, and the speed and nature of economic recovery. Significant changes are likely to be implemented for the New Homes Bonus (NHB), following consultation on replacement of the current scheme, although this has been of reduced importance in recent years.

- 4.37 The MTF report to Council in February 2021 indicates that future years beyond 2021/22 showed continuing budget shortfalls of core funding sources compared with budgeted expenditure. This position will be updated at high level summary level to Cabinet in July 2021 as part of reporting the outturn for 2020/21. Addressing this situation is the key objective of the Financial Sustainability theme of the Strategic Plan, highlighting the importance of continuing to develop and implement entrepreneurial and commercial models, efficiencies and some key changes to service provision in order to be sustainable over the medium and long term.

### **Chief Finance Officer**

- 4.38 In accordance with the 'Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the Role of the Chief Financial Officer in Local Government' (published in April 2016), the Section 151 Officer / Chief Finance Officer, is a professionally qualified Accountant, and is a member of the Council's Corporate Management Team, reporting directly to the Chief Executive and Leader on key strategic finance matters. The Council's financial management arrangements conform with the governance requirements of the CIPFA [Statement on the Role of the Chief Financial Officer in Local Government](#).
- 4.39 In October 2019, CIPFA published the Financial Management Code (FM Code), which provides guidance for good and sustainable financial management in local authorities and will provide assurance that authorities are managing resources effectively.
- 4.40 The FM Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. CIPFA's intention is that the FM Code will have the same scope as the *Prudential Code for Capital Finance in Local Authorities*, which promotes the financial sustainability of local authority capital expenditure and associated borrowing. Although the FM Code does not have legislative backing, it applies to all local authorities, including police, fire, combined and other authorities.
- 4.39 Local authorities are required to apply the requirements of the FM Code with effect from 1 April 2020. CIPFA originally considered that the implementation date of April 2020 should indicate the commencement of a shadow year and that by 31 March 2021, local authorities should be able to demonstrate that they are working towards full implementation of the Code. However, CIPFA has recognised that the pandemic has severely affected the work of local authority finance departments, and although the first full year of compliance with the FM Code is 2021/22, CIPFA has indicated that direction of travel will be important rather than full compliance.
- 4.40 A review of compliance has been carried out and a draft action plan produced categorised by reference to the CIPFA financial management standards. Changes to processes and strategies required by the Code will be implemented during 2021/22, and financial management and financial reporting in the Council refreshed.

### **Monitoring Officer**

- 4.41 The role of the Monitoring Officer is to ensure decisions made are legal and to promote high standards of conduct amongst members.

## 5. SIGNIFICANT GOVERNANCE ISSUES

- 5.1 In arriving at the areas to address during 2020/21, the Council has been informed by the results of the review of the effectiveness of the governance framework within the Council arising from last year's reports, by the outcomes of internal and external review bodies that report on the Council's performance to date, by undertaking a gap analysis of the seven core principles that underpin delivering good governance in local government, and by consulting Members.

### Ongoing Actions – Significant Governance Issues Identified in 2018/19

- 5.2 'Significant Governance Issues Identified and Improvement Plan' outstanding records one carry forward issue identified in the 2018/19 Annual Governance Statement relating to contract management and asset management. The Council is committed to completing agreed actions.

Ongoing Governance Issues	Progress/Improvement Plan	Status
<p><b>Contract Management</b> The Council's strategic governance arrangements over contract management requires strengthening specifically around:</p> <p>a) Procurement Strategy b) Contracts Register</p> <p><i>Carry forward from 2017/18 and 2018/19</i></p>	<p><b>Head of Operations comment:</b> A significant amount of work continued to be undertaken by the service area including:</p> <ul style="list-style-type: none"> <li>• Contracts register now in place and regularly updated.</li> <li>• New Contract and Financial Procedure Rules implemented for East Suffolk Council from 1<sup>st</sup> April 2020.</li> <li>• Review of major contracts took place, including work being undertaken to review the contract for Norse, and the work to re-procure a leisure contract for East Suffolk. This work has been completed.</li> <li>• Task Group set-up to look at how the council can maximise benefit of council procurement to people in East Suffolk. Group has agreed a new policy for procurement for East Suffolk, which was considered by Cabinet in July 2021.</li> <li>• An external review of the procurement function has been commissioned by the East of England LGA and will be reported by July 2021.</li> <li>• The draft procurement strategy has been prepared and was considered by Cabinet in July 2021.</li> </ul>	<p><b>Ongoing</b></p>

### Significant Governance issues identified in 2019/20

- 5.3 There were no governance issues in 2019/20 other than ongoing issues identified in 2018/19 (as stated in paragraph 5.2 above).

### Other Governance Issues Identified in 2020/21

- 5.4 On the basis of assurance statements produced by the Heads of Service and the Council's Corporate Risk Register (CRR), the Corporate Governance arrangements are adequate and operating effectively. In 2020/21, issues under review with the intention to improve processes in 2020/21 were identified in the following areas:

AGS Action	Issues/Challenges Identified	Progress
<b>External Audit Results Report 2019/20</b>	2019/20 External Audit results reports for East Suffolk Council delayed due	<ul style="list-style-type: none"> <li>• External Audit work was due to commence in August 2020 but was delayed. Planning work began in September and the main audit work was started</li> </ul>

AGS Action	Issues/Challenges Identified	Progress
	to Covid-19 pandemic and changes to the Accounts and Audit Regulations.	<p>in November 2020. A significant amount of work was undertaken by the Council to ensure accounts were presented ready for audit to be undertaken. The draft Statement of Accounts was published on 10 August 2020, before the 31 August 2020 publication deadline prescribed in the amended Accounts and Audit Regulations.</p> <ul style="list-style-type: none"> <li>External Audit anticipate sign-off of audit by end of May 2021.</li> </ul>
<b>Brexit</b>	Impact of national policy changes on the Council due to Brexit	<ul style="list-style-type: none"> <li>Extensive engagement with Government departments relating to Brexit. Countywide Brexit Task Group established and chaired by ESC's Strategic Director. Suffolk Public Sector Leaders funding of 2 Brexit advisor posts (hosted by the Suffolk Chamber of Commerce), more recently known as the Suffolk Trade Business Advisers.</li> <li>Additional funding from FSA and Defra made available. Recruitment/training plans in hand.</li> <li>Implications of Brexit and identification of possible issues managed by senior management. Business continuity planning in place.</li> <li>SCPHA plan approved by Cabinet – implementation in progress.</li> </ul>
<b>Procurement review</b>	Review procurement in line with council's new procurement strategy, and Government's green paper on post-Brexit procurement rules.	<ul style="list-style-type: none"> <li>An external review of the procurement function has been commissioned from the East of England LGA and will be reported to Cabinet by July 2021.</li> <li>This will make recommendations on any changes needed in order to be able to implement East Suffolk Council's Procurement Strategy.</li> <li>Make recommendations for service improvements where needed.</li> </ul>
<b>Delivery of Energy and Sizewell C Projects</b>	Ongoing requirements for Sizewell C and offshore wind projects on resources and impact on Council, the District and wider community.	<ul style="list-style-type: none"> <li>Mechanism in place for ESC to influence Central Government.</li> <li>Resource to support projects monitored and reviewed. Additional resource has been made, through PPA's to address capacity, although uncertainty remains relating to future funding.</li> <li>Senior Officer Group in place looking at Sizewell C and its impact in short, medium and long term.</li> <li>Detailed negotiations underway with EDF Energy (SZC developer) to ensure adequate local staffing capacity will be funded to co-ordinate interventions to maximise local economic benefit and ensure a strong economic legacy beyond construction phase. Good progress is being made in certain areas agreeing capacity to co-ordinate economic inputs and specialist capacity in areas such as inward investment, supply chain and business support is proving challenging. Discussions continuing.</li> </ul>
<b>Covid-19 Pandemic</b>	Impacts from the Covid-19 pandemic upon all service areas within Council, residents, partners,	<ul style="list-style-type: none"> <li>Significant work undertaken to ensure the Council continued to deliver essential services to residents, businesses and communities. Work involved</li> </ul>

AGS Action	Issues/Challenges Identified	Progress
	communities, and businesses.	<p>ensuring that those who were most vulnerable received support.</p> <ul style="list-style-type: none"> <li>• Financial impact on Council's costs and income is monitored and reported on regularly – internally to officers and members, to central Government via monthly returns and information sharing with other Suffolk Local Authorities. The financial impact of Covid-19 is taken into consideration for updating the MTFs and the budget setting process for 2021/22.</li> <li>• Systems and processes for paying grants to businesses implemented and administered including establishment of local authority determined Discretionary Grant and Additional Restrictions Grant schemes (within Government guidelines).</li> <li>• Functions and services impacted by Covid-19 including resources reallocating to support grant payments by Finance, Internal Audit, Corporate Fraud and IT teams. Economic Development and Community Teams focused on supporting communities and those most vulnerable and businesses (making high streets safe). Economic Development programme being refreshed to reflect Covid economic impact.</li> <li>• Delay in migrating new version of NAV financial management system due to project being committed to administering Covid-19 Business Grants.</li> <li>• ESC attends Local Resilience Forum Strategic Coordinating Group meetings (multi agency).</li> <li>• Established Tactical Management Team meetings and increased Senior Management Team frequency to deal with Covid-19 and organisational issues.</li> <li>• Remote council meetings implemented to continue ordinary council business. Homeworking and flexible working in place. Package of support available to promote mental health and wellbeing.</li> <li>• Council's interim response to pandemic considered by Scrutiny Committee (15 October and 26 November 2020) which considered Community and Business Support, Homelessness, Emergency Planning, Winter Preparedness, Track and Trace and Communications.</li> <li>• The Council will be monitoring the impact of the transition to long term recovery.</li> </ul>
<b>Local Authority Trading Companies</b>	Work continues on business cases for the four trading companies in readiness to begin trading.	<ul style="list-style-type: none"> <li>• The companies are registered as 'Dormant' for tax and accounting purposes however there is now an ambition for these companies to commence trading in 2021/22.</li> <li>• Governance Board commission arrangements to be reviewed before companies become active.</li> </ul>

AGS Action	Issues/Challenges Identified	Progress
<b>Completed in 2020/21</b>		
<b>Performance Framework (ARP)</b>	Overview Improvement Board (OIB) requested further transparent reporting of performance	<ul style="list-style-type: none"> <li>Principles of new Framework requirements and links to ARP Strategic Themes agreed in 2019/20.</li> <li>Framework and dashboard approved by OIB and Joint Committee and improved reporting.</li> </ul>
<b>Leisure Contracts</b>	Review of existing partnership	<ul style="list-style-type: none"> <li>In March 2020, ESC commenced a procurement process for an operator for Waterlane and Waveney Valley Leisure Centres following termination of its contract with Sentinel Leisure Trust. Process temporarily paused due to Covid 19 but resumed Autumn 2020 with new operator procured.</li> <li>New partnership with Everyone Active commenced in January 2021.</li> <li>Refurbishment works to leisure centres completed.</li> </ul>

### Examples of Good Governance in Operation in 2020/21

5.5 In the period covered by this Annual Governance Statement the following governance actions have taken place:

AGS Action	Good Governance and Improvements	Progress
<b>General Data Protection Regulation (GDPR) Training</b>	Target 100% staff and Councillors to receive refresher GDPR training.	<ul style="list-style-type: none"> <li>Rollout of refresher Data Protection Act/ GDPR training for staff and Councillors.</li> <li>Completed training for staff and ongoing training programme in operation.</li> <li>Training for members planned June 2021 following elections in May 2021.</li> </ul>
<b>Corporate Fraud Plan and Internal Audit Plan</b>	Refocussed corporate fraud plan and internal audit plan due to changing risks due to Covid-19	<ul style="list-style-type: none"> <li>Significant anti-fraud work regarding Coronavirus Pandemic grant awards and other corporate anti-fraud activity e.g., cybercrime.</li> <li>Risk based holistic Internal Audit Plan in operation.</li> </ul>
<b>East Suffolk Strategic Plan</b>	Strategic Business Plan has been embedded within the organisation and is the driver for everything the Council does.	<ul style="list-style-type: none"> <li>Each of the five themes is supported by a themed group which meet regularly and reports to overarching Strategic Plan Delivery Board. Service Plans in place for each theme.</li> <li>Each theme adapted to take account of impact of Covid 19. Corporate report template updated to ensure appropriate links with Strategic Plan</li> </ul>
<b>Digital Transformation</b>	Stakeholder Engagement: Building on customer satisfaction / customer access work. Looking to engage customers to better understand channel choice and channel performance.	<ul style="list-style-type: none"> <li>Further work to be undertaken to upskill staff to engage with customers in a robust manner and understand data collected.</li> <li>Digital transformation a main theme within East Suffolk Strategic Plan and clearly identifies priorities for delivery.</li> <li>Channel shift group set up as part of the Digital Transformation Group.</li> <li>Digitally responded to Covid 19 in terms of Customer Services call centre, changes to IVR</li> </ul>

AGS Action	Good Governance and Improvements	Progress
		call menu, Zoom and MS Teams roll-out, specific emergency web/e-form processes/ updates/new content and support the Full Fibre (Suffolk Cloud project) and Smart Towns initiatives.
<b>Implement CIPFA Financial Management Code</b>	Requirements of the Financial Management Code to be applied with effect from 1 April 2020. 2020/21 was shadow year for full compliance in 2021/22.	<ul style="list-style-type: none"> <li>• Review of compliance carried out and a draft action plan produced, categorised by reference to the CIPFA financial management standards.</li> <li>• Changes to processes and strategies required by the Code will be implemented during 2021/22, including enhanced budget monitoring and reporting, and review of Financial Procedure Rules tested and embedded during 2020/21. CIPFA recognise the Covid-19 has delayed implementation and direction of progress will be important in 2021/22.</li> </ul>
<b>Review of other Partnerships</b>	Review of existing partnerships including contracts to ensure value for money and good service delivery.	<ul style="list-style-type: none"> <li>• Ongoing review of major partnerships. Review to be completed June 2021, and recommendations due to be presented to Members in June/July 2021.</li> </ul>
<b>Corporate Peer Review</b>	It is recognised that peer reviews are important to good governance and performance of the Council. Corporate Peer Review to be undertaken by LGA.	<ul style="list-style-type: none"> <li>• In October 2021 we will have a Remote Peer Support Review and we are currently in discussion with the LGA as to the scope of the review and timeline.</li> <li>• The Corporate Peer Challenge will take place in February 2022.</li> </ul>
<b>Partnership working with other Councils</b>	Partnerships in place including Building Control, Coastal Management, Internal Audit and Emergency Planning which ensure good governance, resilience and valuable delivery of services.	<ul style="list-style-type: none"> <li>• Regular partnership board meetings and aligned working practices.</li> <li>• Work ongoing to ensure programmes are met and necessary legislation changes implemented.</li> <li>• East Suffolk Building Control play a key part in the Suffolk Group collaboration between East Suffolk, Babergh and Mid Suffolk, Ipswich and West Suffolk.</li> </ul>
<b>Forums for Towns and Parish Councils</b>	Forums for town and parish councils undertaken to ensure two-way communication relating to planning matters within District and specific local areas.	<ul style="list-style-type: none"> <li>• Forums held every six months. One for developers and one for town and parish councils. Due to Covid-19 forums did not take place in 2020/21 but will be re-established in quarter 4 of 2021/22.</li> <li>• Identified outcomes and issues are monitored and rectified where appropriate.</li> </ul>
<b>Community Partnerships</b>	Community Partnership Board and eight Community Partnerships in place to meet ambitions within East Suffolk Strategic Plan	<ul style="list-style-type: none"> <li>• Community Partnership Board oversees governance of Community Partnerships.</li> <li>• Regular Community Partnership meetings held.</li> <li>• Delivers into East Suffolk Strategic Plan.</li> <li>• Each Partnership had funding of £25k and £300k for the Board in in 2020/21. Full spend achieved and report taken to Scrutiny Committee in May 2020.</li> </ul>

<b>AGS Action</b>	<b>Good Governance and Improvements</b>	<b>Progress</b>
<b>Corporate Training Plan</b>	Improvements relating to Corporate Training Plan	<ul style="list-style-type: none"> <li>Corporate training plan continues to provide training to meet identified individual/team needs.</li> <li>Working closely with Strategic Plan Theme Delivery Groups to align corporate training plan to organisational priorities.</li> </ul>
<b>Management Development Programme</b>	Ongoing management development programme in place.	<ul style="list-style-type: none"> <li>Given the pandemic and number of vacancies/ absences in Corporate Management Team, the senior management development programme has been temporarily paused and will resume when the vacancies have been filled.</li> </ul>
<b>Member Development</b>	Charter Plus status adopted for Member Development	<ul style="list-style-type: none"> <li>East Suffolk Council adopted “Charter Plus” status for Member Development at its first Council meeting on 22 May 2019. A Member Development Strategy and Action Plan was approved by full Council in July 2020.</li> </ul>
<b>Staff Wellbeing</b>	Health and wellbeing resources available to all staff.	<ul style="list-style-type: none"> <li>Access to health and wellbeing information on Council’s internal intranet.</li> <li>Up to date wellbeing information on topics such as domestic violence, anxiety, sleep, depression, money and debt advice. Care First website available. Mental first aiders in place.</li> <li>Regular managers bulletins focusing around staff wellbeing (e.g. 24 hour counselling).</li> </ul>
<b>Review of Safeguarding within Council</b>	Our commitment to safeguarding is audited on an annual basis by the Suffolk Safeguarding Partnership.	<ul style="list-style-type: none"> <li>Safeguarding is internally communicated through the Services for All Group and through regular training.</li> </ul>
<b>Waste Management Strategy</b>	The council needs to identify opportunities and challenges arising as a result of the Resources and Waste Strategy (RAWS)	<ul style="list-style-type: none"> <li>Overview to be reported to Cabinet in June 2021.</li> <li>ESC appointed external waste specialist to advise on implementation of RAWS, and impact on the council.</li> <li>ESC due to recruit permanent lead for waste services. This is anticipated to give the council better oversight of policy and improve controls that the council has over the service. Post anticipated to start October 2021.</li> </ul>
<b>FOI Improvement Plan</b>	Continue to implement work identified in the recent FOI review (undertaken with working partners – Audit and Legal Services) to improve processes internally and externally.	<ul style="list-style-type: none"> <li>Work is well underway in respect of process (to move to a more automated system) and providing clear guidance to all involved. Work now on track and continuous cycle of improvement embedded across the 3 departments with responsibility for this area.</li> </ul>
<b>Implement Customer Charter</b>	Set out Customer Standards to ensure ESC delivers clear, accessible consistent service to all customers.	<ul style="list-style-type: none"> <li>Draft has been signed off and to be released in Summer 2021.</li> </ul>
<b>Governance arrangements and operation (ARP)</b>	Joint Committee and Operation Improvement Board (ARP)	<ul style="list-style-type: none"> <li>Both groups maintained oversight of performance in all areas.</li> <li>GDPR group (GDPR officer from each Council) meet with ARP regularly to discuss protocol and any breach Customer Strategy Group meets</li> </ul>

AGS Action	Good Governance and Improvements	Progress
	Various groups inform and direct ARP to ensure corporate needs for each Council are met.	regularly to ensure that link between front end and Back end (ARP) is seamless for customers and looks to improve online offering.
<b>Carbon neutral by 2030</b>	ESC Climate Action Plan sets out recommended actions required for the Council to progress towards its aspiration declared in 2019 to become a carbon neutral organisation by 2030.	<ul style="list-style-type: none"> <li>• First draft of ESC Climate Action Plan had been developed with steer from the Environment Task Group.</li> </ul>
<b>Lowestoft Place Board</b>	ESC established the Lowestoft Place Board to oversee and provide strategic direction on the development and delivery of the Lowestoft Town Investment Plan.	<ul style="list-style-type: none"> <li>• Board comprises of local, regional and national stakeholders representing business, public and CVS sectors and has an independent chair. ESC is represented by Deputy Leader, provides secretariat and officers provide technical support.</li> <li>• Board agreed the Lowestoft Town Investment Plan and projects which we successfully put forward for the Towns Fund award. They will provide oversight and direction of the delivery of these projects over next 5 years.</li> </ul>
<b>Freeport East</b>	ESC is the Accountable Body and Lead Authority for the Freeport East initiative. Freeport East is one of eight Freeports nationally established by the Government in March 2021. It covers a contiguous area encompassing the ports of Felixstowe and Harwich and provides a range of business investment incentives in specified tax and customs site to encourage economic growth.	<ul style="list-style-type: none"> <li>• As Accountable Body/Lead Authority ESC is responsible for holding any monies associated with Freeport East, hosting Freeport East staff and acting as main conduit to MHCLG on financial, legal and governance issues. Due to initiative in early stage the extent of responsibilities is subject of discussion with MHCLG.</li> <li>• An interim CEX and chair had been appointed and a draft governance model agreed by the shadow Freeport East Board and submitted to MHCLG for approval. The shadow board also agreed a draft implementation plan and risk register. These two documents will form the basis of the business plan and must be agreed with MHCLG before Freeport East can become operational. Business case phase will only commence once MHCLG agree governance model. Appointment of a permanent CEX and Chair will also only take place after this milestone.</li> <li>• Agreement of the governance model will trigger release of £200k to support business case development.</li> </ul>
<b>Data-led services and performance monitoring</b>	A planned programme of work has been established to create performance dashboards for each theme of the Strategic Plan, to understand how we are performing as an authority.	<ul style="list-style-type: none"> <li>• Using data to improve and address issues and aid transparency in accessing information on our performance measures.</li> <li>• Significant work underway to progress and develop dashboards.</li> <li>• Projects using data (e.g. LIFT project and Community Partnerships)</li> </ul>

AGS Action	Good Governance and Improvements	Progress
<b>Digital Strategy</b>	A new Digital Strategy is being produced to underpin the Digital Theme of the Strategic Plan to govern the way in which we will work as authority from a digital perspective.	<ul style="list-style-type: none"> <li>New Digital Strategy being implemented and will be rollout across the Council.</li> </ul>
<b>Completed in 2020/21:</b>		
<b>E-enabled consultation on all planning applications</b>	E-enabled consultation on planning applications to improve service delivery and processing.	<ul style="list-style-type: none"> <li>Successfully Implemented in April 2020.</li> <li>All details and information accessible via the Council's website.</li> </ul>
<b>Workforce Values</b>	Work being undertaken to continue to embed the corporate values, including review of the People Strategy in 2020.	<ul style="list-style-type: none"> <li>Strategy reviewed and updated following a number of staff engagement workshops which took place in October 2020.</li> </ul>
<b>Coastal Change Supplementary Planning Document across ES, GYBC and NNDC</b>	Guidance for developers and local communities to support the implementation of Local Plan coastal change policies	<ul style="list-style-type: none"> <li>Initial consultation completed 16 October 2020. Draft document being prepared.</li> </ul>
<b>Assets included on GGP and Uniform</b>	Details of assets (including properties) owned by ESC included on GGP and Uniform.	<ul style="list-style-type: none"> <li>Assets mapped on GGP and details held on Uniform relating to each property/asset owned by ESC.</li> <li>Work continues to ensure information is accurate and update to taken.</li> <li>Internal Audit undertaken assurance review outcome in future.</li> </ul>
<b>Cashless payment facilities in all Car Parks</b>	All ESC car parks to have cashless payment facilities.	<ul style="list-style-type: none"> <li>Undertook full review of existing car parking systems and facilities. Identified improvements/efficiencies which could be achieved by cashless payments.</li> <li>Most recent data indicates cashless payments increased from 5% in 2019 to 30% in 2021.</li> </ul>
<b>Asset Management Strategy (2019-2023)</b>	Asset Management Strategy sets out high-level strategic framework for managing our non-residential property portfolio effectively for four years. It will guide future strategic property decisions to ensure we manage our property portfolio sustainability and efficiently.	<ul style="list-style-type: none"> <li>Approved by ESC Cabinet in July 2019.</li> <li>Asset Management Strategy clearly identifies Key Performance Indicators which will be monitored.</li> <li>Asset Management Group meets regularly and has clearly defined objectives and aims that are detailed within the terms of reference ensuring the Council's assets are governed appropriately.</li> </ul>

## Leisure Operations

- 5.6 During the course of 2019/20 there were two developments concerning the Council's relationship with related parties and associated companies which will entail governance changes during the course of

2020/21. Waterlane and Bungay Leisure Centres had been operated by Sentinel Leisure Trust since 2011.

5.7 As part of a contract review, East Suffolk Council gave Sentinel 12 months' notice in respect of the Waterlane Leisure Centre in October 2019. In respect of the Bungay Leisure Centre, Sentinel were given 12 months' notice of a major re-development in June 2019.

5.8 East Suffolk Council carried out a procurement exercise during 2020, with a nine year contract being awarded in December 2020 to Everyone Active. This was a contract to operate both Water Lane and Bungay Leisure Centre.

5.9 Bungay Leisure Centre was renamed Waveney Valley Leisure Centre upon completion of the redevelopment.

## **5.10 Commercial Partnerships**

### **East Suffolk Holdings Limited**

5.11 East Suffolk Holdings Limited is wholly owned by the Council and was incorporated on 24 October 2019. Three Council employees, Stephen Baker (Chief Executive), Andrew Jarvis (Strategic Director) and Nicholas Khan (Strategic Director) are named as Directors of East Suffolk Holdings Limited.

### **East Suffolk Construction Services Limited (dormant) / East Suffolk Property Developments Limited (dormant) / East Suffolk Property Investments Limited (dormant)**

5.12 East Suffolk Holdings is the sole shareholder of East Suffolk Construction Services Limited, East Suffolk Property Developments Limited, and East Suffolk Property Investments Limited, all of which were incorporated on 26 November 2019. Two Council employees, Andrew Jarvis (Strategic Director) and Nicholas Khan (Strategic Director) are named as Directors of all three of these companies. All these companies were dormant in 2020/21 and are intended to commence trading in 2021/22.

## **5.13 Impact of Covid-19**

During 2020/21, the Coronavirus pandemic resulted in nationwide lockdowns and an emergency response, which significantly impacted our 'business as usual' service delivery and alternative models were used to deliver critical services. This had an impact on the Council's governance arrangements. The impacts on governance will fall into the following broad categories:

- Impact on business as usual delivery of services;
- New areas of activity arising from the national response to coronavirus and any associated governance issues;
- Funding of financial implications and logistical consequences of delivering the local governance response;
- Assessment of the long-term disruption and consequences arising from the coronavirus.

In the last week of March 2020 over 170 members of staff were diverted to Covid-19 related work. The cost associated with staff time diverted to Covid-19 is estimated at over £995,000 for the 12 month period since April 2020. This includes activities such as, supporting communities, administration

During the lockdown period, temporary governance arrangements were put in place to allow for essential decision-making, either by making changes to the Scheme of Delegation to Officers, or by relying on the cascade of delegations to Officers in the Council's Constitution. Examples of this included:

- Officers being able to make financial decisions up to £250K in consultation with the relevant Portfolio Holder.
- All development control decisions being delegated to the Head of Planning and Coastal Management, acting in consultation with Advisory Panels of Members.
- Some few formal meetings being cancelled during the early weeks of the lockdown whilst regulations were awaited from Government to allow meetings to be held remotely.
- Remote meetings were held from 6 May 2020 onwards, the relevant regulations to allow for this came into force on 4 April 2020. Following the end of this Regulation in May 2021 statutory function meetings were no longer required to be held remotely.

A significant governance issue has been identified during the course of 2021/22 and is referred to below.

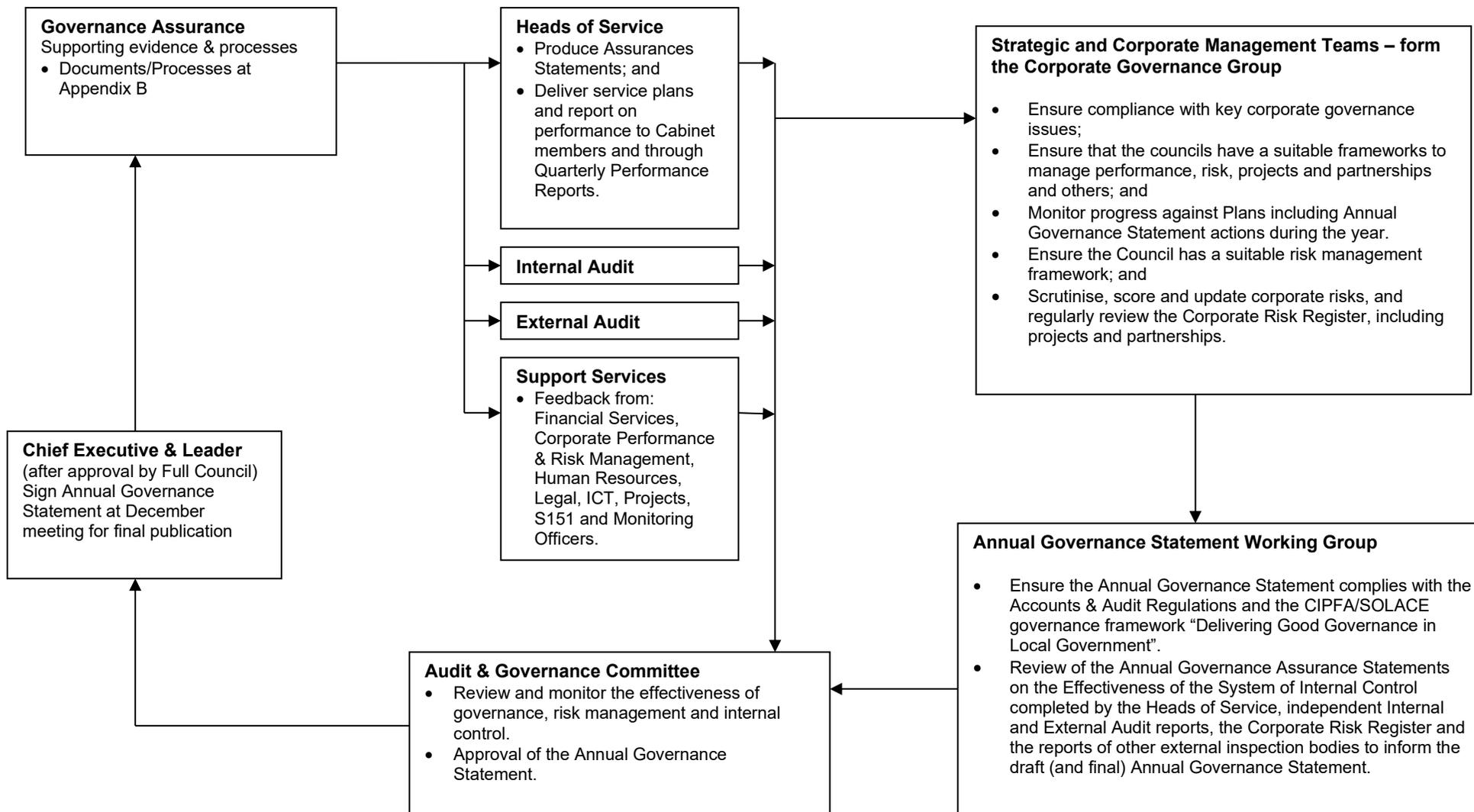
AGS Action	Issues/Challenges Identified	Progress
<p><b>Housing Regulation</b></p>	<p>Potential breach of the Rent Standard and the 'Home' Consumer Standard.</p>	<ul style="list-style-type: none"> <li>• In-depth review of the Housing Service was conducted in line with the Regulatory (Rent) and Consumer Standards</li> <li>• Independent consultants appointed to review historic approach to rent conversions and also to assess whether there are/were any other areas of non-compliance against the rent standard.</li> <li>• Legal opinion sought on other service charges.</li> <li>• Compliance consultant employed to ensure the right policies, processes and mechanisms for monitoring are in place to provide assurance that the housing stock is compliant with the Homes Standard.</li> <li>• Thorough audit of all aspects of compliance and development of action plan.</li> <li>• Forensic audit of potential overpayments of rent, being conducted looking at every rent account line by line. Definitive figure for overpayments, and split between those paid by tenants and paid via housing benefit will not be available until completed.</li> <li>• Council has self-referred to Regulator of Social Housing (RSH).</li> <li>• The Council will commission an independent inquiry into the governance/decision making issues raised in respect of the Rent Standard issues.</li> </ul>

6. **ASSURANCE BY CHIEF EXECUTIVE AND LEADER OF THE COUNCIL**

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

Post	Signature	Date
Stephen Gallant Leader of the Council		
Stephen Baker Chief Executive		

The Council's Governance Assurance Framework



DOCUMENTS/PROCESSES SUPPORTING THE CODE OF CORPORATE GOVERNANCE

<ul style="list-style-type: none"> <li>• Access and Customer Care Strategy</li> <li>• Air Quality Consultation</li> <li>• Air Quality Reports</li> <li>• Annual audit letters</li> <li>• Annual Governance Statement</li> <li>• Anti-Bribery Policy and Procedure</li> <li>• Anti-Money Laundering Policy</li> <li>• Anti-Fraud and Corruption Strategy</li> <li>• Asset Management Strategy 2019-24</li> <li>• Assurance Statements</li> <li>• Audit &amp; Governance Committee</li> <li>• Budget process</li> <li>• Business case appraisal process</li> <li>• Business Continuity Plan</li> <li>• Capital Programme</li> <li>• Capital Strategy</li> <li>• Code of Corporate Governance</li> <li>• Committee reports, agendas and minutes</li> <li>• Compliance and Enforcement Policy</li> <li>• My Conversation Managing Performance – people</li> <li>• Compliments, Comments and Complaints Policy</li> <li>• Complaints process and procedure</li> <li>• Contaminated Land Strategy</li> <li>• Contracts Register</li> <li>• Corporate Governance Group</li> <li>• Corporate Risk Register</li> <li>• <b>Constitution</b> <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> <li>- Part 3: Council Procedure Rules (contracts, budget &amp; policy framework, financial, employment, meetings, scrutiny)</li> <li>- Part 4: Codes and Protocols</li> <li>- Part 4: Members' Code of Conduct</li> <li>- Part 4: Officers' Code of Conduct</li> <li>- Part 4: Suffolk Local Code of Conduct</li> <li>- Part 5: Members' Scheme of Allowances</li> </ul> </li> <li>• Council newsletter</li> <li>• Council website</li> <li>• Customer feedback process</li> <li>• Data Protection Policy</li> <li>• Data Quality Strategy</li> <li>• Digital Strategy</li> </ul>	<ul style="list-style-type: none"> <li>• East Suffolk Strategic Plan (2020-2024)</li> <li>• East Suffolk Economic Growth Plan 2018-2023</li> <li>• East Suffolk Housing Strategy 2017-2023</li> <li>• East Suffolk Partnership priorities</li> <li>• East Suffolk People Strategy</li> <li>• East Suffolk Quarterly Performance Reports</li> <li>• Economic Growth Plan</li> <li>• Economic Development Delivery Plan</li> <li>• Efficiency Plan</li> <li>• Efficiency Strategy</li> <li>• Enabling Community Strategy</li> <li>• Enabling Communities Delivery Plan</li> <li>• East Suffolk Environmental Policy</li> <li>• Equality &amp; Diversity Policy</li> <li>• External audit (and other reviews)</li> <li>• Felixstowe Town Forward Improvement</li> <li>• Financial procedure rules and standing orders</li> <li>• Financial services</li> <li>• FOI and EIR request performance statistics</li> <li>• Freedom of Information</li> <li>• Green Infrastructure Strategy</li> <li>• Head of Internal Audit</li> <li>• Head of Paid Service</li> <li>• Health and Safety Officer</li> <li>• Human Resources</li> <li>• Health and Safety Policy</li> <li>• Health and Safety policies</li> <li>• Housing Strategy</li> <li>• ICT Strategy and action plan</li> <li>• ICT Acceptable Use Policy</li> <li>• ICT Security Policy</li> <li>• Independent remuneration panel</li> <li>• Internal audit</li> <li>• JNC terms &amp; conditions</li> <li>• Job evaluation process</li> <li>• Job descriptions</li> <li>• Joint Emergency Response Plan</li> <li>• Key decisions</li> <li>• Law &amp; governance</li> <li>• Leisure Strategy</li> <li>• Licensing Policy</li> <li>• Local Plan</li> <li>• Local Government Ombudsman (report)</li> </ul>	<ul style="list-style-type: none"> <li>• Medium Term Financial Strategy</li> <li>• Member training</li> <li>• Member Communication Guidelines</li> <li>• Member Development Strategy</li> <li>• Modern Slavery and Human Trafficking Statement</li> <li>• Monitoring Officer</li> <li>• Neighbourhood Plans</li> <li>• Our Values</li> <li>• Partnership framework</li> <li>• Pay Policy Statement</li> <li>• Petty Cash Policy</li> <li>• People Strategy</li> <li>• Performance Management (business) framework (including service plans)</li> <li>• Private Sector Housing Strategy</li> <li>• Procurement Forward Plan</li> <li>• Procurement regulations</li> <li>• Procurement Strategy</li> <li>• Prudential code</li> <li>• Record of decisions</li> <li>• Record Retention Policy</li> <li>• Recruitment Policy</li> <li>• Register of Councillors' interest</li> <li>• Risk management process</li> <li>• Risk Management Strategy</li> <li>• S151 Officer</li> <li>• Safeguard Policy</li> <li>• Salary scales</li> <li>• Senior management remuneration report</li> <li>• Service plans</li> <li>• Staff surveys</li> <li>• Social Media Enterprise Project</li> <li>• Social Media Policy</li> <li>• Social Value Policy</li> <li>• Statement of Accounts</li> <li>• Suffolk Care Leavers Policy</li> <li>• Suffolk Code of Conduct</li> <li>• Suffolk Growth Strategy</li> <li>• Temporary Accommodation Policy</li> <li>• Timetable of council meetings</li> <li>• Tourism Strategy</li> <li>• Transparency publications</li> <li>• Training programs</li> <li>• Treasury Management Strategy</li> <li>• Treasury Management Policy Statement</li> <li>• Whistleblowing Policy</li> <li>• Workforce development and plans</li> </ul>
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Blue = Available on Internet / Purple = processes / Green = Internal Use



## AUDIT & GOVERNANCE COMMITTEE

Monday, 14 March 2022

<b>Subject</b>	MEASURES TO IMPROVE LOCAL AUDIT DELAYS
<b>Report by</b>	Councillor Edward Back, Assistant Cabinet Member for Resources
<b>Supporting Officer</b>	Brian Mew Chief Finance Officer and Section 151 Officer <a href="mailto:Brian.mew@eastsuffolk.gov.uk">Brian.mew@eastsuffolk.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 purpose of this report is to update members on measures that are being proposed nationally to reduce delays in external audit work, including emergency proposals for an update of the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom and the 2022/23 Code.

### **Options:**

This report is for information, there are no options to consider.

### **Recommendation/s:**

1. That the key measures committed to by the Department of Levelling up, Communities and Housing to reduce future audit delays are noted.
2. That the proposals to the changes in the Code of Practice on Local Authority Accounting in the UK for 2021/22 and 2022/23, and the consultation response returned to CIPFA on this from the Chief Finance Officer (Paragraph 3.3), are noted.

## Corporate Impact Assessment

### **Governance:**

Schedule 2 to the Local Audit and Accountability Act 2014 (“the 2014 Act”), sets out the timescales in which Local Authorities need to publish, and make available for inspection, their annual accounts and supporting documents. This has been since amended by the Accounts and Audit Regulations 2015 (S.I 2015/234) which has delayed the dates for local authorities to publish and audit their accounts for the 2020/21 and 2021/22 financial years.

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

The appointment of external auditors does not link directly to the Council’s policies and strategies, however through securing external assurance over the Council’s governance, financial statements, and value for money, this will assist to achieve the priorities of the Strategic Plan.

### **Environmental:**

No impact

### **Equalities and Diversity:**

No impact

### **Financial:**

External Audit ensures the Council is providing accurate and reliable financial information, which in turn informs future budgets and service provision. It also ensures value for money is achieved and increases transparency to local taxpayers.

<b>Human Resources:</b>	
No impact	
<b>ICT:</b>	
No impact	
<b>Legal:</b>	
No impact	
<b>Risk:</b>	
If audits are not completed in a timely manner, there is a risk errors and misstatements are not identified in time to adjust for future budget purposes, and there is further risk value for money may not be achieved.	
<b>External Consultees:</b>	Department for Levelling up, Communities and Housing

## 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 checked="" type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input type="checkbox"/>
<b>T04</b>	<b>Delivering Digital Transformation</b>		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input type="checkbox"/>

P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T05</b>	<b>Caring for our Environment</b>		
P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education and influence	<input type="checkbox"/>	<input type="checkbox"/>
<b>XXX</b>	<b>Governance</b>		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>How does this proposal support the priorities selected?</b>			
It notes proposed changes to ensure future audit deadlines are achievable.			

## Background and Justification for Recommendation

<b>1 Background facts</b>	
1.1	Schedule 2 to the Local Audit and Accountability Act 2014 (“the 2014 Act”) sets out the timescales in which Local Authorities need to publish, and make available for inspection, their annual accounts and supporting documents. Traditionally these dates have been 31 <sup>st</sup> May for draft publication and 31 <sup>st</sup> July for final audited publication. These dates have been since amended by the Accounts and Audit Regulations 2015 (S.I 2015/234) which has delayed the dates for local authorities to publish and audit their accounts for the 2020/21 and 2021/22 financial years until the 31 <sup>st</sup> July and 30 <sup>th</sup> September respectively. However, the final date for audited accounts for 2021/22 has since been amended again to 30 <sup>th</sup> November 2022.
1.2	As the Committee is aware, although the Council has met all publication deadlines for its draft Statement of Accounts, the deadline for final audited accounts publication has not been met, with the 2019/20 accounts being signed off nearly a year late in August 2021, and the 2020/21 accounts still not being complete (a provisional Audit Results Report is being presented at this Audit and Governance Committee).
1.3	However, this isn’t just a local issue for East Suffolk Council. In 2018/19, over 200 of the 487 local public body accounts were delayed, prompting Central Government to arrange an independent review of the local audit regime to assess the arrangements in place to support the transparency and quality of local authority financial reporting and external audit in England. In July 2019, Sir Tony Redmond was appointed to undertake this task.
1.4	The ‘Redmond Review’ was published on 8 <sup>th</sup> September 2020, and highlighted 3 key problems with the current audit system: <ol style="list-style-type: none"> <li>1. Current local audit arrangements do not meet the policy objectives underpinning the Local Audit and Accountability Act 2014. In particular, Sir Tony identified weaknesses in the functioning and value of local audit, the</li> </ol>

	<p>timeliness of its findings and how these are considered and managed by local authorities.</p> <ol style="list-style-type: none"> <li>2. Market fragility. Sir Tony highlighted how local audit is an unattractive market for audit firms and individual auditors to operate within. He indicated that “without prompt action... there is a significant risk that the firms currently holding local audit contracts will withdraw from the market”.</li> <li>3. Absence of system leadership. The introduction of the localised audit framework in the 2014 Act, (when the previous Audit Commission was abolished), spread roles and responsibilities for local audit across multiple organisations. Sir Tony argues this has contributed to a lack of coherency and makes resolving the weaknesses in the system challenging.</li> </ol> <p>In addition, The Redmond Review highlighted that the statutory accounts prepared by local authorities are widely agreed to be ‘impenetrable to the public’, limiting how effectively taxpayers can judge the performance of their authority.</p>
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## 2 Current position

2.1	<p>Following on from the Redmond Review, on 26<sup>th</sup> November 2021, all Local Government Chief Executives and Section 151 Officers in England received a letter from the Department for Levelling Up, Housing and Communities (Appendix A), stating that 91% of 2020/21 local audits missed the statutory deadline of 30<sup>th</sup> September. This letter asked all Local Authorities to assist however possible in getting any outstanding audits cleared, with more details to follow in future communications on how the system can get ‘back on track’.</p>
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## 3 How to address current situation

3.1	<p>Following on from this initial letter, a further letter was received on 18<sup>th</sup> January 2022 (Appendix B), providing an update on action the government wishes to take to help tackle future audit delays. These measures include:</p> <ul style="list-style-type: none"> <li>• Providing councils with £45m additional funding over the course of the next Spending Review period to support with the costs of strengthening their financial reporting and increased auditing requirements;</li> <li>• Strengthening training and qualification options for local auditors and audit committee members;</li> <li>• Reviewing whether certain accounting and audit requirements could be reduced on a temporary basis, where these are of lesser risk to councils; and</li> <li>• Extending the 21/22 audit deadline to 30 November 2022, and then 30 September until 2027/28.</li> </ul>
3.2	<p>In addition to these above actions, CIPFA have also produced Emergency proposals for an update of the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom and the 2022/23 Code in order to help alleviate delays to the publication of audited financial statements. This consultation was announced on</p>

	<p>3<sup>rd</sup> February 2022, and closes on 3<sup>rd</sup> March 2022. The consultation is on the following two considerations:</p> <ul style="list-style-type: none"> <li>• An adaptation to the CIPFA code to allow local authorities to pause professional valuations for operational property, plant and equipment for a period of up to two years (though the initial proposal is for the 2021/22 financial year); this approach also explores the use of an index to be used to increase or reduce valuations.</li> <li>• Deferring the implementation of IFRS 16 Leases for a further year and reversing the planned changes to the 2022/23 code to implement that standard.</li> </ul>
3.3	<p>A response to this consultation is being drafted and will include the following points:</p> <p><u>Pausing professional valuations:</u> For the financial year 2021/22, the valuation work is already underway, and will no doubt be nearing completion by the time this consultation has been considered. Therefore, there are no immediate benefits to pausing this work for the Council. Also, if index methods are to be used, these also require professional consideration and will not significantly reduce audit work if scrutiny of these indexes is required by external audit. However, if this delay is approved, there should not be any significant negative impacts for the council.</p> <p><u>Deferring IFRS 16 Leases:</u> This change was originally planned for 2022/23 accounts and does not commence until the 1<sup>st</sup> April 2022. It is therefore unlikely to be a big focus of the 2021/22 audit, so little will be gained in the 2021/22 audit by delaying it. The Council is prepared to adopt this change as planned in 2022/23, however, further delay will not cause any difficulties and provide more preparation time.</p>

#### 4 Reason/s for recommendation

4.1	<p>The measures listed in paragraph 3.1 by The Department for Levelling Up, Communities and Housing are a positive step in tackling audit delays, however, it is felt it is unlikely to reduce the audit delays currently experienced as the extended deadline of the 30<sup>th</sup> November for Final Accounts still would not have been achieved by the Council in the last two years. Any changes that reduce the complexities of public sector accounts would be welcomed by the Council, providing adequate information and scrutiny is still achieved.</p>
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## Appendices

Appendices:	
<b>Appendix A</b>	Letter from Department for Levelling up, Communities and Housing dated 26 <sup>th</sup> November 2021
<b>Appendix B</b>	Letter from Department for Levelling up, Communities and Housing dated 18 <sup>th</sup> January 2022

Background Papers:
None.



Department for Levelling Up,  
Housing & Communities

**ES/1078**  
**Catherine Frances**  
Director General, Local Government,  
Strategy & Analysis

**Department for Levelling Up, Housing  
and Communities**

2 Marsham Street  
London SW1P 4DF

To: all LA Section 151 Officers in England  
Cc: all LA Chief Executives in England

26 November 2021

Dear colleagues

I am writing to you on behalf of the Department for Levelling Up, Housing and Communities (DLUHC) in its capacity as interim system leader for local audit, and in the light of recently released data showing that an unprecedented 91% of 20/21 local audits have missed the statutory deadline of 30 September.

As Section 151 officers, I know you will understand that timely completion of audits is vital in maintaining the transparency and assurance of local authority accounts. Late delivery of local assurance can have a significant impact on local authority financial planning and can also affect the timely completion of Whole Government Accounts. Late audit also fails to provide the taxpayer with the timely assurance that their local authority's financial accounts are true and fair and that the authority has been acting with propriety and has arrangements in place to secure value for money through the economic, efficient and effective use of its resources.

The causes of these delays are multifaceted, and a recovery will require every element of the system to play its part in improving the timeliness of audit. This leaves us with a collective question of how to respond.

If your authority is one of the 91%, I recognise the frustrations this must present to you as well as the pressure on staff involved in supporting an extended audit process.

The government is continuing to prioritise measures to improve timeliness and support capacity as part of our response to the Redmond Review. We laid new regulations on 21 October to provide greater flexibility to the appointing person through, for example, extending the deadline for setting fee scales so that they can reflect the most recent market conditions, and streamlining the fee variation process under certain circumstances. We are also providing £15m additional funding to local bodies to support with the implementation of recommendations following the Redmond Review

and new audit costs resulting from new requirements, including the new Value for Money reporting. We are considering funding arrangements for future years.

The solution will of course require joint work with the audit companies. We are meeting with the firms to remind them of their responsibilities and explore with them what further steps can be taken to get audits back on track.

At the same time, I would ask you to do everything you can to clear the backlog of delayed audits, while acknowledging the exceptional work pressures that you have faced recently. The National Audit Office's 2020 report *Timeliness of local auditor reporting on local government in England* found that, in some cases, 'competing workload pressures, both within the finance function and elsewhere in the local bodies, diverted staff resources from completing working papers and preparing accounts' and that 'the quality of the processes and control environment within the finance functions of local bodies also affected their preparedness for audit'. The report highlighted other factors, including availability and capacity of finance staff.

I am aware that, according to figures from the LGA, approximately 85% of councils produced a draft set of accounts in accordance with this year's deadline. I would urge all councils to ensure you meet this deadline going forward. It is vital that local authorities continue to fulfil your responsibilities, including ensuring that draft accounts are of sufficient quality when they are initially sent to auditors, in addition to responding promptly to queries from auditors and, if necessary, putting sufficient measures in place to prevent further delays to account preparation. In some cases, accounts have not been agreed for multiple years, and this needs to be addressed appropriately and urgently.

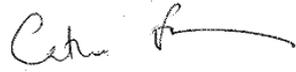
I would also stress the role of your audit committees, both in reviewing financial statements, supporting effective relationships with external audit, and the active promotion of the audit process. DLUHC recently consulted on proposals to strengthen audit committees, including the appointment of independent members, and we are working with the LGA and CIPFA to consider if further support would help. However, in the interim, I would encourage you to revisit the CIPFA position statement and guidance on audit committees: <https://www.cipfa.org/services/support-for-audit-committees>.

I would also recommend local authorities consider CIPFA's guidance on streamlining the accounts, which provides practical suggestions on how the annual statement of accounts can strike a better balance between compliance with standards and providing clearer, simpler and more transparent information: <https://www.cipfa.org/policy-and-guidance/publications/s/streamlining-the-accounts>.

I would ask that where you do not have audited accounts, you use the best available estimates in setting your budget for 2022/23.

We recognise that this is a problem that requires a system-wide response, and we are reminding all partners of their responsibilities, so that we can help to get the system back on track together. We will be setting out further details of our plans for this in due course.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Catherine Frances', with a long horizontal flourish extending to the right.

**CATHERINE FRANCES**



Department for Levelling Up,  
Housing & Communities

**ES/1078**  
**Catherine Frances**  
Director General, Local Government,  
Strategy & Analysis  
**Department for Levelling Up, Housing  
and Communities**

2 Marsham Street  
London SW1P 4DF

To: all Section 151 Officers in England  
Cc: all Chief Executives in England

18 January 2022

Dear colleague,

Further to my letter of 22 November 2021, which noted the government's concern at the increasing delays to the completion of local audits, I am writing to you and the relevant audit firms today to provide an update on action the government is taking to help tackle audit delays.

As I outlined in my previous letter, the timely completion of local audit is a vital transparency method for the taxpayer and for sustaining public confidence in local democracy more broadly. For the timeliness of local audit to improve from the current situation, a collaborative approach to address the issues is required from across the whole system.

That is why my Department has worked with key partners across the local audit system to agree a new package of measures to help get the timeliness of local audit back on track. I can announce that we have now published full details of these measures online to signal publicly our commitment to the local audit market: <https://www.gov.uk/guidance/measures-to-improve-local-audit-delays>

I am pleased that this document represents actions for all elements of the system, but some of the key measures committed to that may be of most interest include:

- providing councils with £45m additional funding over the course of the next Spending Review period to support with the costs of strengthening their financial reporting and increased auditing requirements;
- strengthening training and qualifications options for local auditors and audit committee members;
- reviewing whether certain accounting and audit requirements could be reduced on a temporary basis, where these are of lesser risk to councils; and
- extending the 21/22 audit deadline to 30 November 2022, and then 30 September until 2027/28.

I wanted to thank you again for the crucial role you play in ensuring the transparency and accountability of local government for local taxpayers. We hope that the measures we have announced will help support improved timeliness within the local audit market. We will continue to engage with local authorities and audit firms to understand the impact of the new measures and work together as we continue to implement the recommendations from the Redmond Review.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Catherine Frances', with a long horizontal flourish extending to the right.

**CATHERINE FRANCES**



## AUDIT & GOVERNANCE COMMITTEE

Monday, 14 March 2022

<b>Subject</b>	CHANGES TO THE FINANCIAL PROCEDURE RULES
<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>	Brian Mew Chief Finance Officer <a href="mailto:Brian.mew@eastsoffolk.gov.uk">Brian.mew@eastsoffolk.gov.uk</a>

Is the report Open or Exempt?	OPEN
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Category of Exempt Information and reason why it is <b>NOT</b> in the public interest to disclose the exempt information.	Not Applicable
<b>Wards Affected:</b>	None

## Purpose and high-level overview

### **Purpose of Report:**

To enable the Committee to review and comment on proposed changes to the Financial Procedure Rules in the Council's Constitution.

### **Options:**

The Financial Procedure Rules (FPR) provide the framework for the financial administration of the Council with a view to ensuring that financial matters are conducted in a sound and proper manner, constitute value for money and minimise the risk of legal challenge. The Chief Finance Officer is responsible for maintaining a continuous review of the Financial Procedure Rules and submitting any additions or changes necessary to the Council for approval.

In determining the approach to giving clarity to the rules in areas that tend to have alternate interpretations, consideration has been given to either:

- a. Adding further wording to the constitution.
- b. Introducing financial guidelines (required by the current FPR)

To avoid the FPR becoming excessively detailed and ensuring that the FPR covers the key principles and the framework for financial management in the Council, rather than detailed processes, the approach chosen has been to introduce guidelines that give effect to the FPR but do not change the FPR.

### **Recommendation/s:**

That having reviewed and commented upon the proposed changes to the Financial Procedure Rules, the Committee recommended them to Full Council for approval.

## Corporate Impact Assessment

### **Governance:**

The proposed changes are primarily aimed at simplification; greater operational relevance; increased accountability; and enhanced compliance with best practice, including the CIPFA Financial Management Code.

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

East Suffolk Council Strategic Plan

Medium Term Financial Strategy

General Fund Budget and Capital Programme

Housing Revenue Account and Housing Capital Programme

Financial Procedure Rules

### **Environmental:**

There are no direct environmental impacts of this proposal.

**Equalities and Diversity:**

No impacts

**Financial:**

The changes will foster active budget management and use of virement to efficiently direct Council resources where they are most required thereby increasing financial sustainability. All resources required to implement the proposed changes are within existing revenue budgets.

**Human Resources:**

Successful implementation of the proposed changes and supporting Financial Guidelines will require increased awareness of budget responsibilities. The proposals and guidelines are intended to provide greater clarity to staff on their duties. Staff statutory responsibilities have not changed because of the proposals, and no contractual changes are required in respect of terms and conditions.

A series of half day sessions are being planned to communicate the changes along with financial management refresher sessions to ensure the new procedures are embedded Council-wide.

**ICT:**

Current processes will need to be enhanced in some areas to ensure effective implementation and embedding in the authority. In particular, the upgrade of the council's Financial Management System, Navision, to Business Objects during 2022/23 will facilitate this.

**Legal:**

The proposed changes to the financial procedure rules have taken into account consultation with the Head of Legal and Democratic Services as well as with input from external legal advisors on the proposed principles for governance and transacting with our companies.

**Risk:**

The proposed changes include amendments to financial thresholds. This will naturally give greater financial responsibility to budget managers than is currently the case and the Internal Audit team have identified that some of the changes may increase risks associated with financial governance and oversight at Management level.

To mitigate against this risk, the applicability of these amended thresholds has been restricted only to financial management decisions that do not increase the Council's financial commitment during the MTFS period. Hence financial decisions which budget holders are permitted to take are strictly in fulfilment of their delegated responsibilities and within existing council resources, and to the extent that they do not increase the net resource requirement.

The training and development plan for budget holders will mitigate the increased risk identified by the Internal Audit review.

The financial threshold for key decisions to be referred to the Cabinet remains the same at £250,000.

Finally, the Internal Audit review also highlighted that “there are also benefits in reducing the volume of items to be considered by senior management, allowing the opportunity to focus on high-value strategic matters only”.

<b>External Consultees:</b>	External legal advisors provided advice on principles of governing and transacting with East Suffolk owned companies to align them with Companies Act 2006.
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## Strategic Plan Priorities

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

The proposed changes are primarily aimed at simplification; greater operational relevance; increased accountability; and enhanced compliance with best practice, including the CIPFA Financial Management Code, enhancing and strengthening Corporate Governance in the Council.

## Background and Justification for Recommendation

1 Background facts	
1.1	<p>The purpose of the constitution as defined in part 1, paragraph 1.2. - is “...to ensure that the Council's <i>decision-making and governance</i> arrangements help the Council to achieve its aims, objectives and priorities <i>effectively</i> and <i>efficiently</i>”.</p> <p>Existing provisions in the constitution in Part 3, paragraph 1.2.6. – also state that “The CFO is responsible for maintaining a continuous review of the Financial Procedure Rules and submitting any additions or changes necessary to the Council for approval. An annual review shall be undertaken”.</p>
1.2	<p>In October 2019, CIPFA published the Financial Management Code (FM Code), presented to A&amp;G in December 2021, which provides guidance for good and sustainable financial management in local authorities and will provide assurance that authorities are managing resources effectively.</p>
1.3	<p>The FM Code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, the code requires that a local authority demonstrates that its processes satisfy the principles of good financial management for an authority of its size, responsibilities, and circumstances.</p>

2 Current position	
2.1	<p>In addition to the introduction of the FM Code, the Council’s circumstances, and levels of activity in a range of areas have changed significantly following becoming one council three years ago. Any review and revision of the FPR inevitably involves some routine tidying up of the document, however in response to these key developments, the three most significant areas of changes to the FPR – Revenue Budget Monitoring, Capital Programme Monitoring, and ESC companies - are referred to in section 3 below.</p>

3 How to address current situation	
3.1	<p><b>Revenue Budget Monitoring</b></p> <p><u>Virements (Budget Transfers)</u></p> <p>A “whole service” approach is proposed in respect of allocating existing budget commitments, whereby, for example, Heads of Service and Budget managers will be able to move existing budgets around as required for service delivery, provided they do not create additional budget commitments or significantly change ESC services and policy. The proposed virement (budget transfer) thresholds that give effect to this approach are shown below:</p>

<b>Virement Scheme Approver Thresholds - Summary of Para 3.1.19 – 3.1.21</b>		
<b>Approver</b>	<b>Individual Threshold</b>	<b>Cumulative threshold</b>
Budget holder	up to £50,000	N/A
Head of service	up to £100,000	N/A
Portfolio holder and Section 151 Officer	£100,001 - £250,000	£250,000 per portfolio
Cabinet	£250,001 - £1,000,000	£1,000,000
Council	Over £1,000,000	N/A

3.2	<p><u>Guidelines</u></p> <p>Guidelines have been produced using simple wording and decision flow trees to provide clear guidance to staff in applying Budget Management rules.</p>															
3.3	<p><u>Grant Funding</u></p> <p>The proposed changes encourage a long-term view in accepting grants and clarify budget managers' existing delegated authority to accept grants that are in line with strategic priorities and have net zero financial commitment outside the council's existing budgets. All grant funding that requires additional net budgets or which significantly change services and/or policies will continue to require Cabinet approval up to the cumulative £1m threshold and Council approval beyond that threshold.</p>															
3.4	<p><u>Earmarked Reserves</u></p> <p>The proposals provide clearer rules on delegated authority for the allocation of earmarked reserves, the officers that can approve this use, including a definitive list of general reserves, the use of which still require Cabinet and/or Council approval.</p>															
3.5	<p><u>Supplementary Estimates</u></p> <p>The proposals are intended to streamline the approval, monitoring, and reporting of supplementary estimates. This includes guidance to officers in the financial guidelines to equip them to consider alternatives before requiring supplementary budgets. The thresholds for these are presented below and are in accordance with the current Constitution thresholds for Significant items:</p> <table border="1" data-bbox="316 1532 1321 1854"> <thead> <tr> <th colspan="3"><b>Supplementary Budget Thresholds</b></th> </tr> <tr> <th><b>Approver</b></th> <th><b>Individual Threshold</b></th> <th><b>Cumulative Threshold</b></th> </tr> </thead> <tbody> <tr> <td>Portfolio holder and Section 151 Officer</td> <td>Up to £250,000</td> <td>£250,000</td> </tr> <tr> <td>Cabinet</td> <td>£250,001 - £1,000,000</td> <td>£1,000,000</td> </tr> <tr> <td>Council</td> <td>Over £1,000,000</td> <td>N/A</td> </tr> </tbody> </table>	<b>Supplementary Budget Thresholds</b>			<b>Approver</b>	<b>Individual Threshold</b>	<b>Cumulative Threshold</b>	Portfolio holder and Section 151 Officer	Up to £250,000	£250,000	Cabinet	£250,001 - £1,000,000	£1,000,000	Council	Over £1,000,000	N/A
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3.6	<p><b>Capital Programme Monitoring</b></p> <p>The FPR now also references the Capital Programme guidelines that have been drafted by Finance in consultation with the Asset Management Group (AMG).</p>															

3.7	There will now be an explicit requirement in the capital programme guidelines for officers to adopt the project management framework, including a need to prepare an options appraisal for all new projects for AMG consideration prior to presenting to Cabinet and Council.
3.8	A requirement is now also included for AMG to conduct post implementation reviews of significant capital programmes (Over £250,000 spend) to foster organisation wide learning on programme management and project delivery. There is also intended to be Cabinet review of these post implementation reports, especially where there is significant divergence from approved capital programme.
3.9	<b>Principles for monitoring and transacting with ESC Companies</b>  The proposals introduce principles for designing sustainable services to and from companies; including clearer responsibilities for Heads of Service for council services contracted out to companies. These should ensure control is retained over statutory services, whilst ensuring that trading entities do not receive unusually favourable arrangements stifling the ability of local businesses to compete.
3.10	The proposals include basic principles for Council companies to align annual business planning and periodic performance reporting timelines to the Council. They are also intended to create the base for company governance arrangements to be designed in line with Companies Act 2006.  <i>NOTE: These do not represent the governance arrangements of Council companies. Each company governance arrangement will be contained in their articles of association and ESC's shareholder or membership agreement with each of them. These documents will be presented along with papers relating to those companies as required.</i>
3.11	Cabinet will also be considering the proposed changes to Financial Procedure Rules at its meeting on 5 April 2022, and Full Council will consider the recommendations of both Cabinet and the Audit and Governance Committee at its meeting on 25 May 2022.

#### 4 Reason/s for recommendation

4.1	To enable the Audit and Governance Committee to review, comment upon, and recommend the proposed changes to the Financial Procedure Rules to Full Council.
4.2	The recommendations are considered to strike an important balance between the ability of officers to deliver services within delegated authorities, whilst ensuring effective and appropriate financial management, governance, and oversight.

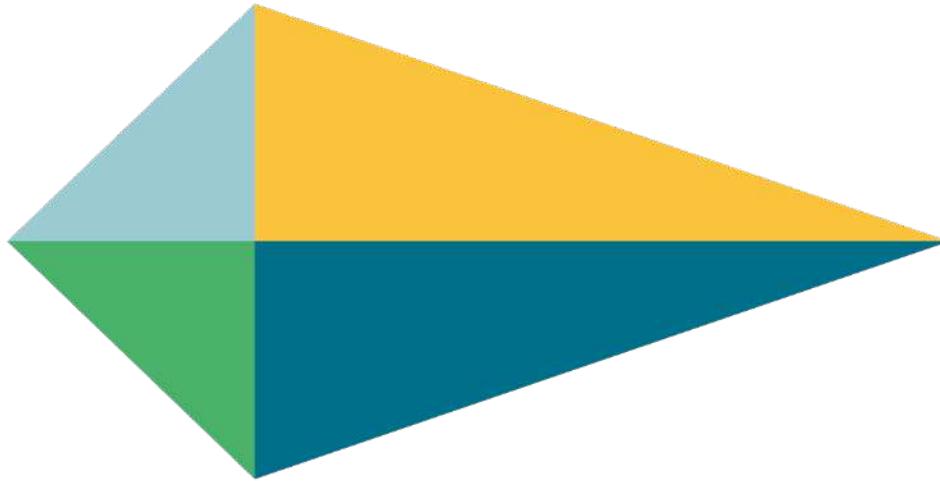
## Appendices

### Appendices:

<b>Appendix A</b>	East Suffolk Council Constitution_ Financial Procedure Rules Proposed Version incorporating proposed changes (to be dated 25 May 2022)
<b>Appendix B</b>	East Suffolk Council Constitution_ Financial Procedure Rules Version dated 14 October 2021

### Background reference papers:

<b>Date</b>	<b>Type</b>	<b>Available From</b>
13 December 2021	Audit & Governance Committee - CIPFA Financial Management Code	CMIS



# EASTSUFFOLK

C O U N C I L

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# FINANCIAL PROCEDURE RULES

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*Version dated: 25 May 2022*

## Finance Procedure Rules

### 1. Introduction

#### 1.1 ROLE OF CHIEF FINANCE OFFICER (CFO)

- 1.1.1 Section 151 of the [Local Government Act 1972](#) states, “every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their Officers has responsibility for the administration of those affairs”.
- 1.1.2 The Officer designated by East Suffolk Council as having the statutory responsibility set out in Section 151 of the 1972 Act is the “Chief Finance Officer and Section 151 Officer” (“the CFO”).
- 1.1.3 The Chief Finance Officer will appoint a deputy and keep them briefed on emerging issues. The Deputy will act in place of the Chief Finance Officer if the Chief Finance Officer is absent or unable to act due to conflict or other relevant issues.

#### 1.2 FINANCIAL PROCEDURE RULES

- 1.2.1 The Financial Procedure Rules provide the framework for the financial administration of the Council with a view to ensuring that financial matters are conducted in a sound and proper manner, constitute value for money and minimise the risk of legal challenge. The [Financial Guidelines](#) provide more detailed and operational considerations which give meaning to the Financial Procedure Rules.
- 1.2.2 All financial decisions and decisions with financial implications must have regard to proper financial control. Any doubt as to the appropriateness of a financial proposal or correctness of a financial action must be clarified in advance of the decision or action with the CFO.
- 1.2.3 [Financial Guidelines](#) and other financial instructions may be issued and updated from time to time by the CFO, where assistance is needed with the interpretation of Financial Procedure Rules.
- 1.2.4 Failure to observe Financial Procedure Rules (including existing [financial guidelines](#) and financial instructions), may result in action under the Council’s disciplinary procedures.
- 1.2.5 These Financial Procedure Rules should be read in conjunction with the [Contract Procedure Rules](#) and the [Scheme of Delegation](#).
- 1.2.6 The CFO is responsible for maintaining a continuous review of the Financial Procedure Rules and submitting any additions or changes necessary to the Council for approval. An annual review of the FPR and Financial Guidelines shall be undertaken.
- 1.2.7 The CFO is also responsible for reporting, where appropriate, breaches of the Financial Procedure Rules to the Council and/or to the Cabinet. The CFO is authorised to temporarily suspend Financial Procedure Rules in exceptional circumstances, and where such a suspension is authorised, a written record shall be kept of the reasons for this.

1.2.8 Strategic Directors and Heads of Service are responsible for ensuring that all staff in their Directorates/Services are aware of the existence and content of the Financial Procedure Rules and that they comply with them.

### **1.3 RESPONSIBILITIES**

#### **To the Council**

1.3.1 Elected Members and employees of the Council are responsible for ensuring that they use the resources and assets entrusted to them in a responsible and lawful manner. They should strive to achieve value for money and avoid legal challenge to the Council.

1.3.2 These responsibilities apply equally to Members and employees when representing the Council on outside bodies.

#### **Personal**

1.3.3 Any person charged with the use or care of Council resources and assets should make themselves aware of the Council's requirements under the Financial Procedure Rules. If anyone is in any doubt as to their obligations, then they should seek advice. Unresolved questions of interpretation should be referred to the CFO.

1.3.4 All officers of ESC are collectively responsible for the security of the of the Council's property and for ensuring integrity accuracy, probity, and value for money in the use of resources.

1.3.5 All employees must report immediately to their manager, supervisor, or other responsible senior Officer any illegality, impropriety, serious breach of procedure or serious deficiency in the provision of services that they suspect or become aware of. Employees can do this without fear of recrimination providing they act in good faith via the Council's Whistle Blowing Policy. In such circumstances managers must record and investigate such reports and take appropriate action. Compliance with the Council's Anti-Fraud and Corruption Strategy and the [Code of Conduct for Officers](#) is mandatory for all Officers.

#### **Chief Finance Officer**

1.3.6 Section 114 of the [Local Government Finance Act 1988](#) requires the CFO to report to Council, Cabinet and External Auditor if the Council or one of its Officers:

- Has made, or is about to make, a decision which involves or would involve the authority incurring unlawful expenditure;
- Has taken, or is about to take, unlawful action which has resulted or would result in a loss or deficiency to the Council; or
- Is about to make an unlawful entry in the Council's accounts.

1.3.7 Section 114 of the 1988 Act also requires:

- The CFO to nominate a properly qualified member of staff to deputise should they be unable to perform the duties under section 114 personally; and
- The Council to provide the CFO with sufficient staff, accommodation, and other resources – including legal advice where this is necessary – to carry out the duties under Section 114.

1.3.8 The CFO has a range of general responsibilities, which underpin an overriding responsibility to ensure the proper administration of the financial affairs of the Council. These include:

- Setting financial management standards and to monitor compliance with them;
- Ensuring proper professional practices are adhered to, and to act as head of profession in relation to the standards, performance and development of finance staff throughout the Council;
- Advising on the key strategic controls necessary to secure sound financial management; and
- Ensuring that financial information is available to enable accurate and timely monitoring and reporting of financial and non-financial performance indicators.

1.3.9 Reference to the CFO includes those authorised by them to undertake the various functions concerned.

#### **Strategic Directors/Heads of Service**

1.3.10 Strategic Directors and Heads of Service are responsible for ensuring that the Financial Procedure Rules are observed throughout all areas under their control and shall:

- Provide the CFO with such information and explanations as the CFO feels is necessary to meet their obligations under the Financial Procedure Rules;
- Consult with the CFO and seek approval on any matter liable to affect the Council's finances materially, before any commitments are incurred;
- Ensure that executive Members are advised of the financial implications of all significant proposals and that the financial implications have been agreed by the CFO;
- Inform the CFO of failures of financial control resulting in additional expenditure or liability, or loss of income or assets;
- Wherever any matter arises which may involve irregularities in financial transactions, consult with the CFO and, if a serious irregularity is confirmed, the matter shall be reported to the Chief Executive, appropriate Cabinet Member, and the HR & Workforce Development Manager; and
- Ensure the legality of their Directorate/Service's actions.

1.3.11 Strategic Directors and Heads of Service are also responsible for:

- Promoting the financial management standards set by the CFO in their departments and to monitor adherence to the standards and practices, liaising as necessary with the CFO; and
- Promoting sound financial practices in relation to the standards, performance, and development of staff in their service areas.

1.3.12 Reference to the Strategic Directors/ Head of Service includes those authorised by them to undertake the various functions concerned. Strategic Directors/Heads of Services will designate budget holders within their service to carry out day to day financial management within their areas of responsibility. Service managers with access to approval of financial commitments on the financial management system are considered budget holders within their areas of responsibility.

## 2. Financial Planning

### 2.1 BUDGETING

#### a) Budget Format

The budget format determines the level of detail to which financial control and management will be exercised. The format shapes how the rules around virement operate, the operation of cash limits and sets limits at which funds may be reallocated.

#### CFO Responsibilities

- 2.1.1 Advise Cabinet on the format and content of the budget to be approved by Council.

#### Strategic Directors/ Heads of Service Responsibilities

- 2.1.2 Comply with budgetary guidance provided by CFO including those documented in the [Financial Guidelines](#).

#### b) Budget and Medium-Term Planning

The Council is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighted priorities. The budget is the financial expression of the Council's plans and policies.

The revenue budget must be constructed to ensure that resource allocation properly reflects the service plans and priorities of Council. Budgets (spending plans) are needed so that the Council can plan, authorise, monitor, and control the way money is allocated and spent. It is illegal for a Council to budget for a deficit.

Medium-term planning involves a cycle in which managers develop their own plans in conjunction with the CFO. As each year passes, another future year will be added to the Medium-Term Financial Strategy (MTFS). This ensures that the Council is always preparing for events in advance.

#### CFO Responsibilities

- 2.1.3 Prepare and submit reports on revenue budget forecasts to Cabinet, including resource constraints set by Government. Reports should take account of medium-term forecasts, where appropriate.
- 2.1.4 Determine detailed form of revenue budgets and the methods for preparation, consistent with the budget approved by Council, and after consultation with Cabinet, Strategic Directors and Heads of Service.
- 2.1.5 Prepare and submit reports to Cabinet on aggregate spending plans of service areas and on the resources available to fund them, identifying, where appropriate, implications for the level of taxation to be levied.
- 2.1.6 Advise on the medium-term and long-term financial implications of service decisions and alternative options.
- 2.1.7 Work with Strategic Directors and Heads of Service, and all Council Officers, to identify opportunities to improve economy, efficiency, and effectiveness,

encouraging good practice financial appraisals of development or savings options, and in developing the financial aspects of service planning.

- 2.1.8 Advise Council on Cabinet proposals in accordance with responsibilities under Section 151 of the [Local Government Act 1972](#).

#### **Strategic Directors/Heads of Service Responsibilities**

- 2.1.9 Prepare detailed draft revenue budgets in consultation with the CFO, for submission to Cabinet and approval by Council.
- 2.1.10 Integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- 2.1.11 When drawing up draft revenue budgets, have regard to spending/income patterns and pressures, volatility to external influences, legal requirements, policy requirements, initiatives already underway and external grants and contributions.

#### **c) Capital Programme**

**Capital expenditure involves acquiring or enhancing fixed assets with long-term value to the Council, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.**

**Capital expenditure must form part of an investment strategy and must be carefully prioritised and scrutinised in order to maximise the benefit of scarce resources.**

#### **CFO Responsibilities**

- 2.1.12 Prepare capital budgets jointly with Strategic Directors/Heads of Service and report them to Cabinet for approval. The Cabinet will make recommendations on the capital budgets and on any associated financing requirements to Council. Cabinet Member approval is required where a Strategic Director/Head of Service proposes to bid for or exercise additional borrowing, not anticipated in the Capital Programme (extra borrowing will create future commitments to financing and capital repayment costs).
- 2.1.13 Prepare and submit reports to Cabinet on projected income, expenditure and resources compared with approved budgets.
- 2.1.14 Issue guidance on capital schemes [processes](#), and controls e.g. revenue costs, project appraisal techniques. The definition of capital will be determined by the CFO, having regard to government regulations and accounting requirements.
- 2.1.15 Obtain Cabinet authorisation for individual schemes where estimated expenditure exceeds Capital Programme provision by more than £50,000.

#### **Strategic Directors/Heads of Service Responsibilities**

- 2.1.16 Comply with guidance on capital projects and controls issued by CFO.
- 2.1.17 Develop and implement asset management plans in conjunction with CFO.
- 2.1.18 Ensure that all capital projects are strategically aligned and have undergone a robust appraisal, including economic and financial appraisal in the manner prescribed in the [Financial Guidelines](#). Ensure that the project appraisal has been approved by Financial and Legal Services, before being presented and discussed

by the appropriate management group (and before inclusion in the Capital Programme).

- 2.1.19 Prepare regular reports reviewing Capital Programme provisions for their services, and prepare a quarterly return of estimated final costs of schemes in the approved Capital Programme for inclusion in the quarterly financial monitoring reports to management.
- 2.1.20 Ensure adequate records are maintained for all capital contracts.
- 2.1.21 In consultation with the CFO, accelerate the progress of a scheme by deferring the start of another scheme in that year's programme or, if delays are occurring generally, may bring forward a scheme programmed to start in a later year.
- 2.1.22 Proceed with projects only when there is adequate provision in the Capital Programme, following Cabinet or Council approval, and with the agreement of the CFO where required. Cabinet can approve projects up to a value of £1,000,000 (General Fund) and £1,000,000 (Housing Revenue Account) in any one financial year. Projects that breach the £1,000,000 limits – either alone or cumulatively – require Council approval.
- 2.1.23 Prepare and submit quarterly reports, jointly with the CFO, to Cabinet, of any variation in contract costs greater than £50,000. The Cabinet may meet cost increases of the project by virement from identified savings arising from other projects within the capital programme.
- 2.1.24 Follow the appropriate project management framework in the initiation and delivery of significant capital projects. Prepare and submit post implementation reports, jointly with the CFO, to Cabinet on completion of schemes where the final expenditure varies from the approved budget by more than £50,000. Prepare post implementation reports, on completion of all capital schemes with capital spend over £250,000 through the life of the project for review by the Strategic Plan Financial Sustainability Theme Group.
- 2.1.25 Ensure credit arrangements, such as leasing agreements over the de-minimus level (£10,000), are not entered into without prior CFO approval, who will need to undertake an assessment of the type of lease arrangement being entered into. Where the lease is considered to be capital expenditure, it will go through the Capital Programme approval [process](#) established by the CFO.
- 2.1.26 Consult with the CFO and seek Cabinet approval where Strategic Director/Head of Service proposes to bid for Government funding to support expenditure that has not been included in current year's Capital Programme.

## 2.2 MAINTENANCE OF RESERVES

**The Council must decide the minimum level of General Reserves it wishes to maintain before it can decide the level of Council Tax. Reserves are maintained as a matter of prudence. They enable the Council to provide for unexpected events and thereby protect it from overspending, should such events occur. There are also reserves earmarked for specific purposes.**

### **CFO Responsibilities**

- 2.2.1 To advise Cabinet and/or Council on prudent levels of reserves for the Council, and to take account of the advice of [CIPFA](#) in this matter.

### **Strategic Directors/Heads of Service Responsibilities**

- 2.2.2 To ensure that reserves are used only for the purposes for which they were intended.

## **3. Financial Management**

### **3.1 MANAGING INCOME & EXPENDITURE**

#### **a) Budget Monitoring and Control**

**Proper budget management ensures that – once the budget has been approved by Council – allocated resources are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account, managers responsible for defined elements of the budget.**

**By continuously identifying and explaining variances against budget targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual revenue limit, approved when setting the annual budget. To ensure that the Council does not overspend in total, each service is required to manage its own income and expenditure within the budget allocated to it. For the purposes of budgetary control by managers, a budget will usually be the planned income and expenditure excluding support and capital charges, for a department.**

#### **CFO Responsibilities**

- 3.1.1 Submit reports to Cabinet and Council, in consultation with the relevant Strategic Director/Head of Service, where a Strategic Director/Head of Service's expenditure and resources are significantly outside the approved budgets under their control.
- 3.1.2 Prepare and submit quarterly reports on the Council's projected income and expenditure compared with the budget to the Cabinet.
- 3.1.3 Establish an appropriate framework of budgetary management and control that ensures that:
- Budget management is exercised within the approved budget unless Cabinet approves a supplementary estimate;
  - Each Strategic Director/Head of Service/ Budget Holder has timely information on income and expenditure on each budget which is sufficiently detailed to enable managers to monitor their budgetary responsibilities;
  - As a minimum, quarterly updates are held between a Head of Service, budget holder and their Finance representative;
  - All Officers responsible for income and expenditure, comply with the relevant guidance and the Financial Procedure Rules;
  - Each cost centre has a single named manager, designated by the relevant Strategic Director/Head of Service. As a general principle, budgetary responsibility should be aligned as closely as possible to the decision-making processes that commit expenditure; and

- Significant variances from approved budget are investigated and reported by budget holders monthly and advised to the Strategic Management Team and Cabinet.

3.1.4 Administer the Council's Scheme of Virement (refer to Section 3B below).

#### **Strategic Directors/Heads of Service Responsibilities**

3.1.5 Consult with CFO on any matter which is liable materially to affect the finances of the Council before any provision or other commitment is incurred and before reporting to Members.

3.1.6 Maintain budgetary control within their services, in adherence to the principles above, and to ensure that all income and expenditure is properly recorded and accounted for.

3.1.7 Ensure that an accountable budget holder is identified for each item of income and expenditure under the control of the Strategic Director/Head of Service (grouped together in a series of department codes). Budget responsibility should be aligned as closely as possible to the decision-making that commits the expenditure.

3.1.8 Ensure that spending remains within the service's overall budget limit, and that individual budget heads are not overspent, by monitoring and taking appropriate corrective action where significant variations from the approved budget are forecast and to report these to the CFO. This regulation shall also apply to any action or decision, which will give rise to a reduction in income.

3.1.9 Ensure that a monitoring process is in place to review performance levels in conjunction with the budget and is operating effectively within the guidelines set down by the CFO.

3.1.10 Obtain prior approval by Council or Cabinet (refer to Section 3E below) for new proposals outside of the budget and policy framework, of whatever amount, that:

- Create financial commitments in the current year and future years;
- Change existing policies, initiate new policies or cease existing policies; or
- Materially extends or reduces Council services.

3.1.11 Ensure compliance with Scheme of Virement (refer to Section 3B below).

3.1.12 Consult with the relevant Strategic Director/Head of Service, where it appears that a budget proposal, including a virement proposal, may impact on another service area or another Strategic Director/Head of Service's service activity, prior to any action being taken.

#### **Budget Holder Responsibilities**

3.1.13 Budget holders must ensure that:

- All expenditure is incurred or committed in accordance with the FPR, the Procurement Procedure Rules and all guidance notes produced by the CFO, including the appropriate levels of internal and external approval;
- Planned and actual expenditure takes full account of the need to achieve value for money in terms of economy, efficiency and effectiveness;
- They meet with the designated finance business partners regularly;
- Forecasting of expenditure against budget is robust and where a budget allocation is no longer fully needed or where there is a risk of overspending this is reported promptly to the financial planning team; and

- Information must be supplied promptly to the Financial Planning team as required to enable budgets to be compiled and periodic account close procedures to be completed.
- Detailed considerations for budget managers are included in the [Financial Guidelines](#).

**b) Virement**

**A Virement is the transfer between existing budgets that enables Cabinet, Strategic Directors, Heads of Service, and their staff, to manage budgets with a degree of flexibility within the overall budget and policy framework determined by the Council, and therefore to optimise the use of resources.**

- 3.1.14 The Scheme of Virement is administered by the CFO. Administrative guidelines for effecting virements are detailed in the [Financial Guidelines](#).
- 3.1.15 Virement does not create additional overall budget liability and should not be used to create additional budget demand in future years.
- 3.1.16 Virement is not allowed:
- From capital financing charges, interest credits, council tax and housing benefit payments and projects financed by external grants and contributions, corporate finance costs (e.g., bank charges), precepts etc. or internal recharges (e.g. departmental support service recharges); or
  - For a transfer of resources between funds (e.g., between the General Fund and the HRA and or any other earmarked fund); or
  - For creating income and corresponding expenditure budgets (Use supplementary budgets in **section f** for this purpose)
- 3.1.17 Virement is only allowed from employee costs with the approval of the CFO and after consideration of the overall budget position on employees since the budget anticipates savings on employee budgets from natural staff turnover, and virements on employee costs could create permanent expenditure commitments.

**CFO Responsibilities**

- 3.1.18 Prepare – jointly – with the relevant Strategic Director/Head of Service a report to Cabinet on proposed virements, where required under the Scheme.

<b>Virement Scheme Approver Thresholds - Summary of Para 3.1.19 – 3.1.21</b>		
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Portfolio holder and Section 151 Officer	£100,001 - £250,000	£250,000 per portfolio
Cabinet	£250,001 - £1,000,000	£1,000,000
Council	Over £1,000,000	N/A

**Strategic Directors/Heads of Service Responsibilities**

- 3.1.19 Strategic Directors/Heads of Service may exercise virement on budgets under their control for gross amounts up to £100,000 within Departmental budgets or between Departmental budgets within the same Service budget (any combination

thereof), following consultation with the CFO and subject to the conditions in paragraphs 3.1.20 to 3.1.24 below.

- 3.1.20 Amounts greater than £100,000 require Portfolio Holder approval, following a joint report by the CFO and the Strategic Director/Head of Service, which must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial year. Each Cabinet Member has a cumulative limit of £250,000 per financial year.
- 3.1.21 Amounts greater than £250,000 require Cabinet approval. The Cabinet has a cumulative limit of £1,000,000 per financial year. Amounts greater than £1,000,000 require Council approval.
- 3.1.22 Virements relating to a specific financial year, should not be made after 31<sup>st</sup> March in that year.
- 3.1.23 Where an approved budget is a lump-sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that:
- The amount is used in accordance with the purposes for which it has been established; and
  - Cabinet has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations more than the financial limits should be reported to the Cabinet.
- 3.1.24 All Virements will be recorded in a way prescribed by the Chief Finance Officer who will arrange for Virements to be incorporated into subsequent financial monitoring report to the Cabinet. See [Financial Guidelines](#) for the latest documentation requirements.

#### **Budget Holder Responsibilities**

- 3.1.25 Officers with budget holder responsibilities may exercise virement on budgets under their control for gross amounts up to £50,000 within assigned Departmental budgets only, following consultation with the CFO and subject to the conditions in paragraphs 3.1.19 to 3.1.24 above.

#### **c) Year-End Balances**

**The treatment of year-end balances is administered by the CFO within guidelines set by the Council. The rules below cover arrangements for the transfer of resources between accounting years, i.e. a carry-forward.**

#### **Year-End Balances ('carry forwards')**

- 3.1.26 The Scheme of Carry-Forwards is administered by the CFO within guidelines set by Council and any variation from the Scheme requires Council approval.
- 3.1.27 The rules cover arrangements for transferring resources between accounting years (i.e. carry-forwards).

#### **CFO Responsibilities**

- 3.1.28 Administer the Scheme of Carry-Forwards within guidelines approved by Council:
- Underspent Capital budgets at year-end will be carried forward in the Capital Programme automatically unless no longer required

- Underspent Revenue budgets up to £30,000 on individual budgets may be carried forward with CFO approval
- Underspent Revenue budgets in excess of £30,000 on individual budgets may be carried forward with Cabinet approval
- All underspent Revenue budgets approved to be carried forward will be retained in an earmarked reserve.

3.1.29 Report jointly with relevant Strategic Director/Head of Service on all material overspends and underspends on service budgets carried forward to the Cabinet and to Council.

#### **Strategic Directors/Heads of Service Responsibilities**

3.1.30 Underspends on service budgets up to £30,000 under the control of the Strategic Director/Head of Service may be carried forward with prior CFO approval. Underspends over £30,000 require Cabinet approval.

3.1.31 Take account of Capital underspends carried forward into the following years Capital Programme.

#### **d) Use of Earmarked Reserves**

**Earmarked reserves are funds and balances set aside for specific purposes and can arise from specific external funding (i.e., funding with restricted use) or year-end balances brought forward. A general reserve for which the council has broad discretion over use is excluded from this segment and is covered by the provisions in section f. For the avoidance of doubt, a list of all earmarked reserves specifying who can request their use is included in the [Financial Guidelines](#). Anything not on the list is a general reserve, the use of which is a supplementary estimate.**

3.1.32 Budget changes to be funded by earmarked reserves must be aligned with the purpose for which the earmarked reserve was created.

3.1.33 The CFO will ensure that proposed use of earmarked funding or reserve is aligned with the purpose of such earmarked funding or reserve.

3.1.34 The CFO has the authority to change the designation of earmarked reserves if it is determined that the funds are no longer required for the purpose for which the reserve was created and there is no further obligation to an external party who may have provided the initial funding held in the reserve.

3.1.35 Reserves Unmarked by the CFO will generally be applied to meet deficits in the general fund budget.

#### **e) Emergency Expenditure**

**The Council needs a procedure in place for meeting immediate needs if an emergency arises in the district. Further guidance is provided in the [Financial Guidelines](#).**

3.1.36 The Chief Executive and CFO shall have authority to approve expenditure on items essential to meet immediate needs created by an emergency or which is subject to Section 138 of the Local Government Act 1972, subject to a subsequent report to Cabinet and/or Council depending on whether or not the expenditure can be met within the current budget framework.

- 3.1.37 The Leader or Deputy Leader (having received report from Chief Executive and CFO), shall have power to incur expenditure essential to meet immediate needs created by an emergency, or which is referable to Section 138 of the Local Government Act 1972 (or subsequent legislation) which is not otherwise authorised, or where it is necessary in the Council interest to settle legal proceedings. A subsequent report shall be submitted to Cabinet and/or Council, depending on whether the expenditure can be met within the current budget framework.
- 3.1.38 The CFO will ensure – retrospectively – the submission of a claim for reimbursement under the “Bellwin Scheme” for any eligible emergency costs incurred i.e. costs incurred on, or in connection with, immediate actions to safeguard life and property or to prevent suffering or severe inconvenience as a result of a disaster or emergency in the district. Grant is limited by Section 155 of the Local Government and Housing Act 1989 and local authorities are expected to have budgeted for a certain amount of emergency expenditure (the ‘threshold’).

f) **Supplementary Budget**

**Supplementary budget is a budget through which changes are made in respect of receipts or payments or which either no provision is available or the provision available is inadequate in the current year’s budget. Further guidance is provided in the [Financial Guidelines](#). The supplementary budget process will apply to the approval of budget proposals for creating or extending services which will be funded by anticipated income.**

- 3.1.39 The supplementary budget is administered by the CFO within guidelines set by Council and any variation from the Scheme requires Council approval.
- 3.1.40 Supplementary budget typically creates additional overall budget liability in exceptional cases which are not emergencies (See **Section e** for emergency expenditure rules).
- 3.1.41 The CFO/Strategic Directors/Heads of Service/Budget holder must have considered virements and alternative measures to meet a service need and found them insufficient before resorting to initiating a supplementary budget.
- 3.1.42 The following approval limits will apply to the net supplementary budget (i.e., after considering the expected income or other funding):

<b>Supplementary Budget Threshold</b>		
<b>Approver</b>	<b>Individual Threshold</b>	<b>Cumulative Threshold</b>
Portfolio holder and Section 151 Officer	Up to £250,000	£250,000
Cabinet	£250,001 - £1,000,000	£1,000,000
Council	Over £1,000,000	N/A

- 3.1.43 All Supplementary budgets will be recorded in a way prescribed by the Chief Finance Officer who will arrange for the supplementary budgets to be incorporated into subsequent financial monitoring reports to the Cabinet. See [Financial Guidelines](#) for further guidance.

## 4. Financial Accounting

### 4.1 ACCOUNTING POLICIES

The CFO is responsible for preparing the Council's Statement of Accounts, in accordance with proper practices as set out in the format required by the [Code of Practice on Local Authority Accounting in the United Kingdom](#) (the Code) issued by (CIPFA/LASAAC), for each financial year.

#### CFO Responsibilities

- 4.1.1 Select suitable accounting policies and ensure they are applied consistently. Accounting policies are set out in the annual Statement of Accounts.

#### Strategic Directors/Heads of Service Responsibilities

- 4.1.2 Adhere to accounting policies, timetables and guidelines approved by the CFO.

### 4.2 ACCOUNTING RECORDS AND RETURNS

Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for the stewardship of public resources. The Council has a statutory responsibility to prepare an annual Statement of Accounts that give a "true and fair view" of the financial position and transactions of the Council.

The accounting records are subject to external audit. The audit provides assurance that the Statement of Accounts have been prepared properly, that proper accounting practices have been followed and that robust arrangements have been made for securing economy, efficiency, and effectiveness in the use of Council resources.

#### CFO Responsibilities

- 4.2.1 Determine the accounting procedures and records for the Council. Where these are maintained outside of Financial Services, the CFO should consult the Strategic Director/Head of Service concerned.
- 4.2.2 Arrange for the compilation of all accounts and accounting records under his or her direction.
- 4.2.3 Comply with the following principles when allocating accounting duties:
- Separating the duties of providing information about sums due to or from the Council and calculating, checking, and recording these sums from the duty of collecting or disbursing them; and
  - Employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- 4.2.4 Ensure that claims for funds, including grants, are made by the due date.
- 4.2.5 Make proper arrangements for the audit of the Council's Statement of Accounts in accordance with the latest Accounts and Audit (England) Regulations.
- 4.2.6 Prepare and publish the Statement of Accounts for each financial year in accordance with the statutory timetable, and present audited Statements for approval by the Audit and Governance Committee before 31<sup>st</sup> July each year. Submit provisional outturn results for financial year to Cabinet as soon as practicable.

- 4.2.7 Ensure the retention of financial documents in accordance with the Council's Document Retention Policy.
- 4.2.8 Undertake or receive monthly reconciliations for all fundamental IT financial systems and sign off as evidence of CFO's review.

#### **Strategic Directors/Heads of Service Responsibilities**

- 4.2.9 Consult and obtain the approval of the CFO before making changes to accounting arrangements, records, and procedures.
- 4.2.10 Comply with segregation of duties principles outlined in Paragraph 4.2.3 when allocating accounting duties.
- 4.2.11 Maintain records that provide a management trail, leading from income/expenditure source through to the accounting statements, and carry out regular monthly reconciliations of fundamental IT financial systems to the Council's corporate financial management information system.
- 4.2.12 Supply information required to enable the Statement of Accounts to be completed by the statutory deadline of 31<sup>st</sup> May each year and in accordance with guidelines issued by the CFO.

### **4.3 STATEMENT OF ACCOUNTS**

**The Council has a statutory responsibility to prepare its own Statement of Accounts, which give a "true and fair view" of the financial position and transactions of the Council.**

**The Audit & Governance Committee is responsible for approving the statutory annual Statement of Accounts.**

#### **CFO Responsibilities**

- 4.3.1 Select suitable accounting policies and to apply them consistently.
- 4.3.2 Make judgements and estimates that are reasonable and prudent.
- 4.3.3 Ensure compliance the CIPFA/LASAAC Accounting Code of Practice.
- 4.3.4 Sign and date the Statement of Responsibilities with the Statement of Accounts, stating it gives a true and fair view of the financial position and transactions of the Council (including group financial statements where applicable) at the year ended 31<sup>st</sup> March.
- 4.3.5 Draw up the timetable for final accounts preparation and to advise Officers and external auditors accordingly.

#### **Strategic Directors/Heads of Service Responsibilities**

- 4.3.6 Comply with accounting guidance provided by the CFO and supply the CFO with information when required.

## 5. Risk Management and Control of Resources

### 5.1 RISK MANAGEMENT

All organisations, whether in the private or public sector, face risks to people, property, and continued operations. Risk is the chance or possibility of loss, damage, injury, or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk Management is the planned and systematic approach to the identification, evaluation, and control of risk. Its objectives are to secure the assets of the organisation and to ensure its continued financial and organisational well-being. In essence it is an integral part of good business practice.

Risk Management is concerned with evaluating the measures an organisation already has in place to manage perceived risks and then recommend the actions the organisation needs to take to control these risks effectively.

The Audit and Governance Committee monitors the effective development and operation of Risk Management, and it is the overall responsibility of Cabinet to approve the Risk Management Strategy, and to promote a culture of risk management awareness throughout the Council.

#### **CFO Responsibilities**

- 5.1.1 Develop and maintain a Risk Management Strategy.
- 5.1.2 Develop and maintain a Risk Register.
- 5.1.3 Develop and promote a proactive and positive corporate Risk Management culture, including awareness and the implementation and maintenance of Risk Management controls.
- 5.1.4 Include all appropriate employees in suitable Fidelity Guarantee insurance cover.
- 5.1.5 Arrange suitable corporate insurance cover, through external insurance and internal funding, and negotiate claims for losses in consultation with other Officers, and partner organisations, where necessary.

#### **Strategic Directors/Heads of Service Responsibilities**

- 5.1.6 Promote a proactive and positive Risk Management culture within service area, including raising awareness and the implementation and maintenance of Risk Management controls.
- 5.1.7 Show due regard to advice from specialist Officers (e.g. health and safety) and review risks through the Service Planning process at least quarterly.
- 5.1.8 Promptly notify CFO of all significant new risks, properties, vehicles or other assets that require insurance and of any alterations affecting existing insurances and to provide information when requested.
- 5.1.9 Immediately notify CFO of any loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the CFO or the Council's insurers.
- 5.1.10 Consult with the CFO and the Head of Legal and Democratic Services on the terms of any indemnity that the Council is requested (or has offered) to give.

- 5.1.11 Ensure that employees, or anyone covered by Council insurance, do not admit liability, or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

## 5.2 INTERNAL CONTROLS

**The Council is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives and to monitor compliance with statutory obligations.**

**The Council faces a wide range of financial, legal, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks and to protect the Council from the impact of uncertainties.**

### **CFO Responsibilities**

- 5.2.1 Assist the Council to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.
- 5.2.2 Ensure an effective internal audit function is resourced and maintained.
- 5.2.3 Ensure that the Council has put in place effective arrangements for internal audit of the control environment and systems of internal control as required by professional standards and in line with CIPFA's Code of Practice.
- 5.2.4 Ensure an effective audit committee is developed and maintained.

### **Strategic Directors/Heads of Service Responsibilities**

- 5.2.5 Manage processes to check that established controls are being adhered to and to evaluate their effectiveness, to be confident in the proper use of resources, achievement of objectives and management of risks.
- 5.2.6 Review existing controls in the light of changes affecting the Council and to establish and implement new ones in line with guidance from the CFO. Strategic Directors/Heads of Service should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.
- 5.2.7 Ensure Officers have a clear understanding of the consequences of lack of control.

## 5.3 AUDIT REQUIREMENTS

### a) Internal Audit

**The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. More specific requirements are set out in the Accounts and Audit Regulations 2015, which require the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”**

### **Chief Executive**

- 5.3.1 Ensure that the Head of Internal Audit has direct access to and freedom to report in his or her own name and without fear or favour to the Chief Executive and the CFO, the Cabinet and the Audit & Governance Committee, all levels of management, Officers and elected Members. This should include the ability to meet the Chairman of the Audit & Governance Committee alone (outside of the Committee meeting) and External Auditors to discuss significant concerns that they may have over the adequacy and effectiveness of internal controls and risk management activities.

### **CFO Responsibilities**

- 5.3.2 Implement appropriate measures to prevent and detect fraud and corruption and ensure that effective procedures are in place to investigate promptly any identified fraud or irregularity.
- 5.3.3 Report to Cabinet requesting additional funding where insufficient internal audit resources have been identified.

### **Head of Internal Audit Responsibilities**

- 5.3.4 Ensure that Internal Audit has unrestricted access to all information (including records, computer files, property and personnel) and activities undertaken by the Council, and those of partner organisations and third-party service providers where contract terms include Internal Audit access rights.
- 5.3.5 Assisting the CFO in discharging their responsibilities under Section 151 of the Local Government Act 1972 in relation to internal controls.
- 5.3.6 Providing and maintaining an Internal Audit function which meets the requirements of the Public Sector Internal Audit Standards (PSIAS).
- 5.3.7 Developing and delivering an annual Audit Plan for the Council using a risk-based methodology. Following consultation with the Chief Executive Officer, CFO and SMT, the Head of Internal Audit will submit such plan to the Audit & Governance Committee for review and approval prior to the commencement of each financial year.
- 5.3.8 Providing an annual Internal Audit opinion, compliant with PSIAS requirements, which informs the Annual Governance Statement on how the Council's control environment, including risk management processes, accounting records, governance and value for money arrangements, established by management, are operating within the Council.
- 5.3.9 Issuing other reports which provide assurance to the Chief Executive, CFO, Monitoring Officer and the Strategic Management Team, and making recommendations for improvement.
- 5.3.10 Comply with any requests from the External Auditor or access to any information, files or working papers obtained or prepared during audit work that is required to discharge their responsibilities.
- 5.3.11 Reporting to the Chief Executive, CFO and the audit committee, if the Head of Internal Audit concludes that resources are insufficient.

### **Strategic Directors/Heads of Service Responsibilities**

- 5.3.12 Ensure that Internal Audit are given access at all reasonable times to premises, human resources, documents, and assets that the auditors consider necessary for the purposes of their work.
- 5.3.13 Ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- 5.3.14 Consider and respond promptly to recommendations/actions in Internal Audit reports.
- 5.3.15 Ensure that agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- 5.3.16 Notify the Head of Internal Audit immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of Council property, assets or resources. Pending investigation and reporting, the Strategic Director/Head of Service should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- 5.3.17 Ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Head of Internal Audit prior to implementation.

### **b) External Audit**

**The Local Audit and Accountability Act 2014 (“the Act”) sets out the framework for audit of local authorities. It replaces the provisions of the Audit Commission Act 1998 following the closure of the Audit Commission. The duties and responsibilities of external auditors are primarily set out in Part 5 of the Act and reflected in a Code of Audit Practice issued by the National Audit Office.**

**The Statement of Accounts is scrutinised by the external auditors, who must be satisfied that they give a “true and fair view” of the financial position and transactions of the Council (including any group financial statements where applicable) during the year and complies with all legal requirements.**

### **CFO Responsibilities**

- 5.3.18 Ensure that external auditors are given access at all reasonable times to premises, human resources, documents, and assets that the external auditors consider necessary for the purposes of their work.
- 5.3.19 Ensure there is effective liaison between external and internal audit.
- 5.3.20 Work with the external auditor and advise Council, Cabinet and Strategic Directors/Heads of Service on their responsibilities in relation to external audit.

### **Strategic Directors/Heads of Service Responsibilities**

- 5.3.21 Ensure that external auditors are given access at all reasonable times to premises, human resources, documents, and assets which the external auditors consider necessary for the purposes of their work.
- 5.3.22 Ensure that all records and systems are up to date and available for inspection.

## 5.4 PREVENTING FRAUD AND CORRUPTION

**The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council.**

**The Council's expectation of propriety and accountability is that Members and Officers at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.**

**The Council also expects that individuals and organisations, including partner organisations, suppliers, contractors and service providers with whom it comes into contact will act towards the Council with integrity and without thought or actions involving fraud and corruption.**

### **Chief Executive Responsibilities**

- 5.4.1 Maintain adequate and effective internal control arrangements.

### **CFO Responsibilities**

- 5.4.2 Implement appropriate measures to prevent and detect fraud and corruption.

### **Head of Internal Audit Responsibilities**

- 5.4.3 Develop and maintain a comprehensive Anti-Money Laundering Strategy.
- 5.4.4 Develop and maintain a comprehensive Anti-Fraud and Corruption Strategy.
- 5.4.5 Develop and maintain a Code of Corporate Governance; monitor and report on compliance to the Audit and Governance Committee. Non-compliant areas, or areas requiring improvement, to be included within an "Annual Statement of Assurances" prepared by the Chief Executive.
- 5.4.6 Report all suspected irregularities (as appropriate) to the Chief Executive, the CFO, and the Audit & Governance Committee.

### **Strategic Directors/Heads of Service Responsibilities**

- 5.4.7 Ensure that all suspected irregularities are reported to the Head of Internal Audit without delay.
- 5.4.8 Instigate the Council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- 5.4.9 Ensure that where financial impropriety is discovered, the CFO and Head of Internal Audit are informed as soon as possible, and where sufficient evidence exists to believe that a criminal offence may have been committed, the police are informed to determine with the Crown Prosecution Service whether any prosecution will take place.
- 5.4.10 Maintain corporate Register of Interests' for both councillors and Officers.

## 5.5 ASSETS

### a) Security of Property

The Council holds assets in the form of property, vehicles, plant, software, equipment other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management.

#### **CFO Responsibilities**

- 5.5.1 Maintain an Asset Register in accordance with good practice for all fixed assets with a value more than £10,000. The function of the Asset Register is to provide the Council with information about fixed assets so that they are safeguarded, used efficiently and effectively, and adequately maintained.
- 5.5.2 Receive and process information required for accounting, costing and financial records from each Strategic Director/Head of Service.
- 5.5.3 Ensure that assets are valued in accordance with the Code issued by (CIPFA/LASAAC).
- 5.5.4 Issue guidelines on best practice (*“Local Authority Assets: Disposal Guidance - DCLG March 2016”*) for asset disposals
- 5.5.5 Ensure appropriate accounting entries are made to remove the value of asset disposals from the Council’s records, including the proceeds of sale where appropriate.
- 5.5.6 (Independently) review and authorise proposed stock write-offs (including obsolete and surplus stock) submitted by Strategic Directors/Heads of Service, within predetermined limits. Values in excess of predetermined limits should be forwarded for approval by the Portfolio Holder for Resources and/or Cabinet as appropriate.

#### **Strategic Directors/Heads of Service Responsibilities**

- 5.5.7 Notify the CFO immediately of any additions/disposals/variations to the Asset Register. Any use of property by a service area or establishment, other than for direct service delivery, should be supported by documentation identifying terms, responsibilities and duration of use.
- 5.5.8 Arrange for the valuation of assets for accounting purposes to meet requirements specified by the CFO.
- 5.5.9 Recommend surplus land and buildings for sale to the Asset Management Group (AMG), followed by a joint report prepared by the relevant Strategic Director/Head of Service and the CFO to Cabinet.
- 5.5.10 Follow best practice guidelines for asset disposals, issued by the CFO.
- 5.5.11 Ensure prospective occupiers of Council land are not allowed to take possession or enter until a lease or agreement (in a form approved by the Strategic Director/Head of Service in consultation with the Head of Legal and Democratic Services) has been established as appropriate.
- 5.5.12 Ensure security of buildings and other assets, including vehicles, plant, equipment, furniture, stock, stores and other property, within service area. Consult CFO

where security is thought to be defective or where it is considered that special security arrangements may be needed.

- 5.5.13 Pass title deeds to Head of Legal and Democratic Services, for safe custody. The Head of Operations must keep a record of all properties owned by the Council, recording Portfolio, the purpose for which it is held, the location, the plan reference, purchase details, particulars of interest and rent payable, and particulars of tenancies granted.
- 5.5.14 Ensure that cash holdings on premises are kept within insurance limits (determined by CFO) and keys to safes and similar receptacles are carried on the person of those responsible at all times. Loss of any such keys must be reported to the CFO immediately.
- 5.5.15 Ensure all employees are aware of their personal responsibility to protect and retain the confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Council.

#### **Inventories**

- 5.5.16 Maintain an Inventory List within service area, recording descriptions of any furniture, fittings, equipment, plant, and machinery, with individual values of £75 or more. The Purchasing & Payables Manager must be notified if the value of a single item exceeds £10,000.
- 5.5.17 Carry out annual check of all significant inventory items to verify location, condition and act in relation to surpluses or deficiencies, annotating the inventory accordingly. Portable items such as computers, cameras and video recorders should be identified with Council security markings.
- 5.5.18 Make sure that property is only used during Council business, unless the Strategic Director/Head of Service concerned has given permission otherwise.

#### **Stocks and Stores**

- 5.5.19 Make appropriate arrangements for the care and custody of stocks and stores within service area.
- 5.5.20 Maintain stocks at reasonable levels and ensure regular (minimum quarterly) independent physical stock checks. Stock discrepancies should be immediately investigated and pursued to a satisfactory conclusion.
- 5.5.21 Recommend stock write-offs (including obsolete and surplus stock) by submitting proposal in writing to CFO (seeking advice from purchasing advisors where appropriate).

#### **b) Intellectual Property**

**Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during employment, then, as a general rule, they belong to the Council, not the employee.**

**Certain activities undertaken within the Council may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.**

### **CFO Responsibilities**

- 5.5.22 Develop and disseminate good practice through the Council's intellectual property procedures.

### **Strategic Directors/Heads of Service Responsibilities**

- 5.5.23 Ensure that controls are in place to ensure that staff do not carry out private work in Council time and that Officers are aware of an employer's rights regarding intellectual property.

## **5.6 TREASURY MANAGEMENT, BANKING AND PETTY CASH**

**Millions of pounds pass through Councils' accounts each year. This has led to the establishment of CIPFA's "*Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes*" (the Code).**

**The Code aims to provide assurance that Council money is properly managed in a way that balances risk with return, with overriding consideration given to the security of capital sums.**

**Banking arrangements and petty cash should also be managed appropriately with key responsibilities confined to the CFO and a limited number of authorised individuals.**

### **CFO Responsibilities**

- 5.6.1 Undertaking borrowing and investment activities in full compliance with CIPFA's "*Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes*". Any other lending or borrowing cannot be undertaken without the approval of Council, following consultation with the CFO.
- 5.6.2 Ensuring that all borrowing and investing activities are undertaken in the name of the Council (or nominee approved by Council) and detailed records/registers maintained and appropriate arrangements are made for the safe custody of all securities and title deeds.
- 5.6.3 Arranging and administering banking arrangements, including negotiate banking arrangements, opening accounts, signing Direct Debit mandates, ordering cheque books, and arranging BACS payments.
- 5.6.4 Along with the Chief Executive, signing bank mandates authenticating the signatures of Officers designated as cheque signatories, and signatories for other instruments for the payment, collection, or transfers of monies. All cheques must bear the signature of two authorised Officers of the Council and dispatched directly from the CFO (or his or her staff) to payees.
- 5.6.5 Making arrangements with the bank for the issue of corporate Purchasing Cards.
- 5.6.6 Developing, maintaining, and disseminating a detailed Purchasing Card Policy, ensuring that all card holders sign their acceptance of its terms and conditions.
- 5.6.7 Developing and operating a Petty Cash Imprest system (including a set of CFO prescribed rules), which balances operational need with efficiency and appropriate cash control measures.

### **Strategic Directors/Heads of Service Responsibilities**

- 5.6.8 Following instructions on banking and purchase cards issued by the CFO.

- 5.6.9 Utilising Purchasing Cards in accordance with the corporate Purchasing Card Policy. Cardholders must formally sign to indicate their acceptance of the Policy, prior to usage.
- 5.6.10 Ensure Trust Funds are held in the Council's name wherever possible. Officers acting as Trustees, due to their official position, must deposit securities etc. relating to the Trust with the CFO, unless the deed otherwise provides.
- 5.6.11 Ensure Trust Funds are operated within relevant legislation and the specific requirements for each Trust. Secure administration arrangements must be approved by the CFO.
- 5.6.12 Ensure employees within service area operate Petty Cash Imprest system in compliance with CFO prescribed rules.

## 6. Financial Systems and Procedures

### 6.1 GENERAL

**Service areas have many systems and procedures relating to the control of the Council's assets, including purchasing, costing and management systems. Service areas are increasingly reliant on ICT for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed, errors detected promptly and system reconciliations completed and evidenced monthly.**

**The CFO has a professional responsibility to ensure that Council financial systems are sound and should therefore be consulted at an early stage in the process prior to the implementation of any new developments or changes/upgrades to existing systems.**

#### **CFO Responsibilities**

- 6.1.1 Make arrangements for the proper administration of the Council's financial affairs, including:
  - Issuing advice, guidance and procedures for Officers and others acting on the Council's behalf
  - Determining the accounting systems, form of accounts and supporting financial records
  - Establishing arrangements for audit of the Council's financial affairs
  - Approving any new financial systems to be introduced; and
  - Approving any changes to be made to existing financial systems.

#### **Strategic Directors/Heads of Service Responsibilities**

- 6.1.2 Comply with procedures and guidance issued by the CFO.
- 6.1.3 Ensure that accounting records are properly maintained and held securely.
- 6.1.4 Ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements set out in the approved Document Retention Policy.

- 6.1.5 Ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.
- 6.1.6 Incorporate appropriate controls to ensure that, where relevant:
- All input is genuine, complete, accurate, timely and not previously processed
  - All processing is carried out in an accurate, complete and timely manner
  - Output from the system is complete, accurate and timely; and
  - Output is reconciled, at least monthly, to the Council's general ledger and signed off by the preparer and reviewer of the reconciliation.
- 6.1.7 Ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.
- 6.1.8 Ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- 6.1.9 Ensure systems are documented and Officers trained in operations.
- 6.1.10 Consult with CFO before changing existing financial systems or introducing new financial systems.
- 6.1.11 Establish a scheme of delegation identifying Officers authorised to act upon the Strategic Director/Head of Service's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- 6.1.12 Supply lists of authorised Officers, with specimen signatures and delegated limits, to the CFO, together with any subsequent variations.
- 6.1.13 Ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Where possible, back-up information should be retained in a secure location, preferably off site or at an alternative location within the building.
- 6.1.14 Ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation.
- 6.1.15 Ensure relevant standards and guidelines for computer systems issued by Strategic Directors/Heads of Service are observed.
- 6.1.16 Ensure computer equipment and software is protected from loss and damage through theft, vandalism etc.
- 6.1.17 Comply with the copyright, designs, and patents legislation. In particular, ensure that only software legally acquired and installed by the Council is used on its computers.

## 6.2 INCOME AND EXPENDITURE

### a) Income

**Income can be a vulnerable resource and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and properly banked. It is preferable to obtain income in advance of supplying goods or services as this improves cash flow and avoids the time and cost of administering debts.**

### **CFO Responsibilities**

- 6.2.1 Agree arrangements for the collection of income due to the Council and approve the procedures, systems, and documentation for its collection.
- 6.2.2 Periodically issuing guidance on charging policy, including key principles on fees and charges (e.g. full cost recovery and benchmarking), taxation and inflationary assumptions.
- 6.2.3 Order and supply to service areas receipt forms, books or tickets and similar items and satisfy themselves regarding control arrangements.
- 6.2.4 Agree the write-off of bad debts (in consultation with the relevant Strategic Director/Head of Service) up to £15,000 in value in each case and refer sums more than this limit, but up to £100,000, to the Cabinet Member for Resources for approval. Individual sums to be written off that exceed £100,000 require Cabinet approval.
- 6.2.5 Keep records of all sums written off and ensure appropriate accounting adjustments are made.
- 6.2.6 Ensure that refunds are not made for sums under £5.00, unless specifically requested by the individual.

### **Strategic Directors/Heads of Service Responsibilities**

- 6.2.7 Establish charging policy for the supply of goods or services in accordance with guidance issued by the CFO, reviewing it regularly, in line with corporate policies.
- 6.2.8 Separate responsibility for identifying amounts due and responsibility for collection, as far as is practicable.
- 6.2.9 In consultation with the CFO, establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- 6.2.10 Issue official receipts for all cash transactions (except where a legal document is the receipt for money received) and maintain other documentation for income collection where receipts are not required.
- 6.2.11 Ensure wherever practical that at least two employees are present when post is opened at a site where income is regularly received.
- 6.2.12 Securely hold receipts, tickets and other records of income in accordance with Document Retention Policy.
- 6.2.13 Lock away all cash to safeguard against loss or theft, and to ensure security of cash handling.
- 6.2.14 Ensure income is paid promptly and fully into Council bank account in the form in which it is received. Appropriate details should be recorded to provide a full audit trail. Money collected and deposited must be reconciled to bank accounts monthly (minimum).
- 6.2.15 Ensure income received is not used to cash personal cheques or make any other payments.
- 6.2.16 Supply CFO with details relating to work done, goods supplied, services rendered or other amounts due, to enable the CFO to correctly record the sums due to the Council and to ensure accounts are sent out promptly. To do this, Strategic Directors and Heads of Service should use established debt recovery systems to monitor the recovery of income and flag up areas of concern to the CFO. Heads of Service have a responsibility to assist the CFO in collecting debts that they have

originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.

- 6.2.17 Keep a record of every transfer of money between employees of the Council. The receiving Officer must sign for the transfer and the transferor must retain a copy.
- 6.2.18 Recommend debts for write-off to the CFO and keep a record of all sums written off. Once raised, bona fide debts must not be cancelled, except by full payment or by formal write off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt, a waiver or reduction in charges.
- 6.2.19 Where delegated authority has been granted by the CFO, individuals can write-off bad debts up to their specified limit in each case (Note – delegated authority must be exercised in strict observance of 'separation of duties' principles; referred to above in Paragraph 6.2.8). Sums in excess of their limit must be referred to the CFO for approval, who in turn will seek Cabinet Member approval for write-off of bad debt exceeding £15,000 in line with Paragraph 6.2.4 above.
- 6.2.20 Notify CFO of outstanding income relating to the previous financial year as soon as possible after 31<sup>st</sup> March in line with timetable determined by the CFO, and not later than 10<sup>th</sup> April or nearest working day thereafter.

**b) Ordering and paying for work, goods, and services**

**Public money should be spent with demonstrable probity and in accordance with Council policies. Councils have a statutory duty to achieve best value, in part through economy and efficiency. Council procedures should help to ensure that services obtain value for money from their procurement arrangements. These procedures should be read in conjunction with the Council's Contract Procedure Rules.**

- 6.2.21 Officers and Members engaged in contractual or procurement decisions on behalf of the Council have a responsibility to declare links or personal interests that they may have with purchasers, suppliers and/or contractors, in accordance with appropriate codes of conduct.
- 6.2.22 Official orders must be issued for all work, goods, or services to be supplied to the Council, except for supplies of utilities, periodic payments such as rent or rates, corporate purchasing card purchases, petty cash purchases or other exceptions specified by the CFO. Any order placed by telephone shall be confirmed by the issue of an official order within 5 working days.
- 6.2.23 Purchase orders must conform to guidelines approved by Council for the procurement of goods, services, and suppliers. Standard terms and conditions must not be varied without the prior CFO approval.
- 6.2.24 The normal payment method will be by BACS payment direct to the customer, drawn on the Council bank account, approved by the CFO. Direct debits will require prior CFO agreement, or a designated bank signatory, before any agreement is signed. Purchasing card payments may be made by Officers pre-authorised by the CFO and identified on the Authorised Signatory List. VAT receipts for all goods must accompany monthly statements submitted to the CFO. Spending limits will be set/approved the CFO.
- 6.2.25 Official orders must not be raised for personal or private purchases, nor must personal or private use be made of Council contracts.

### **CFO Responsibilities**

- 6.2.26 Ensure Council financial systems and procedures are sound and properly administered, approving changes to existing systems (whether new systems or upgrades) before implementation.
- 6.2.27 Approve the form of official orders and associated terms and conditions.
- 6.2.28 Make payment from Council funds on Strategic Directors/Heads of Service authorisations that expenditure has been duly incurred in accordance with Financial Procedure Rules.
- 6.2.29 Make payment (irrespective of budget provision) where it is required by statute or court order.
- 6.2.30 Arrange for the keeping of a Contract Register where contracts provide for payment by instalments.
- 6.2.31 Make payments to contractors upon receipt of properly completed certificates from Strategic Directors/Heads of Service. Such payments must be entered and appropriately cross referenced in the Contract Register.
- 6.2.32 Provide advice and encouragement on making payments by the most economical means.

### **Strategic Directors/Heads of Service Responsibilities**

- 6.2.33 The Head of Legal and Democratic Services will determine the form of contract to be used for building, constructional or engineering work.
- 6.2.34 Ensure that all contract variations are in writing and agreed before work on the variation commences.
- 6.2.35 Refer claims from contractors on matters not clearly within existing contract terms to Head of Legal and Democratic Services for consideration of Council liability and to the CFO for financial consideration, before settlement is reached.
- 6.2.36 Take appropriate action, in consultation with Head of Legal and Democratic Services, in respect of any claim for liquidated and ascertained damages where contract completion is delayed. This provision will not apply if there are reasons qualifying for an extension.
- 6.2.37 Ensure that unique NAV generated official orders are used for all goods and services, other than the exceptions specified in Paragraph 6.2.22.
- 6.2.38 Ensure orders are only used for goods and services provided to the relevant service area. Members and Officers must not use official orders to obtain goods or services for private use. Neither may Officers place orders for goods or services for personal use using the Council's e-procurement system.
- 6.2.39 Ensure that only staff authorised by Strategic Directors/Heads of Service authorise orders and maintain an up-to-date list of such authorised staff, including specimen signatures, identifying the limits of their authority. The authoriser of the order should be satisfied that works, goods, supplies and services ordered are appropriate and needed, that there is adequate budgetary provision and that Contract Procedure Rules have been followed.
- 6.2.40 Ensure that works, goods, supplies and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different Officer from the authoriser of the order. Entries should then be made in inventories or stores records where appropriate.

- 6.2.41 Ensure payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment.
- 6.2.42 Ensure a minimum of two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different Officer from the person who signed the order, and in every case, a different Officer from the person checking a written invoice, should authorise invoices.
- 6.2.43 Periodically review a list of their staff approved to authorise invoices. New authorising Officers, together with specimen signatures, and details of their authority limits, must be forwarded to the CFO.
- 6.2.44 Ensure that payments are not made on photocopied or faxed invoices, statements or other documents. Any instances of these being rendered should be reported to the Head of Internal Audit. In exceptional circumstances, where payment is made against such a document, where properly authenticated, the transaction must be processed in accordance with CFO guidance.
- 6.2.45 Encourage suppliers to accept payment by the most economical means for the Council. Payments made by Direct Debit must have the prior approval of the CFO or an authorised bank signatory.
- 6.2.46 Ensure service area achieves value for money by taking appropriate steps to obtain competitive prices for works, goods, supplies and services of appropriate quality, in line with best practice guidelines issued by the CFO, consistent with best value principles and contained within the Contract Procedure Rules.
- 6.2.47 Utilise the Procurement Team in putting purchases, where appropriate, out to competitive quotation or tender. These will comply with Contract Procedure Rules.
- 6.2.48 Ensure that employees are aware of the Code of Conduct (Part 5 of the Constitution).
- 6.2.49 Ensure that loans, leases or rental arrangements are not entered into without prior CFO agreement. This is to protect the Council against entering into unapproved credit arrangements that might adversely affect financial standing and to ensure that value for money is being obtained.
- 6.2.50 Notify CFO of outstanding committed expenditure relating to previous financial year as soon as possible after 31<sup>st</sup> March in line with timetable determined by CFO and, in any case, not later than 10<sup>th</sup> April.
- 6.2.51 With regard to construction contracts and alterations to buildings and for civil engineering works, to document and agree with CFO the systems and procedures to be adopted in relation to all financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedure for validation of subcontractors' tax status.
- 6.2.52 Notify the CFO immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- 6.2.53 Ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the Document Retention Policy.

c) **Payments to employees and Members**

**Staff costs are the largest item of expenditure for most Council services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Council and that payments accord with individuals' Contract of Employment. It is also important that all payments are accurately and completely recorded and accounted for and that Member allowances are authorised in accordance with the scheme adopted by Council.**

**CFO Responsibilities**

- 6.2.54 Ensure appropriate arrangements are in place to control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by them, on the due date.
- 6.2.55 Record and make arrangements for the accurate and timely payment of tax, pension contributions and other deductions and to complete all relevant HMRC returns.
- 6.2.56 Make arrangements for payment of all travel and subsistence claims or financial loss allowance.
- 6.2.57 Make arrangements for paying Members travel or other allowances upon receiving the prescribed documentation, duly completed and authorised.
- 6.2.58 Provide advice and encouragement to secure payment of salaries by the most economical means.
- 6.2.59 Ensure that there are adequate arrangements for administering pension matters on a day-to-day basis.
- 6.2.60 Act as an advisor on areas such as taxation and monitoring of the Suffolk County Council Pension Fund, as appropriate.

**Strategic Directors/Heads of Service Responsibilities**

- 6.2.61 Ensure that appointments are made in accordance with the regulations of the Council and the approved Establishment List, grades and scale of pay and that adequate budget provision is available.
- 6.2.62 Notify the Human Resources and Workforce Development Manager of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Human Resources and Workforce Development Manager.
- 6.2.63 Ensure that adequate and effective systems and procedures are operated, so that:
  - Payments are only authorised to bona fide employees
  - Payments are only made where there is a valid entitlement
  - Conditions and contracts of employment are correctly applied; and
  - Employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- 6.2.64 Provide and maintain an up-to-date list of the names of Officers authorised to complete and return records to the Human Resources and Workforce Development Manager, together with specimen signatures, where appropriate. The 'Yourself' HR system should contain update lists of Human Resources Officers and Officers authorised to approve timesheets and claims.

- 6.2.65 Ensure that payroll transactions are processed only through the payroll system. Strategic Directors and Heads of Service should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis and take advice from the Human Resources and Workforce Development Manager.
- 6.2.66 Approve travel and subsistence claims and other allowances, but only when they have been made through 'Yourself' or an approved travel expenses form and within three months of the travel or subsistence being incurred. Approval is taken to mean that journeys were authorised, and expenses properly and necessarily incurred, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Human Resources and Workforce Development Manager is informed where appropriate.
- 6.2.67 Ensure that the Human Resources and Workforce Development Manager is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- 6.2.68 Ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the Document Retention Policy.
- 6.2.69 The Human Resources and Workforce Development Manager to act as an advisor to Strategic Directors and Heads of Service on areas such as employment status, National Insurance and Pension Contributions, as appropriate.
- 6.2.70 Ensure that the staffing budget is an accurate forecast of staffing levels in accordance with the approved Establishment List and is equated to an appropriate revenue budget provision (including on-costs and overheads).
- 6.2.71 Ensure the Chief Executive (or the Officer delegated by them) has approved any changes in employment conditions where the full year cost of such changes would exceed £1,000.
- 6.2.72 Monitor staff activity to ensure adequate control over costs such as sickness, overtime, training, and temporary staff.
- 6.2.73 Ensure that the staffing budget is not exceeded without prior authority from the CFO / HR & Workforce Development Manager and that it is managed to enable the agreed level of service to be provided.
- 6.2.74 Ensure that the Human Resources and Workforce Development Manager and the CFO are immediately informed if the staffing budget is likely to be significantly overspent or underspent.

#### **Member Responsibilities**

- 6.2.75 Submit claims for Member travel and subsistence allowances on a monthly basis (or within three months of incurring the travel or subsistence) and, in any event, within one month of year end.

### **6.3 TAXATION**

**The Council is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. The creation and use of Local Authority Companies, has resulted in added Tax considerations, including Corporation Tax and different VAT rules. It is therefore very important for all Officers to be aware of their role.**

### **CFO Responsibilities**

- 6.3.1 Complete Council VAT returns and annual Partial Exemption calculations in accordance with HMRC timescales.
- 6.3.2 Discharge Tax related responsibilities for Council-owned companies, including all Corporation Tax and VAT duties and returns.
- 6.3.3 Provide details to the HMRC regarding the Construction Industry Scheme (CIS).
- 6.3.4 Maintain up-to-date guidance for Council employees on taxation issues.

### **Strategic Directors/Heads of Service Responsibilities**

- 6.3.5 Ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HMRC regulations.
- 6.3.6 Ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary CIS requirements.
- 6.3.7 Ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- 6.3.8 Follow the guidance on taxation issued by the CFO or the Human Resources and Workforce Development Manager in the Council's accounting guides and Basic guide to VAT.

## **6.4 TRADING ACCOUNTS AND BUSINESS UNITS (excluding Local Authority Companies)**

**Trading accounts and business units have been growing in importance for many years as local councils have progressively developed a more enterprising culture. Under proper accounting practices, Councils are required to keep trading accounts for services provided on a basis other than a straightforward recharge of cost in accordance with the Accounting Code of Practice. Not every trading account requires a separate company. These rules do not relate to companies running as separate legal entities and going concerns.**

### **CFO Responsibilities**

- 6.4.1 Advise on the establishment and operation of trading accounts and business units including the financial appraisal of proposed projects and trading opportunities.
- 6.4.2 Prepare income statements for trading units in accordance with relevant accounting practice.
- 6.4.3 Ensure compliance with all relevant extant tax legislation in respect of trading accounts, including the preparation of tax and other financial returns.
- 6.4.4 Arrange and maintain adequate insurance cover for business units and trading accounts, where appropriate.

### **Strategic Directors/Heads of Service Responsibilities**

- 6.4.5 Follow CFO advice on the establishment and operation of trading accounts and business units.
- 6.4.6 Follow CFO advice on the establishment and proposed operating model of new business units and trading accounts. It is essential that the robustness of all new commercial proposals and significant expansion of existing business units is established through CFO input at the concept and development stage(s).

- 6.4.7 Ensure that appropriate accounting principles (as guided by the CFO) are applied in relation to Council trading accounts, including any tax implications, where applicable.
- 6.4.8 Ensure that each business unit prepares an annual business plan in time to incorporate the impact of their activities on the General Fund into Council budgets.
- 6.4.9 Review financial and non-financial performance of each business unit to ensure they continue to deliver on the Council's strategic priorities, and they remain financially sustainable. Ensure financial performance review reports are delivered in time to be presented alongside Council's annual outturn.

## 7. External Arrangements

### 7.1 PARTNERSHIPS

**Partnerships can exist in many forms and play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. East Suffolk Council works in partnership with others – public agencies, private companies, community groups and voluntary organisations. ESC's leadership role in partnerships is to bring together the contributions of the various stakeholders. We therefore need to deliver a shared vision of partnership services based on our strategic priorities.**

- 7.1.1 A partner is defined as either:
  - (a) An organisation (private or public) undertaking, part funding or participating as a beneficiary in a project; or
  - (b) A body whose nature or status gives it a right or obligation to support the project.

**CFO Responsibilities**
- 7.1.2 Advise on effective controls and the key elements of entering any partnership – to ensure that resources are not wasted. Examples include, but are not limited to:
  - (a) A scheme appraisal for financial viability in both the current and future years, together with capital/revenue cash flow forecasts for at least three years
  - (b) Risk appraisal and management
  - (c) Resourcing, including taxation / VAT issues
  - (d) Audit, security, and control requirements
  - (e) Carry-forward arrangements; and
  - (f) Review annual business plan for financial sustainability.
- 7.1.3 Ensure that the partnership accounting and governance arrangements comply with all relevant regulations and codes of practice.
 

**Strategic Directors/Heads of Service Responsibilities**
- 7.1.4 Ensure that, before entering into any agreement with external bodies, an appraisal of the financial viability of the arrangement is prepared in consultation with the CFO and approved by the Cabinet.
- 7.1.5 Ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the CFO.
- 7.1.6 Ensure that arrangements are in place for cessation of a partnership, including an exit strategy.

- 7.1.7 Ensure that such agreements and arrangements are strategically aligned to the Council’s strategic plan.
- 7.1.8 Ensure that all agreements and arrangements are properly documented.
- 7.1.9 Prepare an annual business plan for the partnerships which sit within their service areas.
- 7.1.10 Ensure collective decisions taken by partnerships are approved by the Council in accordance with its scheme of delegation and key decision threshold.
- 7.1.11 Maintain a register of all contracts entered in to with external bodies in accordance with the contract procedure rules.
- 7.1.12 Provide appropriate information to the CFO to determine any requirement for a note to be entered into the Council’s Statement of Accounts in accordance with relevant accounting Codes of Practice is required.

## 7.2 EXTERNAL FUNDING

**External funding is an important source of income, therefore funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. Councils are increasingly encouraged to provide seamless service delivery through working closely with communities, other agencies, and private service providers.**

**In some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the Council’s overall corporate/spending plans.**

### Strategic Directors/Heads of Service Responsibilities

- 7.2.1 Review and document how each proposed funding bid aligns with the Council’s strategic priorities and ensure that only funding that aligns with the Council’s strategic priorities are pursued.
- 7.2.2 Evaluate the immediate, medium, and long-term financial impact of any proposed grant offer. Prepare a business case for all grant funded projects with match funding requirement over £100,000 in consultation with the Chief Finance Officer, for approval by as outlined in 7.2.3. Guidance is provided in the [Financial Guidelines](#) on match funding and other financial considerations. A [financial appraisal toolkit](#) is provided to aid the evaluation.
- 7.2.3 The net budget impact (i.e., cost of delivery over the MTFs less funding) of delivering the funded activity is to be considered in determining the appropriate approval required prior to the acceptance of external funding in line with the table below:

Approver	Threshold	Cumulative threshold
Virement rules in Section B and guidelines apply	Excluded funding	
Portfolio holder and Section 151 Officer	Up to £250,000	£250,000
Cabinet	£250,001 - £1,000,000	£1,000,000
Council	Over £1,000,000	N/A
<b>Excluded funding</b>		
- Statutory or emergency requirements which the Government or related		

institution choose to fund. For example, funding received in response to national events and policies.

- Funding received that support capital schemes (or revenue budgets) already approved in the capital program, in so far as the funding requirements do not exceed our original capital and revenue commitments to the schemes. For example, flood defence.
- Funding that has no net capital or revenue cost impact on the council in the current and future periods except where the arrangement:
  - o Changes existing policies, initiate new policies, or cease existing policies; or

Materially extends or reduces Council services

- 7.2.4 Ensure that the CFO is consulted prior to the completion of all applications for external funding and is provided with a written copy of all grant approvals, together with grant and auditing conditions, and that all claims for funds are made in conjunction with Finance staff and submitted by the due date.
- 7.2.5 Agree all grant conditions with the Head of Legal and Democratic Services prior to accepting the grant/ funding.
- 7.2.6 Ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded.
- 7.2.7 Records of achievements against key targets to be met must be maintained for both financial and non-financial indicators in the format required by the funding body.
- 7.2.8 Documentation must be made available for access by either internal and/or external audit where required.
- 7.2.9 Ensure that the retention and archiving of records complies with the conditions and requirements of the funding body.

#### **CFO Responsibilities**

- 7.2.10 Review proposed funding arrangements to satisfy that they comply with our financial sustainability strategic theme. Ensure that funding applications are approved appropriately based on the thresholds in the table below, subject to exclusions below.
- 7.2.11 Ensure that funding notified by external bodies is received and properly recorded in the Council's accounts.
- 7.2.12 Ensure that match-funding requirements are considered prior to entering into agreements and that future revenue budgets reflect these requirements.
- 7.2.13 Ensure that internal and external audit requirements are met.

### 7.3 LOCAL AUTHORITY COMPANIES

Councils are seeking ever more innovative ways to achieve financial sustainability, with legislative changes (notably the introduction of a “general power of competence” under Section 1 of the Localism Act 2011) aiding the proliferation of local authority trading companies.

The Council may choose to deliver some services through local authority companies.

Legislation also enables the Council to provide a range of services to others, including controlled companies. Such work may enable a service to maintain economies of scale and existing expertise. Whatever service delivery arrangements are used (either ‘in house’ or through a company), robust procedures should be in place to ensure that the risks associated with such work are minimised, and that such work is legal.

#### **CFO Responsibilities**

- 7.3.1 Advice on the establishment and design of operating model of **new** local authority companies. Review the business plans of all **new** company and business proposals (Or subsidiaries requiring **capital injection or loss cover** from the council).
- 7.3.2 Ensure compliance with all relevant extant companies and tax legislation in relation to the preparation of the Council’s Group accounts (consolidating the trading company financial results) and other financial returns.
- 7.3.3 Review financial performance of each local authority company periodically to ensure it remains financially sustainable for the council to retain its shareholding in/ membership of each company.
- 7.3.4 Review the annual business/ service plan of local authority companies to incorporate the impact of their activities on the General Fund into Council budgets.
- 7.3.5 Issue guidance about the financial aspects of services to be delivered by the council to its trading concerns and controlled companies (also known as related parties). Such guidance will be designed to ensure that the trading concern or controlled company is not subsidised by the Council and that all services, officer time and other support provided to the company is charged to the trade or company in accordance with the CIPFA Best Value Accounting Code of Practice.
- 7.3.6 Disseminate financial information that enables the relevant Strategic Director/Head of Service to monitor the cost of services delivered on the Council’s behalf by related parties.

#### **Strategic Directors/Heads of Service Responsibilities**

- 7.3.7 Follow CFO advice on the establishment and design of operating models of **new** local authority companies. It is essential that the robustness of all new company and business proposals (Or subsidiaries requiring capital injection from the council) is established through CFO input at the concept and development stage(s).

- 7.3.8 Ensure that each local authority company prepares an annual business/ service plan in time to incorporate the impact of their activities on the General Fund into Council revenue and capital budgets.
- 7.3.9 Provide appropriate information to CFO to determine any Accounting Code of Practice requirements.
- 7.3.10 Ensure operational and financial statements and related performance review reports of the companies are delivered in time to be presented alongside Council's annual outturn.

#### ***Services to companies***

- 7.3.11 Ensure that proposals for the council to provide services to related parties are properly costed in advance in accordance with CFO guidance. It is essential that contracts are priced as though they were at arm's length and no contract is subsidised by the Council.
- 7.3.12 Ensure that – wherever possible – payment is received in advance of service delivery, but in any event, payments must be promptly paid in accordance with the contract.
- 7.3.13 Ensure service area has the appropriate expertise to deliver services to related parties. Consider conflict of interest in determining resource requirement for delivering services to related parties.
- 7.3.14 Ensure services provided to related parties do not adversely impact on services delivered for the Council.

#### ***Services to the council***

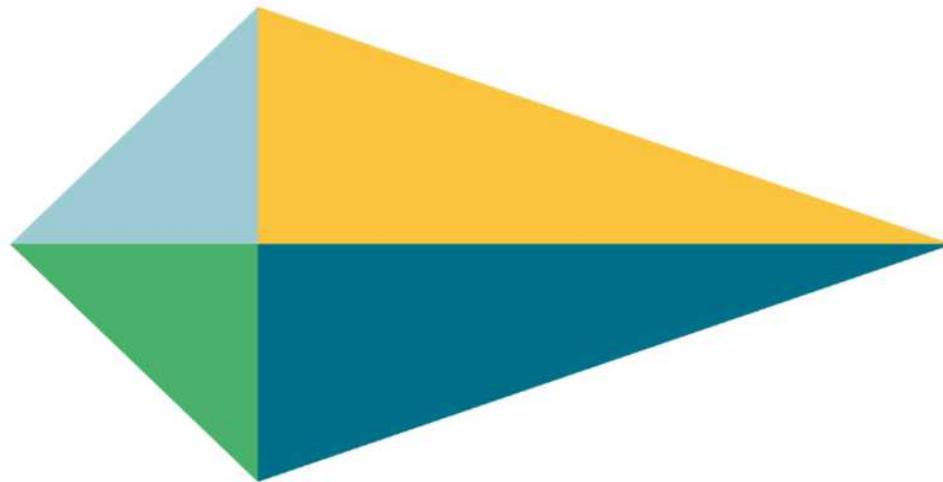
- 7.3.15 Ensure that contracts awarded to controlled companies by the Council are added to the contracts register in accordance with the contract procedure rules.
- 7.3.16 Where a controlled company delivers services for the council, the relevant head of service/ strategic director remains responsible for overseeing the contract and ensuring the arrangement continues to deliver value for money.

#### ***Overseeing a Trading Company - Directorships***

- 7.3.17 The Council may choose to appoint representatives to the board of directors of its controlled trading company. A director's principal duty, under the relevant legislation e.g., the Companies Act 2006, is to the company. Members and officers who sit on a board of directors must be aware of the potential for conflicts of interest and therefore make themselves familiar with the applicable scheme of delegation and company law rules on conflict of interest
- 7.3.18 To avoid a conflict of interests arising in the roles of Chief Finance Officer and Monitoring Officer, neither the Chief Finance Officer, nor the Head of Legal and Democratic Services should become directors of a trading company.
- 7.3.19 Unless appointed to the board of directors of a trading company, members and officers must avoid becoming shadow directors of a trading company or compromising the governance arrangements of the trading company and/or the Council. Therefore, unless appointed to the board of directors, members and officers must not:
  - a) participate in board meetings of the company (except as observers)
  - b) take any decision on behalf of the company

c) require the trading company to clear or seek approval for its decisions with themselves (Save for reserved matters)

7.3.20 Oversight and control of the trading company should be exercised in accordance with its articles of association and shareholders' agreement.



# **EASTSUFFOLK**

C O U N C I L

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# CONSTITUTION

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*Version dated: 21 October 2021*

## Finance Procedure Rules

### 1. Introduction

#### 1.1 ROLE OF CHIEF FINANCE OFFICER (CFO)

- 1.1.1 Section 151 of the [Local Government Act 1972](#) states, “every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their Officers has responsibility for the administration of those affairs”.
- 1.1.2 The Officer designated by East Suffolk Council as having the statutory responsibility set out in Section 151 of the 1972 Act is the “Chief Finance Officer and Section 151 Officer” (“the CFO”).
- 1.1.3 The Chief Finance Officer will appoint a deputy and keep them briefed on emerging issues. The Deputy will act in place of the Chief Finance Officer if the Chief Finance Officer is absent or unable to act due to conflict or other relevant issues.

#### 1.2 FINANCIAL PROCEDURE RULES

- 1.2.1 The Financial Procedure Rules provide the framework for the financial administration of the Council with a view to ensuring that financial matters are conducted in a sound and proper manner, constitute value for money and minimise the risk of legal challenge. Financial Procedure Rules are not intended to constitute a set of detailed rules to respond to every contingency.
- 1.2.2 All financial decisions and decisions with financial implications must have regard to proper financial control. Any doubt as to the appropriateness of a financial proposal or correctness of a financial action must be clarified in advance of the decision or action with the CFO.
- 1.2.3 and other financial instructions may be issued from time to time by the CFO, where assistance is needed with the interpretation of Financial Procedure Rules.
- 1.2.4 Failure to observe Financial Procedure Rules (including any supplementary and financial instructions), may result in action under the Council’s disciplinary procedures.
- 1.2.5 These Financial Procedure Rules should be read in conjunction with the [Contract Procedure Rules](#) and the [Scheme of Delegation](#).
- 1.2.6 The CFO is responsible for maintaining a continuous review of the Financial Procedure Rules and submitting any additions or changes necessary to the Council for approval. An annual review shall be undertaken.
- 1.2.7 The CFO is also responsible for reporting, where appropriate, breaches of the Financial Procedure Rules to the Council and/or to the Cabinet. The CFO is authorised to temporarily suspend Financial Procedure Rules in exceptional circumstances, and where such a suspension is authorised, a written record shall be kept of the reasons for this.
- 1.2.8 Strategic Directors and Heads of Service are responsible for ensuring that all staff in their Directorates/Services are aware of the existence and content of the Financial Procedure Rules and that they comply with them.

### **1.3 RESPONSIBILITIES**

#### **To the Council**

1.3.1 Elected Members and employees of the Council are responsible for ensuring that they use the resources and assets entrusted to them in a responsible and lawful manner. They should strive to achieve value for money and avoid legal challenge to the Council.

1.3.2 These responsibilities apply equally to Members and employees when representing the Council on outside bodies.

#### **Personal**

1.3.3 Any person charged with the use or care of Council resources and assets should make themselves aware of the Council's requirements under the Financial Procedure Rules. If anyone is in any doubt as to their obligations, then they should seek advice. Unresolved questions of interpretation should be referred to the CFO.

1.3.4 All employees must report immediately to their manager, supervisor or other responsible senior Officer any illegality, impropriety, serious breach of procedure or serious deficiency in the provision of services that they suspect or become aware of. Employees are able to do this without fear of recrimination providing they act in good faith via the Council's Whistle Blowing Policy. In such circumstances managers must record and investigate such reports and take appropriate action. Compliance with the Council's Anti-Fraud and Corruption Strategy and the [Code of Conduct for Officers](#) is mandatory for all Officers.

#### **Chief Finance Officer**

1.3.5 Section 114 of the [Local Government Finance Act 1988](#) requires the CFO to report to Council, Cabinet and External Auditor if the Council or one of its Officers:

- Has made, or is about to make, a decision which involves or would involve the authority incurring unlawful expenditure;
- Has taken, or is about to take, unlawful action which has resulted or would result in a loss or deficiency to the Council; or
- Is about to make an unlawful entry in the Council's accounts.

1.3.6 Section 114 of the 1988 Act also requires:

- The CFO to nominate a properly qualified member of staff to deputise should they be unable to perform the duties under section 114 personally; and
- The Council to provide the CFO with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under Section 114.

1.3.7 The CFO has a range of general responsibilities, which underpin an overriding responsibility to ensure the proper administration of the financial affairs of the Council. These include:

- Setting financial management standards and to monitor compliance with them;
- Ensuring proper professional practices are adhered to, and to act as head of profession in relation to the standards, performance and development of finance staff throughout the Council;

- Advising on the key strategic controls necessary to secure sound financial management; and
- Ensuring that financial information is available to enable accurate and timely monitoring and reporting of financial and non-financial performance indicators.

1.3.8 Reference to the CFO includes those authorised by them to undertake the various functions concerned.

### **Strategic Directors/Heads of Service**

1.3.9 Strategic Directors and Heads of Service are responsible for ensuring that the Financial Procedure Rules are observed throughout all areas under their control and shall:

- Provide the CFO with such information and explanations as the CFO feels is necessary to meet their obligations under the Financial Procedure Rules;
- Consult with the CFO and seek approval on any matter liable to affect the Council's finances materially, before any commitments are incurred;
- Ensure that executive Members are advised of the financial implications of all significant proposals and that the financial implications have been agreed by the CFO;
- Inform the CFO of failures of financial control resulting in additional expenditure or liability, or loss of income or assets;
- Wherever any matter arises which may involve irregularities in financial transactions consult with the CFO and, if a serious irregularity is confirmed, the matter shall be reported to the Chief Executive, appropriate Cabinet Member and the HR & Workforce Development Manager; and
- Ensure the legality of their Directorate/Service's actions.

1.3.10 Strategic Directors and Heads of Service are also responsible for:

- Promoting the financial management standards set by the CFO in their departments and to monitor adherence to the standards and practices, liaising as necessary with the CFO; and
- Promoting sound financial practices in relation to the standards, performance and development of staff in their service areas.

## **2. Financial Planning**

### **2.1 BUDGETING**

#### **a) Budget Format**

**The budget format determines the level of detail to which financial control and management will be exercised. The format shapes how the rules around virement operate, the operation of cash limits and sets limits at which funds may be reallocated.**

#### **CFO Responsibilities**

2.1.1 Advise Cabinet on the format and content of the budget to be approved by Council.

### **Strategic Directors/ Heads of Service Responsibilities**

- 2.1.2 Comply with budgetary guidance provided by CFO.

#### **b) Budget and Medium-Term Planning**

**The Council is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighted priorities. The budget is the financial expression of the Council's plans and policies.**

**The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of Council. Budgets (spending plans) are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for a Council to budget for a deficit.**

**Medium-term planning involves a cycle in which managers develop their own plans in conjunction with the CFO. As each year passes, another future year will be added to the Medium-Term Financial Strategy (MTFS). This ensures that the Council is always preparing for events in advance.**

#### **CFO Responsibilities**

- 2.1.3 Prepare and submit reports on revenue budget forecasts to Cabinet, including resource constraints set by Government. Reports should take account of medium-term forecasts, where appropriate.
- 2.1.4 Determine detailed form of revenue budgets and the methods for preparation, consistent with the budget approved by Council, and after consultation with Cabinet, Strategic Directors and Heads of Service.
- 2.1.5 Prepare and submit reports to Cabinet on aggregate spending plans of service areas and on the resources available to fund them, identifying, where appropriate, implications for the level of taxation to be levied.
- 2.1.6 Advise on the medium-term implications of spending decisions and alternative options.
- 2.1.7 Work with Strategic Directors and Heads of Service, and all Council Officers, to identify opportunities to improve economy, efficiency and effectiveness, encouraging good practice financial appraisals of development or savings options, and in developing the financial aspects of service planning.
- 2.1.8 Advise Council on Cabinet proposals in accordance with responsibilities under Section 151 of the [Local Government Act 1972](#).

#### **Strategic Directors/Heads of Service Responsibilities**

- 2.1.9 Prepare detailed draft revenue budgets in consultation with the CFO, for submission to Cabinet and approval by Council.
- 2.1.10 Integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- 2.1.11 When drawing up draft revenue budgets, have regard to spending/income patterns and pressures, volatility to external influences, legal requirements, policy requirements, initiatives already underway and external grants and contributions.

#### **c) Capital Programme**

**Capital expenditure involves acquiring or enhancing fixed assets with long-term value to the Council, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.**

**Capital expenditure must form part of an investment strategy and must be carefully prioritised and scrutinised in order to maximise the benefit of scarce resources.**

### **CFO Responsibilities**

- 2.1.12 Prepare capital budgets jointly with Strategic Directors/Heads of Service and report them to Cabinet for approval. The Cabinet will make recommendations on the capital budgets and on any associated financing requirements to Council. Cabinet Member approval is required where a Strategic Director/Head of Service proposes to bid for or exercise additional borrowing, not anticipated in the Capital Programme (extra borrowing will create future commitments to financing costs).
- 2.1.13 Prepare and submit reports to Cabinet on projected income, expenditure and resources compared with approved budgets.
- 2.1.14 Issue guidance on capital schemes and controls e.g. revenue costs, project appraisal techniques. The definition of capital will be determined by the CFO, having regard to government regulations and accounting requirements.
- 2.1.15 Obtain Cabinet authorisation for individual schemes where estimated expenditure exceeds Capital Programme provision by more than 10% or £50,000 whichever is the lower (subject to minimum overspend of £5,000).

### **Strategic Directors/Heads of Service Responsibilities**

- 2.1.16 Comply with guidance on capital projects and controls issued by CFO.
- 2.1.17 Develop and implement asset management plans in conjunction with CFO.
- 2.1.18 Ensure that all capital projects have undergone a robust appraisal which has been approved by Financial and Legal Services, before being presented and discussed by the appropriate management group.
- 2.1.19 Prepare regular reports reviewing Capital Programme provisions for their services. Also prepare a quarterly return of estimated final costs of schemes in the approved Capital Programme for submission to CFO.
- 2.1.20 Ensure adequate records are maintained for all capital contracts.
- 2.1.21 In consultation with the CFO, accelerate the progress of a scheme by deferring the start of another scheme in that year's programme or, if delays are occurring generally, may bring forward a scheme programmed to start in a later year.
- 2.1.22 Proceed with projects only when there is adequate provision in the Capital Programme, following Cabinet or Council approval, and with the agreement of the CFO where required. Cabinet can approve projects up to a cumulative value of £500,000 (General Fund) and £500,000 (Housing Revenue Account) in any one financial year. Projects that breach the £500,000 limits – either alone or cumulatively – require Council approval.
- 2.1.23 Prepare and submit reports, jointly with the CFO, to Cabinet, of any variation in contract costs greater than approved limits. The Cabinet may meet cost increases

of up to 5% of the project by virement from identified savings arising from other projects within the capital programme.

- 2.1.24 Prepare and submit reports, jointly with the CFO, to Cabinet on completion of schemes where the final expenditure varies from the approved budget by more or less than 10% or £50,000 whichever is the lower (subject to minimum overspend/underspend of £5,000).
- 2.1.25 Ensure credit arrangements, such as leasing agreements, are not entered into without prior CFO approval, who will need to undertake an assessment of the type of lease arrangement being entered into and, if applicable, approval of the scheme through the Capital Programme.
- 2.1.26 Consult with the CFO and seek Cabinet approval where Strategic Director/Head of Service proposes to bid for Government approvals to support expenditure that has not been included in current year's Capital Programme.

## 2.2 MAINTENANCE OF RESERVES

**The Council must decide the minimum level of General Reserves it wishes to maintain before it can decide the level of Council Tax. Reserves are maintained as a matter of prudence. They enable the Council to provide for unexpected events and thereby protect it from overspending, should such events occur. There are also reserves earmarked for specific purposes.**

### **CFO Responsibilities**

- 2.2.1 To advise Cabinet and/or Council on prudent levels of reserves for the Council, and to take account of the advice of [CIPFA](#) in this matter.

### **Strategic Directors/Heads of Service Responsibilities**

- 2.2.2 To ensure that reserves are used only for the purposes for which they were intended.

## 3. Financial Management

### 3.1 MANAGING INCOME & EXPENDITURE

#### a) Budget Monitoring and Control

**Proper budget management ensures that – once the budget has been approved by Council – allocated resources are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account, managers responsible for defined elements of the budget.**

**By continuously identifying and explaining variances against budget targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual revenue limit, approved when setting the annual budget. To ensure that the Council does not overspend in total, each service is required to manage its own income and expenditure within the budget allocated to it. For the purposes of budgetary**

**control by managers, a budget will usually be the planned income and expenditure excluding support and capital charges, for a Department.**

### **CFO Responsibilities**

- 3.1.1 Submit reports to Cabinet and Council, in consultation with the relevant Strategic Director/Head of Service, where a Strategic Director/Head of Service's expenditure and resources are significantly outside the approved budgets under their control.
- 3.1.2 Prepare and submit quarterly reports on the Council's projected income and expenditure compared with the budget to the Cabinet.
- 3.1.3 Establish an appropriate framework of budgetary management and control that ensures that:
  - Budget management is exercised within the approved budget unless Cabinet approves a supplementary estimate;
  - Each Strategic Director/Head of Service has timely information on income and expenditure on each budget which is sufficiently detailed to enable managers to monitor their budgetary responsibilities;
  - As a minimum, quarterly updates are held between a Head of Service, budget holder and their Finance representative;
  - Expenditure is committed only against the approved budget cost centre;
  - All Officers responsible for income and expenditure, comply with the relevant guidance and the Financial Procedure Rules;
  - Each cost centre has a single named manager, designated by the relevant Strategic Director/Head of Service. As a general principle, budgetary responsibility should be aligned as closely as possible to the decision-making processes that commit expenditure; and
  - Significant variances from approved budget are investigated and reported by budget holders monthly and advised to the Strategic Management Team and Cabinet.
- 3.1.4 Administer the Council's Scheme of Virement (refer to Section 3B below).

### **Strategic Directors/Heads of Service Responsibilities**

- 3.1.5 Consult with CFO on any matter which is liable materially to affect the finances of the Council before any provision or other commitment is incurred and before reporting to Members.
- 3.1.6 Maintain budgetary control within their services, in adherence to the principles above, and to ensure that all income and expenditure is properly recorded and accounted for.
- 3.1.7 Ensure that an accountable budget holder is identified for each item of income and expenditure under the control of the Strategic Director/Head of Service (grouped together in a series of department codes). Budget responsibility should be aligned as closely as possible to the decision-making that commits the expenditure.
- 3.1.8 Ensure that spending remains within the service's overall budget limit, and that individual budget heads are not overspent, by monitoring and taking appropriate corrective action where significant variations from the approved budget are

forecast and to report these to the CFO. This regulation shall also apply to any action or decision, which will give rise to a reduction in income.

- 3.1.9 Ensure that a monitoring process is in place to review performance levels in conjunction with the budget and is operating effectively within the guidelines set down by the CFO.
- 3.1.10 Obtain prior approval by Council or Cabinet (as appropriate) for new proposals outside of the budget and policy framework, of whatever amount, that:
- Create financial commitments in the current year and future years (Cabinet approval limit up to £500,000 cumulative in a single financial year individually for both General Fund and HRA , Council approval for higher amounts)
  - Change existing policies, initiate new policies or cease existing policies; and
  - Materially extends or reduces Council services.
- 3.1.11 Ensure compliance with Scheme of Virement (refer to Section 3B below).
- 3.1.12 Consult with the relevant Strategic Director/Head of Service, where it appears that a budget proposal, including a virement proposal, may impact on another service area or another Strategic Director/Head of Service's service activity, prior to any action being taken.

**b) Virement**

**A Virement is the transfer between budgets that enables Cabinet, Strategic Directors, Heads of Service and their staff, to manage budgets with a degree of flexibility within the overall budget and policy framework determined by the Council, and therefore to optimise the use of resources.**

- 3.1.13 The Scheme of Virement is administered by the CFO within guidelines set by Council and any variation from the Scheme requires Council approval.
- 3.1.14 Virement does not create additional overall budget liability and should not be used to create additional budget demand in future years.
- 3.1.15 Virement is not allowed:
- From capital financing charges, interest credits, council tax and housing benefit payments and projects financed by external grants and contributions, corporate finance costs (e.g. bank charges), precepts etc. or internal recharges (e.g. departmental support service recharges); or
  - For a transfer of resources between funds or Capital projects.
- 3.1.16 Virement is only allowed from employee costs with the approval of the CFO and after consideration of the overall budget position on employees, since the budget anticipates savings on employee budgets from natural staff turnover.

**CFO Responsibilities**

- 3.1.17 Prepare – jointly – with the relevant Strategic Director/Head of Service a report to Cabinet on proposed virements, where required under the Scheme.

**Strategic Directors/Heads of Service Responsibilities**

- 3.1.18 Strategic Directors/Heads of Service may exercise virement on budgets under their control for gross amounts up to £30,000 in total (cumulative within a single financial year), within Departmental budgets or between Departmental budgets within the same Service budget (any combination thereof), following the approval of the CFO and subject to the conditions in paragraphs 3.2.20 to 3.2.22 below.

- 3.1.19 Amounts greater than £30,000 require Portfolio Holder approval, following a joint report by the CFO and the Strategic Director/Head of Service, which must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial year. Each Cabinet Member has a cumulative limit of £250,000 per financial year.
- 3.1.20 Amounts greater than £250,000 require Cabinet approval. The Cabinet has a cumulative limit of £500,000 per financial year. Amounts greater than £500,000 require Council approval.
- 3.1.21 Prior Cabinet approval is required for any virement where it is proposed to:
- vire between budgets of different accountable Cabinet Members; and
  - vire between budgets managed by different Strategic Directors/Heads of Service.
- 3.1.22 Virements relating to a specific financial year, should not be made after 31<sup>st</sup> March in that year.
- 3.1.23 Where an approved budget is a lump-sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that:
- The amount is used in accordance with the purposes for which it has been established; and
  - Cabinet has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations in excess of the financial limits should be reported to the Cabinet.

**c) Year-End Balances**

**The treatment of year-end balances is administered by the CFO within guidelines set by the Council. The rules below cover arrangements for the transfer of resources between accounting years, i.e. a carry-forward.**

**Year-End Balances ('carry forwards')**

- 3.1.23 The Scheme of Carry-Forwards is administered by the CFO within guidelines set by Council and any variation from the Scheme requires Council approval.
- 3.1.24 The rules cover arrangements for transferring resources between accounting years (i.e. carry-forwards).

**CFO Responsibilities**

- 3.1.25 Administer the Scheme of Carry-Forwards within guidelines approved by Council:
- Underspent Capital budgets at year-end will be carried forward in the Capital Programme automatically unless no longer required
  - Underspent Revenue budgets up to £30,000 on individual budgets may be carried forward with CFO approval
  - Underspent Revenue budgets in excess of £30,000 on individual budgets may be carried forward with Cabinet approval
  - All underspent Revenue budgets approved to be carried forward will be retained in an earmarked reserve.

- 3.1.26 Report jointly with relevant Strategic Director/Head of Service on all material overspends and underspends on service budgets carried forward to the Cabinet and to Council.

#### **Strategic Directors/Heads of Service Responsibilities**

- 3.1.27 Underspends on service budgets up to £30,000 under the control of the Strategic Director/Head of Service may be carried forward with prior CFO approval. Underspends over £30,000 require Cabinet approval.
- 3.1.28 Take account of Capital underspends carried forward into the following years Capital Programme.

#### **d) Emergency Expenditure**

**The Council needs a procedure in place for meeting immediate needs if an emergency situation arises in the district.**

- 3.1.29 The Chief Executive and CFO shall have authority to approve expenditure on items essential to meet immediate needs created by an emergency or which is referable to Section 138 of the Local Government Act 1972, subject to a subsequent report to Cabinet and/or Council depending on whether or not the expenditure can be met within the current budget framework.
- 3.1.30 The Leader or Deputy Leader (having received report from Chief Executive and CFO), shall have power to incur expenditure essential to meet immediate needs created by an emergency, or which is referable to Section 138 of the Local Government Act 1972 (or subsequent legislation) which is not otherwise authorised, or where it is necessary in the Council interest to settle legal proceedings. A subsequent report shall be submitted to Cabinet and/or Council, depending on whether or not the expenditure can be met within the current budget framework.
- 3.1.31 The CFO will ensure – retrospectively – the submission of a claim for reimbursement under the “Bellwin Scheme” for any eligible emergency costs incurred i.e. costs incurred on, or in connection with, immediate actions to safeguard life and property or to prevent suffering or severe inconvenience as a result of a disaster or emergency in the district. Grant is limited by Section 155 of the Local Government and Housing Act 1989 and local authorities are expected to have budgeted for a certain amount of emergency expenditure (the ‘threshold’).

## **4. Financial Accounting**

### **4.1 ACCOUNTING POLICIES**

**The CFO is responsible for preparing the Council’s Statement of Accounts, in accordance with proper practices as set out in the format required by the [Code of Practice on Local Authority Accounting in the United Kingdom](#) (the Code) issued by (CIPFA/LASAAC), for each financial year.**

#### **CFO Responsibilities**

- 4.1.1 Select suitable accounting policies and ensure they are applied consistently. Accounting policies are set out in the annual Statement of Accounts.

### **Strategic Directors/Heads of Service Responsibilities**

- 4.1.2 Adhere to accounting policies, timetables and guidelines approved by the CFO.

## **4.2 ACCOUNTING RECORDS AND RETURNS**

**Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for the stewardship of public resources. The Council has a statutory responsibility to prepare an annual Statement of Accounts that give a “true and fair view” of the financial position and transactions of the Council. The accounting records are subject to external audit. The audit provides assurance that the Statement of Accounts have been prepared properly, that proper accounting practices have been followed and that robust arrangements have been made for securing economy, efficiency and effectiveness in the use of Council resources.**

### **CFO Responsibilities**

- 4.2.1 Determine the accounting procedures and records for the Council. Where these are maintained outside of Financial Services, the CFO should consult the Strategic Director/Head of Service concerned.
- 4.2.2 Arrange for the compilation of all accounts and accounting records under his or her direction.
- 4.2.3 Comply with the following principles when allocating accounting duties:
- Separating the duties of providing information about sums due to or from the Council and calculating, checking and recording these sums from the duty of collecting or disbursing them; and
  - Employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- 4.2.5 Ensure that claims for funds, including grants, are made by the due date.
- 4.2.4 Make proper arrangements for the audit of the Council’s Statement of Accounts in accordance with the latest Accounts and Audit (England) Regulations.
- 4.2.6 Prepare and publish the Statement of Accounts for each financial year in accordance with the statutory timetable, and present audited Statements for approval by the Audit and Governance Committee before 31<sup>st</sup> July each year. Submit provisional outturn results for financial year to Cabinet as soon as practicable.
- 4.2.7 Ensure the retention of financial documents in accordance with the Council’s Document Retention Policy.
- 4.2.8 Undertake or receive monthly reconciliations for all fundamental IT financial systems and sign off as evidence of CFO’s review.

### **Strategic Directors/Heads of Service Responsibilities**

- 4.2.9 Consult and obtain the approval of the CFO before making changes to accounting arrangements, records and procedures.
- 4.2.10 Comply with segregation of duties principles outlined in Paragraph 4.2.3 when allocating accounting duties.
- 4.2.11 Maintain records that provide a management trail, leading from income/expenditure source through to the accounting statements, and carry out

regular monthly reconciliations of fundamental IT financial systems to the Council's corporate financial management information system.

- 4.2.12 Supply information required to enable the Statement of Accounts to be completed by the statutory deadline of 31<sup>st</sup> May each year and in accordance with guidelines issued by the CFO.

### 4.3 STATEMENT OF ACCOUNTS

**The Council has a statutory responsibility to prepare its own Statement of Accounts, which give a "true and fair view" of the financial position and transactions of the Council.**

**The Audit & Governance Committee is responsible for approving the statutory annual Statement of Accounts.**

#### **CFO Responsibilities**

- 4.3.1 Select suitable accounting policies and to apply them consistently.
- 4.3.2 Make judgements and estimates that are reasonable and prudent.
- 4.3.3 Ensure compliance the CIPFA/LASAAC Accounting Code of Practice.
- 4.3.4 Sign and date the Statement of Responsibilities with the Statement of Accounts, stating it gives a true and fair view of the financial position and transactions of the Council (including group financial statements where applicable) at the year ended 31<sup>st</sup> March.
- 4.3.5 Draw up the timetable for final accounts preparation and to advise Officers and external auditors accordingly.

#### **Strategic Directors/Heads of Service Responsibilities**

- 4.3.6 Comply with accounting guidance provided by the CFO and supply the CFO with information when required.

## 5. Risk Management and Control of Resources

### 5.1 RISK MANAGEMENT

**All organisations, whether in the private or public sector, face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk Management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to secure the assets of the organisation and to ensure its continued financial and organisational well-being. In essence it is an integral part of good business practice. Risk Management is concerned with evaluating the measures an organisation already has in place to manage perceived risks and then recommend the actions the organisation needs to take to control these risks effectively.**

**The Audit and Governance Committee monitors the effective development and operation of Risk Management, and it is the overall responsibility of Cabinet to approve the Risk Management Strategy, and to promote a culture of risk management awareness throughout the Council.**

### **CFO Responsibilities**

- 5.1.1 Develop and maintain a Risk Management Strategy.
- 5.1.2 Develop and maintain a Risk Register.
- 5.1.3 Develop and promote a proactive and positive corporate Risk Management culture, including awareness and the implementation and maintenance of Risk Management controls.
- 5.1.4 Include all appropriate employees in suitable Fidelity Guarantee insurance cover.
- 5.1.5 Arrange suitable corporate insurance cover, through external insurance and internal funding, and negotiate claims for losses in consultation with other Officers, and partner organisations, where necessary.

### **Strategic Directors/Heads of Service Responsibilities**

- 5.1.6 Promote a proactive and positive Risk Management culture within service area, including raising awareness and the implementation and maintenance of Risk Management controls.
- 5.1.7 Show due regard to advice from specialist Officers (e.g. health and safety) and review risks through the Service Planning process at least quarterly.
- 5.1.8 Promptly notify CFO of all significant new risks, properties, vehicles or other assets that require insurance and of any alterations affecting existing insurances and to provide information when requested.
- 5.1.9 Immediately notify CFO of any loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the CFO or the Council's insurers.
- 5.1.10 Consult with the CFO and the Head of Legal and Democratic Services on the terms of any indemnity that the Council is requested (or has offered) to give.
- 5.1.11 Ensure that employees, or anyone covered by Council insurance, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

## **5.2 INTERNAL CONTROLS**

**The Council is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives and to monitor compliance with statutory obligations.**

**The Council faces a wide range of financial, legal, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks and to protect the Council from the impact of uncertainties.**

### **CFO Responsibilities**

- 5.2.1 Assist the Council to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.
- 5.2.2 Ensure an effective internal audit function is resourced and maintained.
- 5.2.3 Ensure that the Council has put in place effective arrangements for internal audit of the control environment and systems of internal control as required by professional standards and in line with CIPFA's Code of Practice.

- 5.2.4 Ensure an effective audit committee is developed and maintained.

#### **Strategic Directors/Heads of Service Responsibilities**

- 5.2.5 Manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- 5.2.6 Review existing controls in the light of changes affecting the Council and to establish and implement new ones in line with guidance from the CFO. Strategic Directors/Heads of Service should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.
- 5.2.7 Ensure Officers have a clear understanding of the consequences of lack of control.

### **5.3 AUDIT REQUIREMENTS**

#### **a) Internal Audit**

**The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. More specific requirements are set out in the Accounts and Audit Regulations 2015, which require the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”**

#### **Chief Executive**

- 5.1.1 Ensure that the Head of Internal Audit has direct access to and freedom to report in his or her own name and without fear or favour to the Chief Executive and the CFO, the Cabinet and the Audit & Governance Committee, all levels of management, Officers and elected Members. This should include the ability to meet the Chairman of the Audit & Governance Committee alone (outside of the Committee meeting) and External Auditors to discuss significant concerns that they may have over the adequacy and effectiveness of internal controls and risk management activities.

#### **CFO Responsibilities**

- 5.3.2 Implement appropriate measures to prevent and detect fraud and corruption and ensure that effective procedures are in place to investigate promptly any identified fraud or irregularity.
- 5.3.3 Report to Cabinet requesting additional funding where insufficient internal audit resources have been identified.

#### **Head of Internal Audit Responsibilities**

- 5.3.4 Ensure that Internal Audit has unrestricted access to all information (including records, computer files, property and personnel) and activities undertaken by the Council, and those of partner organisations and third party service providers where contract terms include Internal Audit access rights.
- 5.3.5 Assisting the CFO in discharging their responsibilities under Section 151 of the Local Government Act 1972 in relation to internal controls.

- 5.3.6 Providing and maintaining an Internal Audit function which meets the requirements of the Public Sector Internal Audit Standards (PSIAS).
- 5.3.7 Developing and delivering an annual Audit Plan for the Council using a risk based methodology. Following consultation with the Chief Executive Officer, CFO and SMT, the Head of Internal Audit will submit such plan to the Audit & Governance Committee for review and approval prior to the commencement of each financial year.
- 5.3.8 Providing an annual Internal Audit opinion, compliant with PSIAS requirements, which informs the Annual Governance Statement on how the Council's control environment, including risk management processes, accounting records, governance and value for money arrangements, established by management, are operating within the Council.
- 5.3.9 Issuing other reports which provide assurance to the Chief Executive, CFO, Monitoring Officer and the Strategic Management Team, and making recommendations for improvement.
- 5.3.10 Comply with any requests from the External Auditor or access to any information, files or working papers obtained or prepared during audit work that is required to discharge their responsibilities.
- 5.3.11 Reporting to the Chief Executive, CFO and the audit committee, if the Head of Internal Audit concludes that resources are insufficient.

#### **Strategic Directors/Heads of Service Responsibilities**

- 5.3.12 Ensure that Internal Audit are given access at all reasonable times to premises, human resources, documents and assets that the auditors consider necessary for the purposes of their work.
- 5.3.13 Ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- 5.3.14 Consider and respond promptly to recommendations/actions in Internal Audit reports.
- 5.3.15 Ensure that agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- 5.3.16 Notify the Head of Internal Audit immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of Council property, assets or resources. Pending investigation and reporting, the Strategic Director/Head of Service should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- 5.3.17 Ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Head of Internal Audit prior to implementation.

#### **b) External Audit**

**The Local Audit and Accountability Act 2014 ("the Act") sets out the framework for audit of local authorities. It replaces the provisions of the Audit Commission Act 1998 following the closure of the Audit Commission. The duties and responsibilities of external auditors are primarily set out in Part 5 of the Act and reflected in a Code of Audit Practice issued by the National Audit Office.**

**The Statement of Accounts is scrutinised by the external auditors, who must be satisfied that they give a “true and fair view” of the financial position and transactions of the Council (including any group financial statements where applicable) during the year and complies with all legal requirements.**

#### **CFO Responsibilities**

- 5.3.18 Ensure that external auditors are given access at all reasonable times to premises, human resources, documents and assets that the external auditors consider necessary for the purposes of their work.
- 5.3.19 Ensure there is effective liaison between external and internal audit.
- 5.3.20 Work with the external auditor and advise Council, Cabinet and Strategic Directors/Heads of Service on their responsibilities in relation to external audit.

#### **Strategic Directors/Heads of Service Responsibilities**

- 5.3.21 Ensure that external auditors are given access at all reasonable times to premises, human resources, documents and assets which the external auditors consider necessary for the purposes of their work.
- 5.3.22 Ensure that all records and systems are up to date and available for inspection.

### **5.4 PREVENTING FRAUD AND CORRUPTION**

**The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council.**  
**The Council’s expectation of propriety and accountability is that Members and Officers at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.**  
**The Council also expects that individuals and organisations, including partner organisations, suppliers, contractors and service providers with whom it comes into contact will act towards the Council with integrity and without thought or actions involving fraud and corruption.**

#### **Chief Executive Responsibilities**

- 5.4.1 Maintain adequate and effective internal control arrangements.

#### **CFO Responsibilities**

- 5.4.2 Implement appropriate measures to prevent and detect fraud and corruption.

#### **Head of Internal Audit Responsibilities**

- 5.4.3 Develop and maintain a comprehensive Anti-Money Laundering Strategy.
- 5.4.4 Develop and maintain a comprehensive Anti-Fraud and Corruption Strategy.
- 5.4.5 Develop and maintain a Code of Corporate Governance; monitor and report on compliance to the Audit and Governance Committee. Non-compliant areas, or areas requiring improvement, to be included within an “Annual Statement of Assurances” prepared by the Chief Executive.
- 5.4.6 Report all suspected irregularities (as appropriate) to the Chief Executive, the CFO, and the Audit & Governance Committee.

#### **Strategic Directors/Heads of Service Responsibilities**

- 5.4.7 Ensure that all suspected irregularities are reported to the Head of Internal Audit without delay.
- 5.4.8 Instigate the Council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- 5.4.9 Ensure that where financial impropriety is discovered, the CFO and Head of Internal Audit are informed as soon as possible, and where sufficient evidence exists to believe that a criminal offence may have been committed, the police are informed to determine with the Crown Prosecution Service whether any prosecution will take place.
- 5.4.10 Maintain corporate Register of Interests' for both councillors and Officers.

## 5.5 ASSETS

### a) Security of Property

**The Council holds assets in the form of property, vehicles, plant, software, equipment other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management.**

#### **CFO Responsibilities**

- 5.5.1 Maintain an Asset Register in accordance with good practice for all fixed assets with a value in excess of £10,000. The function of the Asset Register is to provide the Council with information about fixed assets so that they are safeguarded, used efficiently and effectively, and adequately maintained.
- 5.5.2 Receive and process information required for accounting, costing and financial records from each Strategic Director/Head of Service.
- 5.5.3 Ensure that assets are valued in accordance with the Code issued by (CIPFA/LASAAC).
- 5.5.4 Issue guidelines on best practice ("*Local Authority Assets: Disposal Guidance - DCLG March 2016*") for asset disposals
- 5.5.5 Ensure appropriate accounting entries are made to remove the value of asset disposals from the Council's records, including the proceeds of sale where appropriate.
- 5.5.6 (Independently) review and authorise proposed stock write-offs (including obsolete and surplus stock) submitted by Strategic Directors/Heads of Service, within predetermined limits. Values in excess of predetermined limits should be forwarded for approval by the Portfolio Holder for Resources and/or Cabinet as appropriate.

#### **Strategic Directors/Heads of Service Responsibilities**

- 5.5.7 Notify the CFO immediately of any additions/disposals/variations to the Asset Register. Any use of property by a service area or establishment, other than for direct service delivery, should be supported by documentation identifying terms, responsibilities and duration of use.
- 5.5.8 Arrange for the valuation of assets for accounting purposes to meet requirements specified by the CFO.

- 5.5.9 Recommend surplus land and buildings for sale to the Asset Management Group (AMG), followed by a joint report prepared by the relevant Strategic Director/Head of Service and the CFO to Cabinet.
- 5.5.10 Follow best practice guidelines for asset disposals, issued by the CFO.
- 5.5.11 Ensure prospective occupiers of Council land are not allowed to take possession or enter until a lease or agreement (in a form approved by the Strategic Director/Head of Service in consultation with the Head of Legal and Democratic Services) has been established as appropriate.
- 5.5.12 Ensure security of buildings and other assets, including vehicles, plant, equipment, furniture, stock, stores and other property, within service area. Consult CFO where security is thought to be defective or where it is considered that special security arrangements may be needed.
- 5.5.13 Pass title deeds to Head of Legal and Democratic Services, for safe custody. The Head of Operations must keep a record of all properties owned by the Council, recording Portfolio, the purpose for which it is held, the location, the plan reference, purchase details, particulars of interest and rent payable, and particulars of tenancies granted.
- 5.5.14 Ensure that cash holdings on premises are kept within insurance limits (determined by CFO) and keys to safes and similar receptacles are carried on the person of those responsible at all times. Loss of any such keys must be reported to the CFO immediately.
- 5.5.15 Ensure all employees are aware of their personal responsibility to protect and retain the confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Council.

#### **Inventories**

- 5.5.16 Maintain an Inventory List within service area, recording descriptions of any furniture, fittings, equipment, plant and machinery, with individual values of £75 or more. The Purchasing & Payables Manager must be notified if the value of a single item exceeds £10,000.
- 5.5.17 Carry out annual check of all significant inventory items to verify location, condition and take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Portable items such as computers, cameras and video recorders should be identified with Council security markings.
- 5.5.18 Make sure that property is only used in the course of Council business, unless the Strategic Director/Head of Service concerned has given permission otherwise.

#### **Stocks and Stores**

- 5.5.19 Make appropriate arrangements for the care and custody of stocks and stores within service area.
- 5.5.20 Maintain stocks at reasonable levels and ensure regular (minimum quarterly) independent physical stock checks. Stock discrepancies should be immediately investigated and pursued to a satisfactory conclusion.
- 5.5.21 Recommend stock write-offs (including obsolete and surplus stock) by submitting proposal in writing to CFO (seeking advice from purchasing advisors where appropriate).

### **b) Intellectual Property**

**Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the Council, not the employee. Certain activities undertaken within the Council may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.**

#### **CFO Responsibilities**

- 5.5.22 Develop and disseminate good practice through the Council’s intellectual property procedures.

#### **Strategic Directors/Heads of Service Responsibilities**

- 5.5.23 Ensure that controls are in place to ensure that staff do not carry out private work in Council time and that Officers are aware of an employer’s rights with regard to intellectual property.

### **5.6 TREASURY MANAGEMENT, BANKING AND PETTY CASH**

**Millions of pounds pass through Councils’ accounts each year. This has led to the establishment of CIPFA’s “*Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes*” (the Code). The Code aims to provide assurance that Council money is properly managed in a way that balances risk with return, with overriding consideration given to the security of capital sums. Banking arrangements and petty cash should also be managed appropriately with key responsibilities confined to the CFO and a limited number of authorised individuals.**

#### **CFO Responsibilities**

- 5.6.1 Undertaking borrowing and investment activities in full compliance with CIPFA’s “*Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes*”. Any other lending or borrowing cannot be undertaken without the approval of Council, following consultation with the CFO.
- 5.6.2 Ensuring that all borrowing and investing activities are undertaken in the name of the Council (or nominee approved by Council) and detailed records/registers maintained and appropriate arrangements are made for the safe custody of all securities and title deeds.
- 5.6.3 Arranging and administering banking arrangements, including negotiate banking arrangements, opening accounts, signing Direct Debit mandates, ordering cheque books and arranging BACS payments.
- 5.6.4 Along with the Chief Executive, signing bank mandates authenticating the signatures of Officers designated as cheque signatories, and signatories for other instruments for the payment, collection or transfers of monies. All cheques must bear the signature of two authorised Officers of the Council and dispatched directly from the CFO (or his or her staff) to payees.
- 5.6.5 Making arrangements with the bank for the issue of corporate Purchasing Cards.

- 5.6.6 Developing, maintaining and disseminating a detailed Purchasing Card Policy, ensuring that all card holders sign their acceptance of its terms and conditions.
- 5.6.7 Developing and operating a Petty Cash Imprest system (including a set of CFO prescribed rules), which balances operational need with efficiency and appropriate cash control measures.

#### **Strategic Directors/Heads of Service Responsibilities**

- 5.6.8 Following instructions on banking and purchase cards issued by the CFO.
- 5.6.9 Utilising Purchasing Cards in accordance with the corporate Purchasing Card Policy. Cardholders must formally sign to indicate their acceptance of the Policy, prior to usage.
- 5.6.10 Ensure Trust Funds are held in the Council's name wherever possible. Officers acting as Trustees, due to their official position, must deposit securities etc. relating to the Trust with the CFO, unless the deed otherwise provides.
- 5.6.11 Ensure Trust Funds are operated within relevant legislation and the specific requirements for each Trust. Secure administration arrangements must be approved by the CFO.
- 5.6.12 Ensure employees within service area operate Petty Cash Imprest system in compliance with CFO prescribed rules.

## **6. Financial Systems and Procedures**

### **6.1 GENERAL**

**Service areas have many systems and procedures relating to the control of the Council's assets, including purchasing, costing and management systems. Service areas are increasingly reliant on ICT for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed, errors detected promptly and system reconciliations completed and evidenced monthly. The CFO has a professional responsibility to ensure that Council financial systems are sound and should therefore be consulted at an early stage in the process prior to the implementation of any new developments or changes/upgrades to existing systems.**

#### **CFO Responsibilities**

- 6.1.1 Make arrangements for the proper administration of the Council's financial affairs, including:
  - Issuing advice, guidance and procedures for Officers and others acting on the Council's behalf
  - Determining the accounting systems, form of accounts and supporting financial records
  - Establishing arrangements for audit of the Council's financial affairs
  - Approving any new financial systems to be introduced; and
  - Approving any changes to be made to existing financial systems.

### **Strategic Directors/Heads of Service Responsibilities**

- 6.1.2 Comply with procedures and guidance issued by the CFO.
- 6.1.3 Ensure that accounting records are properly maintained and held securely.
- 6.1.4 Ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements set out in the approved Document Retention Policy.
- 6.1.5 Ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.
- 6.1.6 Incorporate appropriate controls to ensure that, where relevant:
  - All input is genuine, complete, accurate, timely and not previously processed
  - All processing is carried out in an accurate, complete and timely manner
  - Output from the system is complete, accurate and timely; and
  - Output is reconciled, at least monthly, to the Council's general ledger and signed off by the preparer and reviewer of the reconciliation.
- 6.1.7 Ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.
- 6.1.8 Ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- 6.1.9 Ensure systems are documented and Officers trained in operations.
- 6.1.10 Consult with CFO before changing existing financial systems or introducing new financial systems.
- 6.1.11 Establish a scheme of delegation identifying Officers authorised to act upon the Strategic Director/Head of Service's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- 6.1.12 Supply lists of authorised Officers, with specimen signatures and delegated limits, to the CFO, together with any subsequent variations.
- 6.1.13 Ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Where possible, back-up information should be retained in a secure location, preferably off site or at an alternative location within the building.
- 6.1.14 Ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation.
- 6.1.15 Ensure relevant standards and guidelines for computer systems issued by Strategic Directors/Heads of Service are observed.
- 6.1.16 Ensure computer equipment and software is protected from loss and damage through theft, vandalism etc.
- 6.1.17 Comply with the copyright, designs and patents legislation. In particular, ensure that only software legally acquired and installed by the Council is used on its computers.

## **6.2 INCOME AND EXPENDITURE**

### **a) Income**

**Income can be a vulnerable resource and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and properly banked. It is preferable to obtain income in advance of supplying goods or services as this improves cash flow and avoids the time and cost of administering debts.**

### **CFO Responsibilities**

- 6.2.1 Agree arrangements for the collection of income due to the Council and approve the procedures, systems and documentation for its collection.
- 6.2.2 Periodically issuing guidance on charging policy, including key principles on fees and charges (e.g. full cost recovery and benchmarking), taxation and inflationary assumptions.
- 6.2.3 Order and supply to service areas receipt forms, books or tickets and similar items and satisfy themselves regarding control arrangements.
- 6.2.4 Agree the write-off of bad debts (in consultation with the relevant Strategic Director/Head of Service) up to £15,000 in value in each case and refer sums in excess of this limit, but up to £100,000, to the Cabinet Member for Resources for approval. Individual sums to be written off that exceed £100,000 require Cabinet approval.
- 6.2.5 Keep records of all sums written off and ensure appropriate accounting adjustments are made.
- 6.2.6 Ensure that refunds are not made for sums under £5.00, unless specifically requested by the individual.

### **Strategic Directors/Heads of Service Responsibilities**

- 6.2.7 Establish charging policy for the supply of goods or services in accordance with guidance issued by the CFO, reviewing it regularly, in line with corporate policies.
- 6.2.8 Separate responsibility for identifying amounts due and responsibility for collection, as far as is practicable.
- 6.2.9 In consultation with the CFO, establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- 6.2.10 Issue official receipts for all cash transactions (except where a legal document is the receipt for money received) and maintain other documentation for income collection where receipts are not required.
- 6.2.11 Ensure wherever practical that at least two employees are present when post is opened at a site where income is regularly received.
- 6.2.12 Securely hold receipts, tickets and other records of income in accordance with Document Retention Policy.
- 6.2.13 Lock away all cash to safeguard against loss or theft, and to ensure security of cash handling.
- 6.2.14 Ensure income is paid promptly and fully into Council bank account in the form in which it is received. Appropriate details should be recorded to provide a full audit trail. Money collected and deposited must be reconciled to bank account on a monthly basis (minimum).
- 6.2.15 Ensure income received is not used to cash personal cheques or make any other payments.

- 6.2.16 Supply CFO with details relating to work done, goods supplied, services rendered or other amounts due, to enable the CFO to record correctly the sums due to the Council and to ensure accounts are sent out promptly. To do this, Strategic Directors and Heads of Service should use established debt recovery systems to monitor the recovery of income and flag up areas of concern to the CFO. Heads of Service have a responsibility to assist the CFO in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.
- 6.2.17 Keep a record of every transfer of money between employees of the Council. The receiving Officer must sign for the transfer and the transferor must retain a copy.
- 6.2.18 Recommend debts for write-off to the CFO and keep a record of all sums written off. Once raised, bona fide debts must not be cancelled, except by full payment or by formal write off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt, a waiver or reduction in charges.
- 6.2.19 Where delegated authority has been granted by the CFO, individuals can write-off bad debts up to their specified limit in each case (Note – delegated authority must be exercised in strict observance of 'separation of duties' principles; referred to above in Paragraph 6.2.8). Sums in excess of their limit must be referred to the CFO for approval, who in turn will seek Cabinet Member approval for write-off of bad debt exceeding £15,000 in line with Paragraph 6.2.4 above.
- 6.2.20 Notify CFO of outstanding income relating to the previous financial year as soon as possible after 31<sup>st</sup> March in line with timetable determined by the CFO, and not later than 10<sup>th</sup> April or nearest working day thereafter.

**b) Ordering and paying for work, goods and services**

**Public money should be spent with demonstrable probity and in accordance with Council policies. Councils have a statutory duty to achieve best value, in part through economy and efficiency. Council procedures should help to ensure that services obtain value for money from their procurement arrangements. These procedures should be read in conjunction with the Council's Contract Procedure Rules.**

- 6.2.21 Officers and Members engaged in contractual or procurement decisions on behalf of the Council have a responsibility to declare links or personal interests that they may have with purchasers, suppliers and/or contractors, in accordance with appropriate codes of conduct.
- 6.2.22 Official orders must be issued for all work, goods or services to be supplied to the Council, except for supplies of utilities, periodic payments such as rent or rates, corporate purchasing card purchases, petty cash purchases or other exceptions specified by the CFO. Any order placed by telephone shall be confirmed by the issue of an official order within 5 working days.
- 6.2.23 Purchase orders must conform to guidelines approved by Council for the procurement of goods, services and suppliers. Standard terms and conditions must not be varied without the prior CFO approval.
- 6.2.24 The normal payment method will be by BACS payment direct to the customer, drawn on the Council bank account, approved by the CFO. Direct debits will require prior CFO agreement, or a designated bank signatory, before any

agreement is signed. Purchasing card payments may be made by Officers pre-authorised by the CFO and identified on the Authorised Signatory List. VAT receipts for all goods must accompany monthly statements submitted to the CFO. Spending limits will be set/approved the CFO.

- 6.2.25 Official orders must not be raised for personal or private purchases, nor must personal or private use be made of Council contracts.

#### **CFO Responsibilities**

- 6.2.26 Ensure Council financial systems and procedures are sound and properly administered, approving changes to existing systems (whether new systems or upgrades) before implementation.
- 6.2.27 Approve the form of official orders and associated terms and conditions.
- 6.2.28 Make payment from Council funds on Strategic Directors/Heads of Service authorisations that expenditure has been duly incurred in accordance with Financial Procedure Rules.
- 6.2.29 Make payment (irrespective of budget provision) where it is required by statute or court order.
- 6.2.30 Arrange for the keeping of a Contract Register where contracts provide for payment by instalments.
- 6.2.31 Make payments to contractors upon receipt of properly completed certificates from Strategic Directors/Heads of Service. Such payments must be entered and appropriately cross referenced in the Contract Register.
- 6.2.32 Provide advice and encouragement on making payments by the most economical means.

#### **Strategic Directors/Heads of Service Responsibilities**

- 6.2.33 The Head of Legal and Democratic Services will determine the form of contract to be used for building, constructional or engineering work.
- 6.2.34 Ensure that all contract variations are in writing and agreed before work on the variation commences.
- 6.2.35 Refer claims from contractors on matters not clearly within existing contract terms to Head of Legal and Democratic Services for consideration of Council liability and to the CFO for financial consideration, before settlement is reached.
- 6.2.36 Take appropriate action, in consultation with Head of Legal and Democratic Services, in respect of any claim for liquidated and ascertained damages where contract completion is delayed. This provision will not apply if there are reasons qualifying for an extension.
- 6.2.37 Ensure that unique NAV generated official orders are used for all goods and services, other than the exceptions specified in Paragraph 6.2.22.
- 6.2.38 Ensure orders are only used for goods and services provided to the relevant service area. Members and Officers must not use official orders to obtain goods or services for private use. Neither may Officers place orders for goods or services for personal use using the Council's e-procurement system.
- 6.2.39 Ensure that only staff authorised by Strategic Directors/Heads of Service authorise orders and maintain an up-to-date list of such authorised staff, including specimen signatures, identifying the limits of their authority. The authoriser of the order should be satisfied that works, goods, supplies and services ordered are

appropriate and needed, that there is adequate budgetary provision and that Contract Procedure Rules have been followed.

- 6.2.40 Ensure that works, goods, supplies and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different Officer from the authoriser of the order. Entries should then be made in inventories or stores records where appropriate.
- 6.2.41 Ensure payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment.
- 6.2.42 Ensure a minimum of two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different Officer from the person who signed the order, and in every case, a different Officer from the person checking a written invoice, should authorise invoices.
- 6.2.43 Periodically review a list of their staff approved to authorise invoices. New authorising Officers, together with specimen signatures, and details of their authority limits, must be forwarded to the CFO.
- 6.2.44 Ensure that payments are not made on photocopied or faxed invoices, statements or other documents. Any instances of these being rendered should be reported to the Head of Internal Audit. In exceptional circumstances, where payment is made against such a document, where properly authenticated, the transaction must be processed in accordance with CFO guidance.
- 6.2.45 Encourage suppliers to accept payment by the most economical means for the Council. Payments made by Direct Debit must have the prior approval of the CFO or an authorised bank signatory.
- 6.2.46 Ensure service area achieves value for money by taking appropriate steps to obtain competitive prices for works, goods, supplies and services of appropriate quality, in line with best practice guidelines issued by the CFO, consistent with best value principles and contained within the Contract Procedure Rules.
- 6.2.47 Utilise the Procurement Team in putting purchases, where appropriate, out to competitive quotation or tender. These will comply with Contract Procedure Rules.
- 6.2.48 Ensure that employees are aware of the Code of Conduct (Part 5 of the Constitution).
- 6.2.49 Ensure that loans, leases or rental arrangements are not entered into without prior CFO agreement. This is to protect the Council against entering into unapproved credit arrangements that might adversely affect financial standing and to ensure that value for money is being obtained.
- 6.2.50 Notify CFO of outstanding committed expenditure relating to previous financial year as soon as possible after 31<sup>st</sup> March in line with timetable determined by CFO and, in any case, not later than 10<sup>th</sup> April.
- 6.2.51 With regard to construction contracts and alterations to buildings and for civil engineering works, to document and agree with CFO the systems and procedures to be adopted in relation to all financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedure for validation of subcontractors' tax status.
- 6.2.52 Notify the CFO immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.

6.2.53 Ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the Document Retention Policy.

c) **Payments to employees and Members**

**Staff costs are the largest item of expenditure for most Council services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Council and that payments accord with individuals' Contract of Employment. It is also important that all payments are accurately and completely recorded and accounted for and that Member allowances are authorised in accordance with the scheme adopted by Council.**

**CFO Responsibilities**

6.2.54 Ensure appropriate arrangements are in place to control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by them, on the due date.

6.2.55 Record and make arrangements for the accurate and timely payment of tax, pension contributions and other deductions and to complete all relevant HMRC returns.

6.2.56 Make arrangements for payment of all travel and subsistence claims or financial loss allowance.

6.2.57 Make arrangements for paying Members travel or other allowances upon receiving the prescribed documentation, duly completed and authorised.

6.2.58 Provide advice and encouragement to secure payment of salaries by the most economical means.

6.2.59 Ensure that there are adequate arrangements for administering pension matters on a day-to-day basis.

6.2.60 Act as an advisor on areas such as taxation and monitoring of the Suffolk County Council Pension Fund, as appropriate.

**Strategic Directors/Heads of Service Responsibilities**

6.2.61 Ensure that appointments are made in accordance with the regulations of the Council and the approved Establishment List, grades and scale of pay and that adequate budget provision is available.

6.2.62 Notify the Human Resources and Workforce Development Manager of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Human Resources and Workforce Development Manager.

6.2.63 Ensure that adequate and effective systems and procedures are operated, so that:

- Payments are only authorised to bona fide employees
- Payments are only made where there is a valid entitlement
- Conditions and contracts of employment are correctly applied; and
- Employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.

6.2.64 Provide and maintain an up-to-date list of the names of Officers authorised to complete and return records to the Human Resources and Workforce Development Manager, together with specimen signatures, where appropriate.

The 'Yourself' HR system should contain update lists of Human Resources Officers and Officers authorised to approve timesheets and claims.

- 6.2.65 Ensure that payroll transactions are processed only through the payroll system. Strategic Directors and Heads of Service should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis and take advice from the Human Resources and Workforce Development Manager.
- 6.2.66 Approve travel and subsistence claims and other allowances, but only when they have been made through 'Yourself' or an approved travel expenses form and within three months of the travel or subsistence being incurred. Approval is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Human Resources and Workforce Development Manager is informed where appropriate.
- 6.2.67 Ensure that the Human Resources and Workforce Development Manager is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- 6.2.68 Ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the Document Retention Policy.
- 6.2.69 The Human Resources and Workforce Development Manager to act as an advisor to Strategic Directors and Heads of Service on areas such as employment status, National Insurance and Pension Contributions, as appropriate.
- 6.2.70 Ensure that the staffing budget is an accurate forecast of staffing levels in accordance with the approved Establishment List and is equated to an appropriate revenue budget provision (including on-costs and overheads).
- 6.2.71 Ensure the Chief Executive (or the Officer delegated by them) has approved any changes in employment conditions where the full year cost of such changes would exceed £1,000.
- 6.2.72 Monitor staff activity to ensure adequate control over costs such as sickness, overtime, training and temporary staff.
- 6.2.73 Ensure that the staffing budget is not exceeded without prior authority from the CFO / HR & Workforce Development Manager and that it is managed to enable the agreed level of service to be provided.
- 6.2.74 Ensure that the Human Resources and Workforce Development Manager and the CFO are immediately informed if the staffing budget is likely to be significantly overspent or underspent.

#### **Member Responsibilities**

- 6.2.75 Submit claims for Member travel and subsistence allowances on a monthly basis (or within three months of incurring the travel or subsistence) and, in any event, within one month of year end.

### **6.3 TAXATION**

**The Council is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all Officers to be aware of their role.**

**The Council's Commercial Investment Strategy, which includes the creation and use of Local Authority Trading Companies (LATC's), has resulted in added Tax considerations, including Corporation Tax and 'different VAT rules'.**

#### **CFO Responsibilities**

- 6.3.1 Complete Council VAT returns and annual Partial Exemption calculations in accordance with HMRC timescales.
- 6.3.2 Discharge Tax related responsibilities for Council-owned trading companies (LATCs), including all Corporation Tax and VAT duties and returns.
- 6.3.3 Provide details to the HMRC regarding the Construction Industry Scheme (CIS).
- 6.3.4 Maintain up-to-date guidance for Council employees on taxation issues.

#### **Strategic Directors/Heads of Service Responsibilities**

- 6.3.5 Ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HMRC regulations.
- 6.3.6 Ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary CIS requirements.
- 6.3.7 Ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- 6.3.8 Follow the guidance on taxation issued by the CFO or the Human Resources and Workforce Development Manager in the Council's accounting guides and Basic guide to VAT.

#### **6.4 TRADING ACCOUNTS AND BUSINESS UNITS (including Local Authority Trading Companies)**

**Trading accounts and business units have been growing in importance for many years as local councils have progressively developed a more commercial culture. Under proper accounting practices, Councils are required to keep trading accounts for services provided on a basis other than a straightforward recharge of cost in accordance with the Accounting Code of Practice.**

**On-going reductions in Government support is further increasing the rate of 'council commercialisation'. Councils are seeking ever more innovative ways to achieve financial self-sufficiency, with legislative changes (notably the introduction of a "general power of competence" under Section 1 of the Localism Act 2011) aiding the proliferation of local authority trading companies.**

#### **CFO Responsibilities**

- 6.4.1 Advise on the establishment and operation of trading accounts and business units.
- 6.4.2 Advise on the establishment and operation of local authority trading companies, including the professional financial appraisal of proposed commercial investments, projects and trading opportunities.
- 6.4.3 Prepare financial statements for local authority trading companies in accordance with relevant proper accounting practice.

- 6.4.4 Ensure compliance with all relevant extant companies and tax legislation in respect of local authority trading companies, including the preparation of taxation and other financial returns.
- 6.4.5 Arrange and maintain adequate insurance cover for local authority trading companies, where appropriate.

#### **Strategic Directors/Heads of Service Responsibilities**

- 6.4.6 Follow CFO advice on the establishment and operation of trading accounts and business units.
- 6.4.7 Follow CFO advice on the establishment and operation of local authority trading companies. In particular, it is essential that the robustness of all commercial proposals is established through CFO input at the concept and development stage(s).
- 6.4.8 Consult with the CFO where a business unit wishes to enter into a third-party contract where the contract expiry date exceeds the remaining life of their main contract with the Council. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.
- 6.4.9 Ensure that appropriate accounting principles (as guided by the CFO) are applied in relation to Council trading accounts, and statutory accounts required for trading companies, including any tax implications, where applicable.
- 6.4.10 Ensure that each business unit and trading company prepares an annual business plan.

## **7. External Arrangements**

### **7.1 PARTNERSHIPS**

**Partnerships can exist in many forms and play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. Councils are working in partnership with others – public agencies, private companies, community groups and voluntary organisations. Councils still deliver some services, but their distinctive leadership role is to bring together the contributions of the various stakeholders. They therefore need to deliver a shared vision of services based on user and community wishes.**

**Councils will mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations. Councils will be measured by what they achieve in partnership with others.**

**Jointly Controlled Operations (JCO's) are activities undertaken by the Council in conjunction with partners that involve the use of assets and resources of the partners, rather than the establishment of a separate entity.**

- 7.1.1 A partner is defined as either:
  - (a) An organisation (private or public) undertaking, part funding or participating as a beneficiary in a project; or
  - (b) A body whose nature or status gives it a right or obligation to support the project.

#### **CFO Responsibilities**

- 7.1.2 Advise on effective controls and the key elements of entering into any partnership – including JCO’s – to ensure that resources are not wasted. Examples include, but are not limited to:
- (a) A scheme appraisal for financial viability in both the current and future years, together with capital/revenue cash flow forecasts for at least three years
  - (b) Risk appraisal and management
  - (c) Resourcing, including taxation / VAT issues
  - (d) Audit, security and control requirements
  - (e) Carry-forward arrangements; and
  - (f) Ensure that an annual business plan is prepared.
- 7.1.3 Ensure that the partnership accounting and governance arrangements comply with all relevant regulations and codes of practice.

#### **Strategic Directors/Heads of Service Responsibilities**

- 7.1.4 Ensure that, before entering into any agreement with external bodies, including the terms of operation, the CFO is consulted and the Cabinet approval is obtained.
- 7.1.5 Maintain a register of all contracts entered in to with external bodies in accordance with procedures specified by the CFO.
- 7.1.6 Ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the CFO.
- 7.1.7 Ensure that arrangements are in place for cessation of a partnership, including an exit strategy.
- 7.1.8 Ensure that such agreements and arrangements do not impact adversely upon existing Council services.
- 7.1.9 Ensure that all agreements and arrangements are properly documented.
- 7.1.10 Provide appropriate information to the CFO to determine if any requirement for a note to be entered into the Council’s Statement of Accounts in accordance with relevant accounting Codes of Practice is required.

## **7.2 EXTERNAL FUNDING**

**External funding is an important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. Councils are increasingly encouraged to provide seamless service delivery through working closely with communities, other agencies and private service providers.**

**In some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the Council’s overall corporate/spending plans.**

#### **CFO Responsibilities**

- 7.2.1 Ensure that arrangements are approved in advance by Cabinet.
- 7.2.2 Ensure that funding notified by external bodies is received and properly recorded in the Council’s accounts.
- 7.2.3 Ensure that match-funding requirements are considered prior to entering into agreements and that future revenue budgets reflect these requirements.
- 7.2.4 Ensure that internal and external audit requirements are met.

### **Strategic Directors/Heads of Service Responsibilities**

- 7.2.5 Ensure that the CFO is consulted prior to the completion of all applications for external funding and is provided with a written copy of all grant approvals, together with grant and auditing conditions, and that all claims for funds are made in conjunction with Finance staff and submitted by the due date.
- 7.2.6 Ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded.
- 7.2.7 Records of achievements against key targets to be met must be maintained for both financial and Non-Financial indicators.
- 7.2.8 Documentation must be made available for access by either internal and/or external audit where required.
- 7.2.9 To ensure that the retention and archiving of records complies with the conditions and requirements of the funding body.

### **7.3 WORKING FOR THIRD PARTIES**

**Legislation has enabled the Council to provide a range of services to other bodies for some time. Such work may enable a unit to maintain economies of scale and existing expertise. More recently, the Council has adopted a Commercial Investment Strategy which means that such services will increasingly be delivered through local authority trading companies.**

**Whatever service-delivery arrangements are used (either 'in house' or through a company), robust procedures should be in place to ensure that any risks associated with such work are minimised, and that such work is legal.**

#### **CFO Responsibilities**

- 7.3.1 Advise on appropriate service delivery arrangements for third party working proposals.
- 7.3.2 Where work is to be delivered through a trading company, ensure compliance with Section 6.4 of these Rules (paragraphs 7.3.3 to 7.3.5 apply to in-house service delivery arrangements only).
- 7.3.3 Issue guidance with regard to the financial aspects of third-party contracts.
- 7.3.4 Provide financial information in order for the relevant Strategic Director/Head of Service to monitor the contract.
- 7.3.5 Arrange and maintain adequate insurance cover for third party contracts through corporate policy, where appropriate.

#### **Strategic Directors/Heads of Service Responsibilities**

- 7.3.6 Follow CFO advice on appropriate service delivery arrangements for third party working proposals.
- 7.3.7 Where work is to be delivered through a trading company, ensure compliance with Section 6.4 of these Rules (paragraphs 7.3.8 to 7.3.14 apply to in-house service delivery arrangements only).
- 7.3.8 Ensure that potential proposals are properly costed in advance in accordance with CFO guidance. It is essential that no contract is subsidised by the Council.
- 7.3.9 Ensure Cabinet approval is obtained before negotiations are concluded to work for third parties.

- 7.3.10 Maintain third party contracts register in accordance with procedures specified by CFO and ensure all contracts are properly documented.
- 7.3.11 Ensure that – wherever possible – payment is received in advance of service delivery, but in any event, payments must be promptly paid in accordance with the contract.
- 7.3.12 Ensure service area has the appropriate expertise to undertake the contract.
- 7.3.13 Ensure contracts do not adversely impact on services provided for the Council.
- 7.3.14 Provide appropriate information to CFO to determine any Accounting Code of Practice requirements.





**AUDIT & GOVERNANCE COMMITTEE**  
**Monday, 14 March 2022**

<b>Subject</b>	PROPOSED CHANGES TO THE COUNCIL PROCEDURE RULES IN THE CONSTITUTION
<b>Report by</b>	Councillor Steve Gallant Leader of the Council
<b>Supporting Officer</b>	Chris Bing Head of Legal & Democratic Services and Monitoring Officer <a href="mailto:chris.bing@eastsoffolk.gov.uk">chris.bing@eastsoffolk.gov.uk</a>

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

## Purpose and high-level overview

### **Purpose of Report:**

This report proposes changes to the Council and Committee Procedure Rules in East Suffolk Council's Constitution which the Monitoring Officer does not consider to be "minor amendments" and which, therefore, need to be considered by the Audit and Governance Committee and, if endorsed, be recommended to Full Council for approval.

### **Options:**

1. To endorse and recommend the changes to the Council and Committee Procedure Rules as set out in this report.
2. To not recommend the proposed changes to the Council and Committee Procedure Rules, as set out in this report, to Full Council for approval.

### **Recommendation/s:**

1. Audit and Governance Committee is asked to recommend to Full Council to instruct the Monitoring Officer to amend the Council Procedure Rules in the Constitution:
  - a. To require members to submit their questions to Democratic Services on the Question template form and to limit member's written questions to no more than 100 words
  - b. To require members to submit their motions to Democratic Services on the Motions template form and to limit member's written motions to no more than 250 words
  - c. To incorporate Appendices B, C, D and E of this report into East Suffolk Council's Constitution
2. Audit and Governance Committee is asked to recommend to Full Council to instruct the Monitoring Officer to convene a meeting of the Chairman and the group leaders to discuss, and seek to agree, the venue for each submitted motion for Council after the deadline for motions to be submitted for Full Council has passed and before the date of the meeting of Full Council, pursuant to CPR 11.4.
3. Audit and Governance Committee is asked to recommend to Full Council to instruct the Monitoring Officer to incorporate the motions and report flowcharts (Appendices C and D) into the Council Procedure Rules in the Constitution.
4. Audit and Governance Committee is asked to recommend to Full Council to instruct the Monitoring Officer to amend the Council Procedure Rules to require members to read their questions and motions out aloud at Full Council.
5. Audit and Governance Committee is asked to recommend to Full Council to instruct the Monitoring Officer to amend paragraph 11 of the Committee Procedure Rules to require that at least half the members of a committee present need to request a recorded vote for there to be a recorded vote.

## Corporate Impact Assessment

<p><b>Governance:</b></p> <p>It is considered that the suggested changes to the Constitution will clarify the Council and Committee Procedure Rules and ensure continued good governance in the Council's decision-making.</p>
<p><b>ESC policies and strategies that directly apply to the proposal:</b></p> <p>The East Suffolk Council Constitution.</p>
<p><b>Environmental:</b></p> <p>None.</p>
<p><b>Equalities and Diversity:</b></p> <p>Not applicable</p>
<p><b>Financial:</b></p> <p>None.</p>
<p><b>Human Resources:</b></p> <p>None.</p>
<p><b>ICT:</b></p> <p>None.</p>
<p><b>Legal:</b></p> <p>Not applicable</p>
<p><b>Risk:</b></p> <p>None.</p>

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

Select the priorities of the <a href="#">Strategic Plan</a> which are supported by this proposal: <i>(Select only one primary and as many secondary as appropriate)</i>		Primary priority	Secondary priorities
<b>T01</b>	<b>Growing our Economy</b>		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T02</b>	<b>Enabling our Communities</b>		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input type="checkbox"/>

P08	Maximising health, well-being and safety in our District	<input type="checkbox"/>	<input type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
<b>T03</b>	<b>Maintaining Financial Sustainability</b>		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input type="checkbox"/>
<b>T04</b>	<b>Delivering Digital Transformation</b>		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T05</b>	<b>Caring for our Environment</b>		
P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education and influence	<input type="checkbox"/>	<input type="checkbox"/>
<b>XXX</b>	<b>Governance</b>		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p><b>How does this proposal support the priorities selected?</b></p> <p>The Council's Constitution is a key governance document which sets out how the Council operates, and how it carries out its functions and responsibilities. The Constitution regulates how the Council makes its decisions. Sound decision making is key to how the Council carries out its business and delivers against all of the themes and priorities of the East Suffolk Strategic Plan. The Council's Constitution needs to be clear, up to date and accurate, to reflect its business practices and procedures.</p>			

## Background and Justification for Recommendation

<b>1</b>	<b>Background facts</b>
1.1	The Council must have a written Constitution which has to include its Standing Orders, Code of Conduct and such other documents as the Council considers to be appropriate (S37 of the Local Government Act 2000).
1.2	A new Constitution was drafted when East Suffolk Council was created. The Constitution was approved by the Shadow Council for East Suffolk at its meeting on Monday 28 January 2019; report reference REP 29(SH) refers.
1.3	It was recognised by the Shadow Authority that the Constitution would need to be reviewed, to fit the working practices of the newly formed East Suffolk Council. This report proposes some changes to the Constitution.
1.4	Part 2 of the Constitution outlines the Council's functions and responsibilities. Paragraph 2.1 of Section B of this part of the Constitution details specific functions that are reserved for Council and states that one of these functions is changing the

	Constitution. In addition, Paragraph 10.3 of Part 1 of the Constitution states that the Audit and Governance Committee (AGC) has responsibility to advise the Council on substantive changes to the Constitution. Any substantive changes to the Council’s decision-making arrangements and committee structure have to be considered by the AGC which will recommend changes to the Full Council. The Monitoring Officer has authority to make minor amendments and corrections to the Constitution. The Leader of the Council may change Cabinet Portfolios and delegations.
1.5	This report proposes changes to the Constitution which the Monitoring Officer does not consider to be “minor amendments” and which, therefore, need to be considered by the AGC and, if accepted, be recommended to Council for approval.

<b>2 Current position</b>	
2.1	The Constitution is regularly reviewed by the Monitoring Officer, with the assistance of the Democratic Services team, to ensure that the Constitution remains fit for purpose and up to date.
2.2	<p><u>Council Procedure Rules (CPRs)</u></p> <p>At recent meetings of Full Council, it has been identified that the CPRs could be clearer as to the procedure to be followed in relation to the submission and consideration of questions and motions at Full Council.</p> <p>1. Template for questions and motions</p> <p>There is currently no prescribed form in the Constitution for members to submit written questions and motions to Full Council. Therefore, members are currently taking a variety of approaches when drafting questions and motions for Full Council which can vary considerably, especially in their length, with some submitted motions seeking to address multiple issues over several A4 pages.</p> <p>Democratic Services proposes introducing templates for Council questions and motions (Appendices B and E) with a capped number of words for both so that there is greater consistency in approach to be fair both to those asking the question/proposing the motion and those responding to the question/speaking to the motion. It is important that members, officers and the public are always clear as to what is being asked and answered and what is being debated and voted upon. To this end, concise and clearly worded questions, answers, motions and submissions on motions are to be encouraged.</p> <p>Democratic Services is proposing members be asked to limit their written question to no more than 100 words and to restrict their written motion to no more than 250 words. In terms of format, Democratic Services is proposing background information to the motion to be no more than 5 sentences/points and for the motion itself to also be no more than 5 sentences/points. Democratic Services would also like to ask members to shortly start submitting their questions and motions on a new online template which, once available, will be accessible via Dash Forms on the Council’s intranet/Sharepoint.</p>

**Audit and Governance Committee is asked to recommend to Full Council to instruct the Monitoring Officer to amend the Council Procedure Rules in the Constitution:**

- **To require members to submit their questions to Democratic Services on the Question template form and to limit member's written questions to no more than 100 words**
- **To require members to submit their motions to Democratic Services on the Motions template form and to limit member's written motions to no more than 250 words**
- **To incorporate Appendices B, C, D and E of this report into East Suffolk Council's Constitution**

2. Venue for tabled motion to be discussed

CPR 11.4 requires the Chairman, the Leader of the Council and the Leader of the Opposition Groups to meet to seek to agree whether motions submitted for Full Council should be debated at Full Council or whether they should alternatively be referred to Cabinet or Committee to be debated. Since the formation of East Suffolk Council on 1 April 2019, this meeting has not been happening. To address this moving forward, it is proposed that Democratic Services convene a meeting of the Councillors, to which CPR 11.4 refers, to discuss the venue for the motions during the ten working days between the motions being submitted for Full Council and the motions being considered at Full Council.

If this group can reach a consensus view as to the venue, the Chairman will advise Full Council as to the Chairman and group leaders' preferred venue, ask for a proposer and seconder, ask if anyone wishes to debate the matter and then put the procedural motion as to the venue for the motion to be discussed to the vote.

If the group cannot reach a consensus view, the Chairman will not be able to make a recommendation on the venue for the motion to Full Council. In these circumstances, the Chairman will explain that the Chairman and group leaders were unable to agree a recommendation as to the venue for the motion. The Chairman will ask for a proposer and a seconder for the procedural motion that the matter be discussed at Council that evening. If there is no proposer and seconder for that motion, or if there is a proposer and seconder but when put to the vote there is no majority in favour of that procedural motion, the motion will automatically be referred to the relevant committee or Cabinet for investigation and/or debate.

**Audit and Governance Committee is asked to recommend to Full Council to instruct the Monitoring Officer to convene a meeting of the Chairman and the group leaders to discuss, and seek to agree, the venue for each submitted motion for Council after the deadline for motions to be submitted for Full Council has passed and before the date of the meeting of Full Council, pursuant to CPR 11.4.**

3. Flowcharts

Democratic Services seeks Audit and Governance Committee's endorsement of the motion flowchart (Appendix C) which shows the Council Procedure Rules motion process in diagrammatic format.

For completeness, Democratic Services has also drawn up a flowchart (Appendix D) to show the various stages in the presentation and discussion of reports at meetings which reflects existing arrangements.

**Audit and Governance Committee is asked to recommend to Full Council to instruct the Monitoring Officer to incorporate the motions and report flowcharts (Appendices C and D) into the Council Procedure Rules in the Constitution.**

#### 4. Reading out questions and motions

Democratic Services seeks Audit and Governance Committee's endorsement of Councillors being asked to read aloud their questions and motions at Full Council to assist the public viewing at home to follow the proceedings and so that there is openness and transparency in the way East Suffolk Council conducts its business at Full Council.

**Audit and Governance Committee is asked to recommend to Full Council to instruct the Monitoring Officer to amend the Council Procedure Rules to require members to read their questions and motions out aloud at Full Council.**

#### 5. Recorded votes

It has been identified that there is a contradiction between the Council Procedure Rules and the Committee Procedure Rules in relation to how recorded votes are conducted at meetings.

Paragraph 15.5 of the Council Procedure Rules sets out the requesting of recorded votes by both the Full Council and its committees and states that in the case of the latter, half the members of the Committee present must demand a recorded vote. This conflicts with Paragraph 11.1 of the Committee Procedure Rules which states that any member of the Committee, supported by not less than two other Members, can demand a recorded vote.

We need to align the Council Procedure Rules and the Committee Procedure Rules to be consistent on this point. It is proposed to amend paragraph 11 of the Committee Procedure Rules, to bring it in line the Council Procedure Rules, so that at least half the members of a committee present need to request a recorded vote for there to be a recorded vote.

**Audit and Governance Committee is asked to recommend to Full Council to instruct the Monitoring Officer to amend paragraph 11 of the Committee Procedure Rules to require that at least half the members of a committee present need to request a recorded vote for there to be a recorded vote.**

### 3 How to address current situation

3.1	The recommendations in this report propose a way of addressing the matters which have recently been identified.
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### 4 Reason/s for recommendation

4.1	To ensure that the Council's Constitution is up to date, and reflects the Council's needs, working practices and procedures.
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## Appendices

### Appendices:

<b>Appendix A</b>	Current Council Procedure Rules
<b>Appendix B</b>	Draft motions guidance and template
<b>Appendix C</b>	Motions flowchart template
<b>Appendix D</b>	Presenting reports to meetings flowchart
<b>Appendix E</b>	Questions on notice guidance and template

### Background reference papers:

None.
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**APPENDIX A – CURRENT COUNCIL PROCEDURE RULES**  
**East Suffolk Council Constitution Pages 76-88**

## **PART 3 – PROCEDURE RULES**

### **Council Procedure Rules**

#### **1. Meetings of the Council**

- 1.1 The Council shall meet at least 7 times per year. The Council shall meet alternately at East Suffolk House, Station Road, Melton, and Riverside, 4 Canning Road, Lowestoft, or at such other place as the Chairman of the Council may appoint.
- 1.2 When there is an 'ordinary' election of Councillors, the Annual Meeting will take place within 21 days of the retirement of the outgoing Councillors. In any other year, the Annual Meeting will take place on such Wednesday in May as the Council determines.
- 1.3 Unless the majority of Members present vote for the meeting to continue, any meeting that has lasted for three hours will adjourn immediately. Remaining business will be considered at a time and date fixed by the Chairman. If the Chairman does not fix a date, the remaining business will be considered at the next Ordinary meeting.

#### **2. Full Council - quorum**

- 2.1 The quorum of a meeting will be one quarter of the whole number of Members. For clarity, the calculation for a quorum shall be rounded up to the next whole number.
- 2.2 During any meeting if the Chairman counts the numbers of Members present and declares there is not a quorum, then the meeting will adjourn immediately. Remaining business will be considered at a time and date fixed by the Chairman. If they do not fix a date, the remaining business will be considered at the next Ordinary meeting.

#### **3. Cancellation of meetings**

- 3.1 The Chief Executive may cancel any meeting of the Council following consultation with the Chairman and Vice-Chairman of the Council, if they are of the opinion that:
  - (a) the number of Members able to attend due to inclement weather or sickness is such that the meeting is likely to be inquorate; or
  - (b) there is insufficient business to be transacted to warrant the holding of the meeting.

#### **4. Extraordinary meetings**

- 4.1 Those listed below may request the Proper Officer to call Council meetings in addition to Ordinary meetings:
  - (a) the Council, by resolution;
  - (b) the Chairman of the Council;
  - (c) the Monitoring Officer;
  - (d) the Section 151 Officer;
  - (e) any five Members of the Council if they have signed a requisition presented to the Chairman of the Council and the Chairman has refused to call a meeting or

has failed to call a meeting within seven days of the presentation of the requisition.

*Note: No Notices of Motion or questions from Councillors or members of the public will be taken at any Extraordinary Meeting*

## **5. ORDER OF BUSINESS**

### **5.1 Ordinary Council Meetings:**

- a) Elect a person to preside if the Chairman and Vice-Chairman are not present;
- b) Approve the Minutes of the last meeting;
- c) Deal with business expressly required by statute to be done;
- d) Receive any declarations of interest from Councillors;
- e) Receive any announcements from the Chairman, Leader of the Council, Members of the Cabinet or Chief Executive;
- f) Answer written questions asked. Provided that the Chairman may direct that any question relating to the report of the Leader of the Council or of a committee or sub-committee chairman or to the minutes associated therewith shall be deferred until the report is considered;
- g) Deal with any business from the last Council meeting;
- h) Receive and consider any reports and recommendations from the Leader of the Council, Cabinet, Cabinet Members, committees and sub-committees;
- i) Answer verbal questions to the Leader of the Council, Cabinet Members, and the relevant chairmen of committees and sub-committees, asked upon items contained within reports of committees and sub-committees, and to consider motions arising therefrom; and to allow committee chairmen or, at the invitation of the relevant Cabinet Member, the relevant task group chairman, to make a brief statement to the Council;
- j) Consider motions of which notice has been given; and
- k) Deal with any other business specified in the Summons of the meeting.

### **5.2 Annual Council Meeting:**

- (a) Elect a person to preside until the election of a new Chairman of the Council, if the outgoing Chairman and Vice-Chairman are not present;
- (b) Approve the Minutes of the last ordinary meeting of the Council;
- (c) Receive any communications and announcements from the retiring Chairman of the Council;
- (d) Elect the new Chairman of the Council;
- (e) Elect the new Vice Chairman of the Council;
- (f) Receive any communications and announcements from the new Chairman of the Council or Chief Executive;
- (g) Elect the Leader of the Council for a period of four years or until the Leader's term of office as a Councillor ends;
- (h) Appoint the Scrutiny Committee, the Audit & Governance Committee, Planning Committee, Licensing Committee and such other committees as the Council considers appropriate, plus their Chairmen and Vice Chairmen;
- (i) Ensure that where possible each Member of the Council serves on either the Cabinet or a committee;
- (j) Agree any Schemes of Delegation, or part of them, as the Constitution determines it is for the Council to agree;

- (k) Consider a motion to approve the date of the next Annual Meeting and annual schedule of meetings;
  - (l) Make annual appointments to working parties and outside bodies; and
  - (m) Consider any business set out in the summons convening the meeting.
- 5.3 Annual Meeting - Selection of Councillors to serve on Committees, Working Parties and Outside Bodies:
- (a) Decide which committees and sub-committees will be established for the municipal year (which remain the same from year to year, unless changed by Council);
  - (b) Decide the size and terms of reference for committees and sub-committees (which remain the same from year to year, unless changed by Council);
  - (c) Decide the allocation of seats to political groups in accordance with the political balance rules;
  - (d) Receive nominations from Councillors to serve on committees, working parties and outside bodies;
  - (e) Appoint to those committees, working parties and outside bodies, except where appointment has been delegated by the Council; and appoint the Chairmen and Vice-Chairmen of committees to which appointments have been made.
- 5.4 The Council may at any time amend resolutions passed in accordance with paragraph 5.
- 5.5 A motion to vary the order of business can be made at any time but shall not displace the business of the election of a person to preside.

## **6 NOTICE OF AND SUMMONS TO MEETINGS**

- 6.1 The Proper Officer will give notice to the public of the time and place of any Council meeting in accordance with the [Access to Information Procedure Rules](#). At least five clear working days before a meeting, the Proper Officer will send a summons to every Member of the Council. The summons will give the date, time and place of each meeting and specify the business to be transacted and will be accompanied by such reports as are available.

## **7 CHAIRMAN OF MEETING**

- 7.1 In the absence of the Chairman, the Vice Chairman will preside at the meeting. If both the Chairman and Vice Chairman are not present, a Chairman for that meeting must be elected. The person presiding at the meeting may exercise any power or duty of the Chairman. Where these rules apply to committee and sub-committee meetings, references to the Chairman also include the Chairman of committees and sub-committees.

## **8 QUESTIONS FROM THE PUBLIC**

- 8.1 A local government elector may ask the Chairman of the Council, the Leader of the Council, Members of the Cabinet or the Chairman of any committee or sub-committee a question at Ordinary meetings of the Council.
- 8.2 Questions will be asked in the order notice of them was received, except that the Chairman may group together similar questions.

- 8.3 A question may only be asked if notice has been given by delivering it in writing or by electronic mail to the Proper Officer no later than midday ten working days before the day of the meeting. Each question must give the name and address of the questioner and must name the Member of the Council to whom it is to be put.
- 8.4 Scope of questions - the Proper Officer may reject a question if it:
- (a) is not about a matter for which the local authority has a responsibility, or which affects the district;
  - (b) is not a topic of general interest and relates to a personal issue or an individual case;
  - (c) is defamatory, frivolous or offensive;
  - (d) is substantially the same as a question which has been put at a meeting of the Council in the past six months; or
  - (e) requires the disclosure of confidential or exempt information.
- The Proper Officer may edit the question as necessary to delete any irrelevant or repetitive matter.
- 8.5 The Proper Officer will keep a record of questions open to public inspection and will immediately send a copy of the question to the Member to whom it is to be put. Rejected questions will include reasons for rejection. Copies of all questions will be circulated to all Members and will be made available to the public attending the meeting.
- 8.6 Questions which are not rejected will appear on the agenda for the meeting. Questions will not normally be read out at the meeting. The Chairman may, at their discretion, allow a questioner present at the meeting to read out their question.
- 8.7 The Chairman of the Council or the Member concerned to whom a question has been asked may:
- (a) give a direct oral answer;
  - (b) undertake to provide a written reply within seven days;
  - (c) where the reply cannot conveniently be given orally, circulate a written answer to the questioner and all Members of the Council;
  - (d) decline to answer, giving reasons why the Chairman or Member concerned is unable to answer.
- 8.8 A maximum of three minutes shall be allowed for any question that is read out and the public question session will last for no longer than 30 minutes. Any question that cannot be dealt with during the public question session, either because of lack of time or because of the non-attendance of the Member to whom it was to be put, will be dealt with by a written answer.
- 8.9 Unless the Chairman decides otherwise, no discussion will take place on any question, but any Member may move a motion that a matter raised by a question be referred to the Cabinet or the appropriate committee or sub-committee. Once seconded, such a motion will be voted on without discussion.
- 8.10 There is no provision for any member of the public asking a question to ask any supplementary question(s).

## **9 QUESTIONS BY MEMBERS**

- 9.1 A Member of the Council may ask the Leader of the Council or Chairman of a committee or sub-committee any question without notice upon an item of the report of the Cabinet or a committee or sub-committee when that item is being received or

under consideration by the Council, except at an annual or extraordinary Council meeting.

9.2 Questions on notice at Council - a Member of the Council may ask:

- (a) the Chairman of the Council;
- (b) the Leader of the Council;
- (c) a Member of the Cabinet; or
- (d) the Chairman of any committee or sub-committee,

a question on any matter in relation to which the Council has powers or duties or which affects East Suffolk Council.

9.3 Notice of questions - a Member may only ask a question if:

- (a) notice has been given by delivering it in writing or by electronic mail to the Proper Officer no later than midday ten working days before the day of the meeting; or
- (b) the question relates to urgent matters; they have the consent of the Chairman of the meeting and the content of the question is given to the Proper Officer by 9:30am on the day of the meeting. The Chairman having had regard to the following:

- i. The issue is of critical importance to the Council and / or the East Suffolk area for which an explanation or response is required and not just a public topic of interest and discussion which could be raised at the next Council meeting, via the formal Committee process or with the relevant Strategic Director.
- ii. The matter must not be unlawful, defamatory or otherwise inappropriate to good governance as determined by the Monitoring Officer.
- iii. The matter must not be about a subject matter on which the public already has common knowledge as determined by the Chairman of the Council in consultation with the Monitoring Officer.
- iv. The question must not be written as a motion or require the Council to vote on the issue as determined by the Monitoring Officer.

(c) Should an urgent Member question be rejected by the Chairman of the Council then the Member submitting the question should be informed in writing of the reasons why.

(d) The Chairman's decision to allow or not allow an urgent Member Question to be included as part of a Council meeting shall not be the subject of any comment or objection at a Council meeting.

9.4 Where any Member's question appears on the agenda it will be at the Chairman's discretion whether or not the question can also be read out by the Member asking the question. No Member will be permitted to read out another Member's question.

9.5 The Proper Officer will keep a record of Member Questions open to public inspection. The record for rejected questions will include the reason for rejection.

9.6 Each question shall be put and answered without discussion, but the person to whom a question has been put may decline to answer, giving reasons why the Member concerned is unable to answer. An answer may take the form of:

- (a) a direct oral answer;
- (b) where the desired information is in a publication of the Council or other published work, a reference to that publication; or
- (c) where the reply cannot conveniently be given orally, a written answer will be circulated to all Members of the Council.

Where a direct oral answer, is given but the questioner is not present at the meeting; the questioner will be sent a written copy of the response as soon as reasonably possible after the meeting.

The time limit for Council to consider questions in relation to which notice must be given is 30 minutes in total and this time limit can be extended at the discretion of the Chairman.

- 9.7 Supplementary question - a Member asking a question may ask one related supplementary question without notice to the Member to whom the first question was asked. A Member cannot ask a supplementary question if they did not themselves ask the original question. The supplemental question must arise directly out of the original question or the reply.

## **10 PETITIONS**

- 10.1 No petition shall be presented at any meeting of the Council unless ten clear days' notice thereof has been given to the Proper Officer, and it has attracted in excess of 1200 signatures, and it meets the requirements set out in the Council's Petitions Scheme.

## **11 NOTICE OF MOTION**

- 11.1 'Notice of motion' is a request to Council for a decision to be made or action to be taken. Notice of motion must be delivered in writing or by electronic mail to the Proper Officer no later than midday ten working days before the day of the meeting. These will be dated, numbered in the order received and available for public inspection on request.
- 11.2 Motions for which notice has been given will be listed on the agenda in the order in which notice was received, unless the Member giving notice states, in writing, that they propose to move it to a later meeting or withdraw it.
- 11.3 Motions must be about matters for which the Council has a responsibility, or which affect the East Suffolk district. A substantially similar motion must not have been submitted within the previous six months unless Rule 14.1 or 14.2 apply.
- 11.4 Prior to consideration of the motion at Council, the Leader of the Council, the Leader of the appropriate Opposition Groups of the Council and the Chairman of the Council will discuss the motion and aim to agree on a preferred way forward. This may be any of the options available to the Council. This suggestion will be communicated to the Council by the Chairman of the Council prior to consideration of the Notice of Motion, following which the Council will decide how the motion will be dealt with.
- 11.5 Motions may be discussed immediately by the Council, with the consent of the Council shown by majority vote, where amendments may also be put. If no such consent or no such majority is obtained the motion will be automatically referred to the relevant committee or the Cabinet for investigation and/or debate and further report back for subsequent debate by the Council.
- 11.6 The Proper Officer will keep a record of formal motions submitted which will be open to public inspection. Rejected motions will include the reason for rejection.
- 11.7 If a motion, notice of which is thus set out in that summons, be not moved either by the Member who gave notice thereof or by some other Member, or is not seconded, it shall, unless postponed by consent of the Council, be treated as abandoned and shall not be moved without fresh notice.

- 11.8 A Member may, with the consent of the Council, alter a motion which they have proposed, or of which notice has been given if the alteration is one which could have been moved as an amendment thereto.

## **12 MOTIONS WITHOUT NOTICE**

- 12.1 The following motions may be moved without notice:

- (a) to appoint a Chairman of the meeting at which the motion is moved;
- (b) motions relating to the accuracy of the minutes, closure, adjournment, or order of business;
- (c) to approve Council minutes as a true record;
- (d) to refer something to an appropriate body or individual;
- (e) to appoint a committee or Member to a committee or other body arising from an item on the summons for the meeting;
- (f) to receive reports or adoption of recommendations of the Cabinet, committees or Officers and any resolutions following from them;
- (g) that an item of business takes precedence;
- (g) to withdraw a motion;
- (h) to amend a motion;
- (i) to proceed to the next business;
- (j) that the question be now put;
- (k) to adjourn a debate;
- (l) to adjourn a meeting;
- (m) that the meeting continues beyond three hours in duration;
- (n) to suspend a particular Council Procedure Rule;
- (o) to exclude the public and press in accordance with the Access to Information Rules;
- (p) to not hear further a Member named under Rule 19.8 or to exclude them from the meeting under Rule 19.9;
- (q) to give the consent of the Council where its consent is required by this Constitution.
- (r) to extend the time limit for speeches
- s) That the voting on a question shall be by ballot;
- t) Motions which may be moved while a motion is under discussion;
- u) Motions to carry out a statutory duty of the Council, which in the opinion of the Chairman, is of an urgent nature.

- 12.2 Any motion (other than a motion to refer a matter to an appropriate body or individual) which would affect the income or expenditure of any committee to the extent that a Supplementary Estimate would be required in terms of the Council's Financial Procedure Rules, shall not be considered unless and until that body or individual shall have had an opportunity to consider the matter in the manner determined by Financial Procedure Rules.

## **13 RULES OF DEBATE**

- 13.1 No speeches may be made after the mover has moved a proposal and explained the purpose of it and until the motion has been seconded.

- 13.2 Unless notice of the motion has already been given, the Chairman may require it to be written down and handed to them before it is discussed.

- 13.3 When seconding a motion or amendment, a Member may reserve their speech until later in the debate.
- 13.4 Speeches must be directed to the question under discussion or to a personal explanation or point of order. No speech may exceed five minutes without the consent of the Council.
- 13.5 A Member who has spoken on a motion may not speak again whilst it is the subject of debate, except:
- (a) to speak once on an amendment moved by another Member;
  - (b) to move a further amendment if the motion has been amended since they last spoke;
  - (c) if their first speech was on an amendment moved by another Member, to speak on the main issue (whether or not the amendment on which they spoke was carried);
  - (d) in exercise of a right of reply;
  - (e) on a point of order;
  - (f) by way of personal explanation;
  - (g) if they have reserved their speech to later in the debate; and
  - (h) to move a closure motion.
- 13.6 Amendments to motions
- (a) An amendment to a motion must be relevant to the motion and will either be:
    - (i) to refer the matter to an appropriate body or individual for consideration or reconsideration;
    - (ii) to leave out words;
    - (iii) to leave out words and insert or add others; or
    - (iv) to insert or add words,
 as long as the effect of (ii) to (iv) is not to negate the motion.
  - (b) Only one amendment may be moved and discussed at any one time. No further amendment may be moved until the amendment under discussion has been disposed of.
  - (c) If an amendment is not carried, other amendments to the original motion may be moved.
  - (d) If an amendment is carried, the motion as amended takes the place of the original motion. This becomes the substantive motion to which any further amendments are moved.
  - (e) After an amendment has been carried, the Chairman will read out the amended motion before accepting any further amendments, or if there are none, will put the substantive motion to the vote.
- 13.7 Alteration of motion
- (a) A Member may alter a motion of which they have given notice with the consent of the meeting. The meeting's consent will be signified without discussion.
  - (b) A Member may alter a motion that they have moved without notice with the consent of both the meeting and the seconder. The meeting's consent will be signified without discussion.
  - (c) Only alterations that could be made as an amendment may be made.
- 13.8 Withdrawal of motion
- A Member may withdraw a motion that they have moved with the consent of both the meeting and the seconder. The meeting's consent will be signified without

discussion. No Member may speak on the motion after the mover has asked permission to withdraw it unless permission is refused.

#### 13.9 Right of reply

- (a) The mover of a motion has a right to reply at the end of the debate on the motion, immediately before it is put to the vote.
- (b) If an amendment is moved, the mover of the original motion has the right of reply at the close of the debate on the amendment but may not otherwise speak on it.
- (c) The mover of the amendment has a right of reply to the debate on his or her amendment, immediately before the amendment is put to the vote.
- (d) A Member exercising a right of reply shall not introduce new matter.
- (e) After every reply to which this Council Procedure Rule refers, a decision shall be taken without further discussion subject to the provisions of the next following sub-paragraph.
- (f) The Chairman of the Council may, if they think fit, sum up the debate before putting a motion or amendment and if such debate involves questions of a legal, technical or administrative nature, they may request the appropriate Officer to draw the attention of the Council to any relevant factors.
- (g) When a motion has been referred to an appropriate body or individual for consideration and report, then the mover of that motion shall, when the report and any appropriate recommendation of that body or individual on the subject matter of the motion is before the Council, have a right of reply immediately before any right of reply above.

#### 13.10 Motions which may be moved during debate

When a motion is under debate, no other motion may be moved except the following procedural motions:

- (a) to withdraw a motion;
- (b) to amend a motion;
- (c) to proceed to the next business;
- (d) that the question be now put;
- (e) to adjourn a debate;
- (f) to adjourn a meeting;
- (g) that the meeting continues beyond three hours in duration;
- (h) to exclude the public and press in accordance with the Access to Information Rules;
- (i) to not hear further a Member named under Rule 19.8 or to exclude them from the meeting under Rule 19.9; and
- (j) to refer the subject to the Cabinet, a committee or sub-committee as considered appropriate.

The proposer and seconder of a motion that falls within the provisions above shall have the right to attend the meeting of the Cabinet, a committee or sub-committee at which it has been referred for the purposes of explaining it.

#### 13.11 Closure motions

- (a) A Member may move, without comment, the following motions at the end of a speech of another Member:
  - (i) to proceed to the next business;
  - (ii) that the question be now put;

- (iii) to adjourn a debate; or
- (iv) to adjourn a meeting.
- (b) If a motion to 'proceed to next business' is seconded and the Chairman thinks the item has been sufficiently discussed, they will give the mover of the original motion a right of reply and then put the procedural motion to the vote.
- (c) If a motion 'that the question be now put' is seconded and the Chairman thinks the item has been sufficiently discussed, they will put the procedural motion to the vote. If it is passed, they will give the mover of the original motion a right of reply before putting their motion to the vote.
- (d) If a motion 'to adjourn the debate' or 'to adjourn the meeting' is seconded and the Chairman thinks the item has not been sufficiently discussed and cannot reasonably be so discussed on that occasion, they will put the procedural motion to the vote without giving the mover of the original motion the right of reply.

#### 13.12 Point of order

A Member may raise a point of order at any time. The Chairman will hear them immediately. A point of order may only relate to an alleged breach of these Council Rules of Procedure or the law. The Member must indicate the rule or law and the way in which they consider it has been broken. The ruling of the Chairman on the matter will be final.

#### 13.13 Personal explanation

A Member may make a personal explanation at any time. A personal explanation may only relate to some material part of an earlier speech by the Member that may appear to have been misunderstood in the present debate. The ruling of the Chairman on the admissibility of a personal explanation will be final.

### 14 PREVIOUS DECISIONS AND MOTIONS

- 14.1 A motion or amendment to rescind a decision made at a meeting of Council within the past six months cannot be moved unless the notice of motion is signed by at least one third of the Members of the Council.
- 14.2 A motion or amendment in similar terms to one that has been rejected at a meeting of Council in the past six months cannot be moved unless the notice of motion or amendment is signed by at least one third of the Members of the Council. Once the motion or amendment is dealt with, no one can propose a similar motion or amendment for six months.
- 14.3 Any policy decision made by Council may not be re-visited, changed or reaffirmed within six months of the decision being taken unless required by legislation or other substantial circumstances.

### 15 VOTING

- 15.1 Majority - unless this Constitution provides otherwise, any matter will be decided by a simple majority of those Members voting and present in the room at the time the question was put.
- 15.2 Chairman's casting vote - if there are equal numbers of votes for and against, the Chairman will have a second or casting vote. There will be no restriction on how the Chairman chooses to exercise a casting vote.

- 15.3 Show of hands - unless a ballot or recorded vote is demanded, the Chairman will take the vote by show of hands, or if there is no dissent, by the affirmation of the meeting. Two Officers of the Council shall act as tellers.
- 15.4 Ballots - the vote will take place by ballot if seven Members present, or in the case of committees or sub-committees half the Members present at the meeting demand it. Two Officers of the Council shall act as tellers. The Chairman will announce the numerical result of the ballot immediately the result is known.
- 15.5 Recorded vote - if seven Members present, or in the case of committees or sub-committees half the Members present at the meeting demand it, the names for and against the motion or amendment or abstaining from voting will be taken down in writing and entered into the minutes. A demand for a Recorded Vote will override a demand for a ballot. Two Officers of the Council shall act as tellers.
- 15.6 Immediately after any vote is taken at a budget decision meeting of the Council there must be recorded in the minutes of the proceedings of that meeting the names of the persons who cast a vote for the decision or against the decision or who abstained from voting.
- A "budget decision meeting" means a meeting of the relevant body at which it:
- a) makes a calculation (whether originally or by way of substitute) in accordance with any of sections 31A, 31B, 34 to 36A, 42A, 42B, 45 to 49, 52ZF, 52ZJ of the [Local Government Finance Act 1992](#)(4); or
  - b) issues a precept under Chapter 4 of Part 1 of that Act and includes a meeting where making the calculation or issuing the precept was included as an item of business on the agenda for that meeting.
- 15.7 Right to require individual vote to be recorded - where any Member requests it immediately after the vote is taken, their vote will be so recorded in the minutes to show whether they voted for or against the motion or abstained from voting.
- 15.8 Voting on appointments - if there are more than two people nominated for any position to be filled and there is not a clear majority of votes in favour of one person, then the name of the person with the least number of votes will be taken off the list and a new vote taken. The process will continue until there is a majority of votes for one person.
- 15.9 Quasi-judicial bodies (Appointments Committee, Planning Committee and Licensing Committee): At meetings of these quasi-judicial bodies, a Member shall not vote on an item unless they have been present at the commencement of the debate on that item and have remained present throughout the totality of the debate.

## 16 MINUTES

- 16.1 The Chairman will sign the Minutes of the proceedings at the next suitable meeting. The Chairman will move that the Minutes of the previous meeting be signed as a correct record. The only part of the minutes that can be discussed is their accuracy.
- 16.2 Minutes of a meeting will not need to be signed at the next meeting if the next meeting is an Extraordinary meeting called under paragraph 3 of schedule 12 to the [Local Government Act 1972](#). In these circumstances the Minutes will be signed at the next Ordinary meeting.
- 16.3 Minutes will contain all motions and amendments in the exact form and order the Chairman put them.

## **17 RECORD OF ATTENDANCE**

- 17.1 All Members present during the whole or part of a meeting must ensure their name is recorded before the conclusion of every meeting to assist with the record of attendance.

## **18 EXCLUSION OF PUBLIC**

- 18.1 Members of the public and press may only be excluded either in accordance with the [Access to Information Procedure Rules](#) or [Disturbance by Public](#) rule.

A motion by a committee or sub-committee to exclude members of the public and press in accordance with the Access to Information Procedure Rules shall not apply to a Member of the Council not being a Member of that committee or sub-committee attending the meeting. Such a motion shall also not apply to a Member or Officer of another local authority for items relating to joint working considered under private/confidential proceedings.

- 18.2 Confidentiality

Any Member whether present as a Member of a committee or sub-committee or attending a meeting shall not disclose either publicly or to a third party any information of a confidential nature other than the actual decision relating to that confidential item.

## **19 MEMBERS' CONDUCT**

- 19.1 Where any Member has given a general notice of a Disclosable Pecuniary Interest or Local Non-Pecuniary Interest as defined in the [Member's Code of Conduct](#), they shall nevertheless orally declare that interest at a meeting at which a contract or other matter affecting that interest is to be considered. Any such declaration shall be recorded in the minutes of the meeting.
- 19.2 Where any Member has declared a Disclosable Pecuniary Interest in a matter, they shall not take part in any discussion of the matter and shall withdraw from the room in which the meeting is being held while the matter is under consideration unless:
- (a) a dispensation has been granted to the Member; or
  - (b) the matter is before the meeting only as part of the minutes or report of the Cabinet or minutes of a committee or sub-committee (in the case of a meeting of the Council) or of a sub-committee (in the case of a meeting of a committee) and is in either case not itself the subject of debate.
- 19.3 Any Member who attends a meeting of the Cabinet or a committee or sub-committee, whether or not as a Member of the Cabinet or of that committee or sub-committee, and whether or not they shall have any right to speak at that meeting, shall make the same disclosures of personal or prejudicial interests, and shall be under the same obligations to withdraw from the meeting as if they were a Member of the Cabinet or of that committee or sub-committee.
- 19.4 When a Member speaks at Council they may stand if they wish and address the meeting through the Chairman. If more than one Member stands, the Chairman will ask one to speak and the others must sit. Other Members must remain seated whilst a Member is speaking unless they wish to make a point of order or a point of personal explanation.
- 19.5 If the Chairman stands during a debate, any Member speaking at the time must stop and sit down if they are standing. The meeting must be silent.

- 19.6 No Member may use offensive expressions concerning any other Member.
- 19.7 The Chairman of the Council shall call attention to continued irrelevance, tedious repetition, unbecoming language, or any breach of order on the part of a Member and may direct such Member, if speaking, to discontinue his / her speech.
- 19.8 If a Member persistently disregards the ruling of the Chairman by behaving improperly or offensively or deliberately obstructs business, any Member may move that the Member be not heard further. If seconded, the motion will be voted on without discussion.
- 19.9 If the Member continues to behave improperly after such a motion is carried, any Member may move that either the Member leaves the meeting or that the meeting is adjourned for a specified period. If seconded, the motion will be voted on without discussion.
- 19.10 If there is a general disturbance making orderly business impossible the Chairman may adjourn the meeting for as long as they think necessary and may reconvene the meeting in another room.

## **20 DISTURBANCE BY PUBLIC**

- 20.1 If a member of the public interrupts proceedings, the Chairman will warn the person concerned. If they continue to interrupt, the Chairman will order their removal from the meeting room and may adjourn the meeting for as long as they think necessary and may reconvene the meeting in another room.
- 20.2 If there is a general disturbance in any part of the meeting room open to the public, the Chairman may call for that part to be cleared.

## **21 SUSPENSION AND AMENDMENT OF COUNCIL PROCEDURE RULES**

- 21.1 Suspension - all of these Council Procedure Rules except Rule 15.6 and 16.2 may be suspended by motion on notice or without notice with the consent of the majority of the Members of the Council then present. Suspension can only be for the duration of the meeting. Any suspension cannot have the effect of the Council or any of its committees acting unlawfully.  
The extent and duration of any suspension will be proportionate to the result to be achieved, taking into account the purposes of the Constitution.
- 21.2 Amendment - except where recommendations have been referred to Council from the Audit & Governance Committee, any motion to add to, vary or revoke the Council Rules of Procedure will, when proposed and seconded, stand adjourned for consideration by the Audit & Governance Committee.

## **22 INTERPRETATION OF COUNCIL PROCEDURE RULES**

- 22.1 The ruling of the Chairman of the Council, as to the interpretation of application of any of these Procedure Rules, or as to any proceedings of the Council, shall be final and no debate shall be permitted upon such decisions.



## Motions Guidance and Template

A Motion which has been submitted on Notice, will be included on the Full Council agenda, if it has been received by Democratic Services in writing or by electronic mail, no later than midday 10 clear working days before the day of the meeting. Please email your Motion to [DemocraticServices@eastsoffolk.gov.uk](mailto:DemocraticServices@eastsoffolk.gov.uk) A list of the deadlines for Motions is saved within the Democratic Services area on Fred.

Motions for which notice has been given will be listed on the Full Council Agenda in the order in which the notice was received, unless the Member giving notice states, in writing, that they propose to move the Motion to a later meeting or withdraw it.

A Notice of Motion is a request for Full Council to make a decision or to undertake an action. This request must be about matters for which the Council has a responsibility, or which affects the East Suffolk district.

A Notice of Motion can be rejected by the Monitoring Officer on a number of grounds, including:

- The Motion being an expression of opinion on foreign affairs – this is not concern of a local authority
- If a Motion is vague and unequivocal.
- If the Motion is out of order, illegal, irregular, improper or vexatious.
- If the Motion is very similar to a previous Motion that was submitted within the last 6 months.
- If the Motion would require the release of exempt information under the Exempt paragraphs 1 – 7 under Schedule 12A of the Local Government Act 1972, eg Paragraph 3 relating to the financial or business affairs of any particular person (including the authority holding that information) or Paragraph 7 relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

If a Motion is rejected, the Member who proposed the Motion will receive a full explanation of the reasons for the rejection from the Monitoring Officer.

It is important that Motions are succinct and to the point, using plain English. This is because the Member proposing the Motion will be able to elaborate and explain the purpose of their Motion in more detail, during the second part of the process, where Full Council considers whether to debate the item at the meeting or refer the matter to Cabinet or a Committee.

An example of a good Motion layout would be:

**Motion title**

Proposer:

Secunder:

This Council notes that:

- Insert any key information which is critical to understanding the motion.
- -
- -
- -
- -

This Council resolves to:

- Insert actual commitments and actions Council is being asked to take.
- -
- -
- -
- -

Please note that Motions have a 250 word limit in order that they remain succinct and to the point.

Please note that Members will be asked to read out their Motion in full when they are invited to Move their Motion. This is to assist those members of the public watching the meeting via YouTube who may not have access, or be able to read, the meeting papers. Reading out the Motion in full also assists the Council to be inclusive, open and transparent in the way it conducts its business at Full Council.

The consideration of a Motion on Notice will follow the same process at each meeting and it involves 3 main stages:

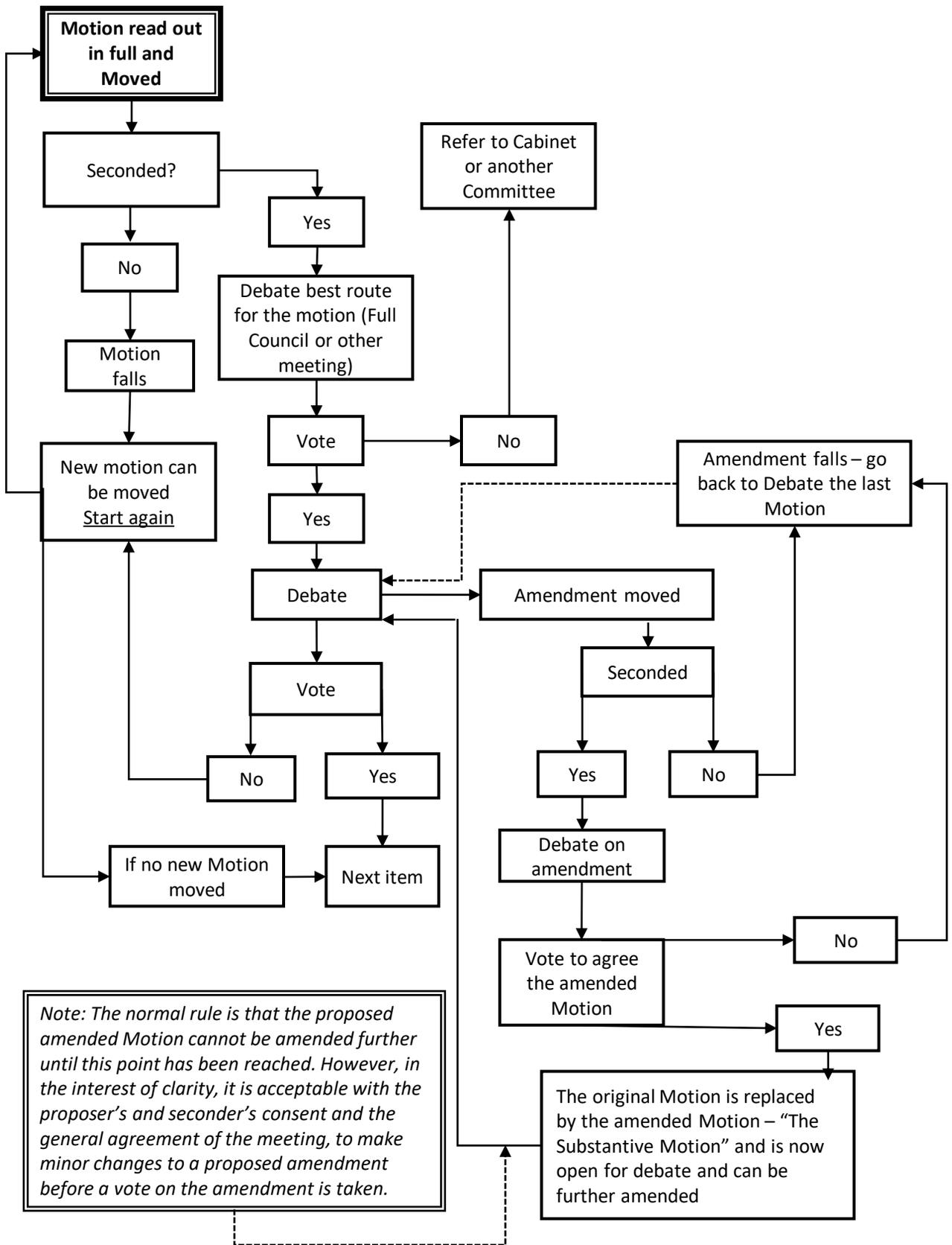
**Step 1** – the Member proposing the Motion must read it out in full and move it. The Motion then needs to be seconded by another Member.

**Step 2** – Full Council then needs to consider whether or not to discuss the Motion at the meeting or whether it would prefer to refer it on to Cabinet or another relevant Committee for further consideration. This is the point where the mover of the Motion will be invited to state their case and they can explain why they believe that Full Council should approve their Motion, make sure that you include all relevant information. After all those wishing to speak have spoken, there will be a vote on whether to debate the Motion at the Full Council meeting or whether it should be referred to Cabinet or a relevant Committee. If the Vote is for referral to Cabinet or a relevant Committee, there is no further debate on the matter. A report will be brought back to Full Council in due course, to update Members on decisions taken by the Cabinet or relevant Committee, in relation to the Motion.

**Step 3** – If the vote was for the Motion to be discussed at the meeting, the Motion will be debated in full and amendments may be proposed. A decision on whether to accept or reject the Motion will be taken after the debate.

Once a Motion on Notice has been considered, the Chairman will ask Members to consider the next Motion on Notice listed on the agenda, or the next item of business

Please refer to the Motions Flow Chart for more detailed information about how the Motion will be dealt with at the meeting.

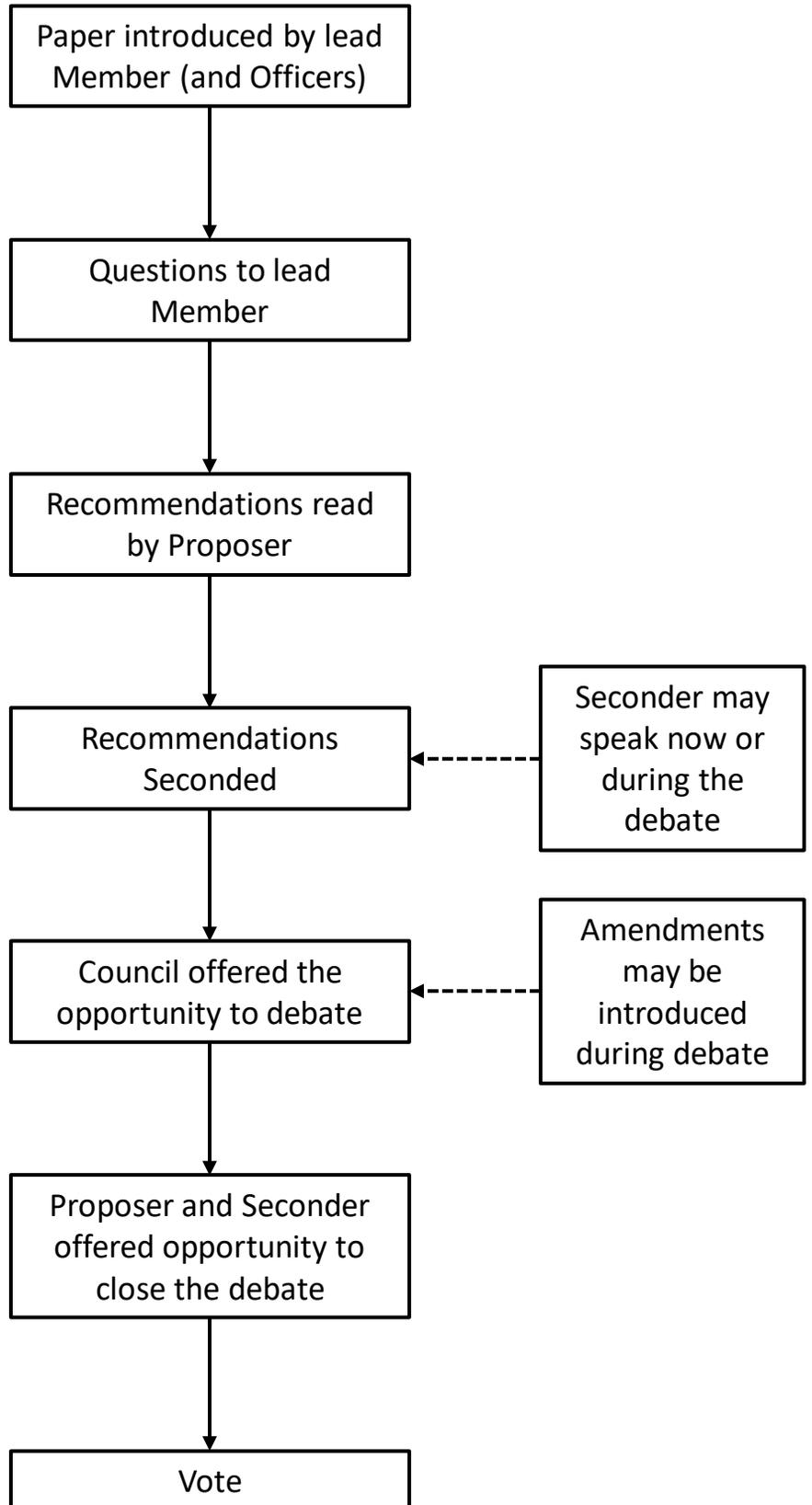


*Note: The normal rule is that the proposed amended Motion cannot be amended further until this point has been reached. However, in the interest of clarity, it is acceptable with the proposer's and seconder's consent and the general agreement of the meeting, to make minor changes to a proposed amendment before a vote on the amendment is taken.*

*An amendment shall be relevant to the motion and shall be either:*

- *to leave out words; to insert or add words; to leave out words and insert or add others; but such omission, insertion or addition of words shall not have the effect of negating the motion before the meeting*

## Presentation of reports to meetings





## Questions on Notice Guidance and Template

A Question which has been submitted on Notice, will be included on the Full Council agenda, if it has been received by Democratic Services in writing or by electronic mail, no later than midday 10 clear working days before the day of the meeting. Please email your Question to [DemocraticServices@eastsoffolk.gov.uk](mailto:DemocraticServices@eastsoffolk.gov.uk) A list of the deadlines for Questions is saved within the Democratic Services area on Fred.

Questions for which notice has been given will be listed on the Full Council Agenda in the order in which the notice was received, unless the Member giving notice states, in writing, that they propose to move the Question to a later meeting or withdraw it.

A Question on Notice can be asked of:

- The Chairman of the Council
- The Leader of the Council
- A Member of the Cabinet
- The Chairman of any Committee or Sub-Committee

This request must be about matters for which the Council has a responsibility, duties or powers or which affects the East Suffolk district.

A Question on Notice can be rejected by the Monitoring Officer on a number of grounds, including:

- Is not about a matter for which the local authority has a responsibility or which affects the district;
- Is defamatory, frivolous or offensive;
- Is substantially the same as a question which has been put at a meeting of the Council in the past six months; or
- Requires the disclosure of confidential or exempt information.

If a Question is rejected, the Member who proposed the Question will receive a full explanation of the reasons for the rejection from the Monitoring Officer.

It is important that Questions are succinct and to the point, using plain English.

Question template:

**Question**

Question from:

To:

Please note that Questions have a 100 word limit in order that they remain succinct and to the point.

Please note that Members will be asked to read out their Question in full. This is to assist those members of the public watching the meeting via YouTube who may not have access, or be able to read, the meeting papers. Reading out the Question in full also assists the Council to be inclusive, open and transparent in the way it conducts its business at Full Council.

No Member will be permitted to read out another Members question.

A Member asking a Question on Notice may ask one related supplementary question without notice to the Member to whom the first question was asked. The supplementary question must arise directly out of the original question or reply.

A Member cannot ask a supplementary question if they did not themselves ask the original question.

Other members cannot ask a supplementary question if they did not ask the question.

The time limit for Council to consider questions in relation to which notice must be given is 30 minutes in total and this time limit can be extended at the discretion of the Chairman.

Once a Question on Notice has been considered, the Chairman will ask Members to consider the next Question on Notice listed on the agenda, or the next item of business



**AUDIT & GOVERNANCE COMMITTEE**  
**Monday, 14 March 2022**

<b>Subject</b>	ADOPTION OF LGA MODEL CODE OF CONDUCT FOR COUNCILLORS
<b>Report by</b>	Councillor Steve Gallant, Leader of the Council
<b>Supporting Officer</b>	Chris Bing Monitoring Officer <a href="mailto:Chris.bing@eastsoffolk.gov.uk">Chris.bing@eastsoffolk.gov.uk</a>

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

## Purpose and high-level overview

**Purpose of Report:**

This report presents the Local Government Association's (LGA's) new model Code of Conduct for Councillors. Audit and Governance Committee is asked at its meeting on 23 March 2022 to consider the new Code and to resolve to recommend to Full Council to adopt it at East Suffolk with effect from 1 May 2022.

**Options:**

To adopt the LGA Model Code of Conduct (Appendix B) or to keep the existing Code of Conduct (Appendix A).

**Recommendation/s:**

That the LGA Model Code of Conduct is adopted with effect from 1 May 2022.

## Corporate Impact Assessment

**Governance**

Section 27(2) of the Localism Act 2011 requires Councils to adopt 'a code dealing with the conduct that is expected of members and co-opted members of the authority when they are acting in that capacity.' East Suffolk Council adopted its current Code of Conduct upon the creation of the new Council in April 2019.

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

East Suffolk Council Strategic Plan 2020-2024

**Environmental:**

Not applicable

**Equalities and Diversity:**

The LGA model Code of Conduct requires Councillors to promote equalities and not to discriminate unlawfully against any person

**Financial:**

Not applicable

**Human Resources:**

Not applicable

**ICT:**

Not applicable

**Legal:**

Section 27(2) of the Localism Act 2011 requires Councils to adopt 'a code dealing with the conduct that is expected of members and co-opted members of the authority when they are acting in that capacity.' It is a criminal offence for a Councillor to fail to register a

pecuniary interest in their Register of Interests or to participate in debate or vote where they have a pecuniary interest.

**Risk:**

Failure to comply with the Code of Conduct risks making decisions taken by Councillors vulnerable to challenge and potentially risks bringing both the Councillor and the Council into disrepute.

**External Consultees:** Suffolk Monitoring Officers Group

## 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>Compliance with, and enforcement of, the model Code of Conduct should raise and maintain standards in public life and make decisions taken less vulnerable to challenge.</b>			

## Background and Justification for Recommendation

1 Background facts	
1.1	The Localism Act 2011 places a duty on every council to promote and maintain high standards of conduct by members and co-opted members of the authority and, in discharging that duty, adopt a code dealing with the conduct that is expected of those members when they are acting in that capacity.
1.2	In January 2019 the Committee on Standards in Public Life (CSPL) published a report following their review of local authority standards.
1.3	A key recommendation of the CSPL was directed to the Local Government Association - "The Local Government Association should create an updated model code of conduct, in consultation with representative bodies of councillors and officers of all tiers of local government."
1.4	The CSPL review concluded that a model code of conduct would create consistency across England, and reflect the common expectations of the public regardless of geography or tier. It would also reduce the potential for confusion among dualhatted or triple-hatted councillors.
1.5	CSPL also considered that matters such as gifts and hospitality, social media use, and bullying and harassment had all increased in salience, and were perhaps not regularly reflected in local authority codes of conduct and a model code of conduct would help to ensure that they do so.
1.6	Following extensive consultation the Local Government Association (LGA) Executive approved a Model Councillor Code of Conduct ('Code') in December 2020 (Appendix B). The Model Code provides a template for councils to adopt in whole and/or with local amendments.
1.7	The LGA have committed to undertake an annual review of the Code to ensure it continues to be fit-for-purpose, incorporating advances in technology, social media and changes in legislation.
1.8	The LGA will also offer support, training and mediation to councils and councillors on the application of the Code and the National Association of Local Councils (NALC) and the county associations of local councils will be offering advice and support to town and parish councils.
1.9	The LGA published a <a href="#">Model Member Code of Conduct</a> (Appendix B) in December 2020 which was updated in January and May 2021. The LGA issued accompanying <a href="#">guidance</a> (Appendix C) in July 2021.

<b>2 Current position</b>	
2.1	Currently, Suffolk County Council, the 5 district councils in Suffolk and all the town and Parish Councils in Suffolk have adopted the existing Suffolk Code of Conduct (Appendix A) to which all Councillors agree to abide by upon signing their declaration of office.
2.2	All 5 Monitoring Officers in Suffolk (Emily Yule (Babergh and Mid Suffolk Council), Chris Bing (East Suffolk Council), Shirley Jarrett (Ipswich Borough Council), Tim Ryder (Suffolk County Council) and Teresa Halliday (West Suffolk Council)) are now recommending that their Council adopts this new Code so that there is a consistent approach to standards across Suffolk and so members who are both District and County Councillors are subject to the same Code. Monitoring Officers will also be encouraging any Parish Councils in their area to adopt the new Code of Conduct, but the adoption of the new Code is ultimately a matter for each individual Parish Council in Suffolk to consider and determine.

<b>3 How to address current situation</b>	
3.1	The LGA Model Code has “been designed to protect our democratic role, encourage good conduct, and safeguard the public’s trust and confidence in the role of councillor in local government. While it sets out the minimum standards of behaviour expected, together with the guidance, it is designed to encourage councillors to model the high standards expected of councillors, to be mutually respectful even if they have personal or political differences, to provide a personal check and balance, and to set out the type of conduct that could lead to complaints being made of behaviour falling below the standards expected of councillors and in breach of the code. It is also to protect councillors, the public, local authority officers and the reputation of local government.”
3.2	The LGA Model Code does not differ significantly in content from the local code already in operation in East Suffolk, although some of the language used is different.
3.3	The new Code provides clarity that the requirements of the Code apply as soon as a councillor signs their declaration of acceptance of office or, in the case of a co-opted member, attends the first meeting, and continues to apply until a member ceases to be a councillor.
3.4	Additional clarification is also provided as to the types of interactions that amount to duties of a councillors’ elected office and that would so be captured under the Code’s remit and application – these are when a councillor is: <ul style="list-style-type: none"> <li>(a) Acting in their capacity as a councillor and/or a representative of the council;</li> <li>(b) Claiming to act as a councillor and/or as a representative of the council;</li> <li>(c) Giving the impression of acting as a councillor or a representative of the council;</li> <li>(d) Referring publicly to their role as a councillor and using knowledge that could only be obtained in that role.</li> </ul>
3.5	The Code also provides clear guidance as to the forms and type of communication that are within scope: <ul style="list-style-type: none"> <li>(a) at face-to-face meetings;</li> <li>(b) online or telephone meetings;</li> </ul>

	<p>(c) in written communication;  (d) in verbal and non-verbal communication;  (e) in electronic and social media communication, posts, statements and comments.</p> <p>There are new commitments to co-operate with any investigation, should a complaint be received, and to comply with any sanctions that may be imposed if a breach is proven. These are important to protect the integrity of the process.</p>
3.6	<p><b>Bullying, harassment and discrimination</b></p> <p>With the current focus on behaviours towards elected representatives and officers, this expanded wording provides more explanation of what is unacceptable, alongside the commitment to equalities.</p>
3.7	<p><b>Confidentiality and Access to Information</b></p> <p>Specific requirements in relation to confidentiality and access to information have been incorporated. This clause sets out standards of conduct relating to the proper use of information by councillors.</p>
3.8	<p><b>Gifts and Hospitality</b></p> <p>The provisions extend those set out in the Suffolk Code in two ways:</p> <ul style="list-style-type: none"> <li>(a) by specifically referencing a requirement to not accept gifts or hospitality that could give rise to real or substantive personal gain or a suspicion of influence; and</li> <li>(b) by placing a responsibility on councillors to register any significant gift or hospitality that has been offered but refused.</li> </ul>
3.9	<p><b>Protecting the reputation of members and the local authority</b></p> <p>The new model code uses the terminology of ‘disclosable pecuniary interests’ (see table 1 within the model code), ‘other registerable interests’ (see table 2 within the model code) and ‘non-registerable’ interests (see paras 7-10 within the model code). If adopted, members will be expected to use this terminology when registering and disclosing interests.</p> <ul style="list-style-type: none"> <li>• ‘Disclosable pecuniary interests’: The model code reiterates the legal duty to register and disclose ‘disclosable pecuniary interests’ and lists what these are (see table 1 within the model code).</li> <li>• ‘Other registerable interests’: It also confirms that councillors ‘must’ register a specific set of ‘other registerable interests’ (see table 2 within the model code).</li> <li>• ‘Non-registerable interests’: The model code also covers the need to disclose interests, when a matter arises at a meeting, that do not fall into either of the above categories but which directly relate to a councillor’s ‘financial interest or wellbeing’, or that of a relative or close friend. The code is clear that councillors ‘must’ disclose this type of interest when it arises (para 7). The code sets out when this type of interest will be deemed to have arisen (para 8) and the two tests councillors should apply when considering whether or not they should participate and vote (para 9).</li> </ul>

3.10	<b>Training</b> A programme of training, based on LGA learning and guidance modules, will be coordinated by the Monitoring Officers.
3.11	<b>Procedure for Considering Complaints Alleging a Failure to Comply with the Code of Conduct</b> It will continue to be for each local authority to follow its agreed procedures for managing complaints and deciding upon any action should it be concluded that there has been a breach of the Code.
3.12	<b>Consultation and engagement</b> The LGA consulted widely on the content of the Model Code, receiving in excess of 1500 submissions from the local government sector and stakeholders. The LGA has committed to review the content of the Model Code on an annual basis.  The Suffolk Association of Local Councils (SALC) meet regularly with the Suffolk Monitoring Officers and are supportive of the LGA Model Code and will be recommending its adoption to all of their Parish and Town Council members.
3.13	<b>Conclusions</b> The LGA Code is, in many respects, very similar to the existing Suffolk Code but it is a fuller and clearer Code which if adopted by all Suffolk Councils should assist in maintaining the highest standards in public life in local authorities across Suffolk.

#### 4 Reason/s for recommendation

4.1	To uphold standards in public life so as to give the public confidence in Councillors and Council decision making.
4.2	To maintain a consistent approach on standards matters across Suffolk with the same Code of Conduct adopted by the 5 District Councils, the County Council and, it is hoped, all the Town and Parish Councils in Suffolk.

## Appendices

### Appendices:

<b>Appendix A</b>	Existing Suffolk Local Code of Conduct
<b>Appendix B</b>	New LGA Model Code of Conduct
<b>Appendix C</b>	LGA Guidance on the new Model Code of Conduct

### Background reference papers:

None.

## Suffolk Local Code of Conduct

ES/1085

*In accordance with S 26 to 37 of the Localism Act 2011 the Council resolved to adopt the Suffolk Local Code of Conduct for the purposes of discharging its duty to promote and maintain high standards of conduct within its area.*

Until otherwise amended or replaced by a decision of the Council, the Suffolk Local Code of Conduct set out below shall hereafter apply to all elected members and any co-opted members entitled to vote on any decisions of the council or its committees, sub committees or joint committees when acting in their capacity as a member of the Council.

### Preamble

The Suffolk Local Code of Conduct shall be interpreted in accordance with the following 7 principles of public life identified by the Committee on Standards in Public Life chaired by Lord Nolan:

**Selflessness** - Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

**Integrity** - Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

**Objectivity** - In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

**Accountability** - Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

**Openness** - Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

**Honesty** - Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

**Leadership** - Holders of public office should promote and support these principles by leadership and example.

## SUFFOLK LOCAL CODE OF CONDUCT

1. You must treat others with respect.
2. You must not —
  - (1) do anything which may cause your council to breach any of the Council's duties under the Equality Act 2010
  - (2) bully any person;
  - (3) intimidate or attempt to intimidate any person who is or is likely to be—
    - (a) a complainant,
    - (b) a witness, or
    - (c) involved in the administration of any investigation or proceedings, in relation to an allegation that a member (including yourself) has failed to comply with his or her council's code of conduct; or
  - (4) do anything which compromises or is likely to compromise the impartiality of those who work for, or on behalf of, your council.
3. You must not —
  - (1) disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where—
    - (a) you have the consent of a person authorised to give it;
    - (b) you are required by law to do so;
    - (c) the disclosure is made to a third party for the purpose of obtaining professional advice provided that the third party agrees not to disclose the information to any other person; or
    - (d) the disclosure is reasonable, in the public interest, made in good faith and in compliance with the reasonable requirements of the council; or
  - (2) prevent another person from gaining access to information to which that person is entitled by law
4. You must not conduct yourself in a manner which could reasonably be regarded as bringing your office or council into disrepute.
5. You —
  - (1) must not use or attempt to use your position as a member improperly to confer on or secure for yourself or any other person, an advantage or disadvantage; and
  - (2) must, when using or authorising the use by others of the resources of your council—
    - (a) act in accordance with your council's reasonable requirements;
    - (b) ensure that such resources are not used improperly for political purposes (including party political purposes); and
  - (3) must have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.
6. (1) When reaching decisions on any matter you must have regard to any relevant advice provided to you by—
  - (a) your council's chief finance officer; or
  - (b) your council's monitoring officer,where that officer is acting pursuant to his or her statutory duties.

6. (2) You must give reasons for all decisions in accordance with any statutory requirements and any reasonable additional requirements imposed by your council.

## **7. Registration of interests**

- 7.1. You must register within 28 days of becoming a member of the Council (and notify the Council's Monitoring Officer of any changes within 28 days) any Disclosable Pecuniary Interests (DPIs) you may have for publication in the Register of Members' Interests. (See Appendix A to this Code.)
- 7.2. You may not at any time discharge any function or participate in any Council business or discussions, or vote on any issues that relate to or concern any of your DPIs where you are aware that you have a relevant DPI. You may not remain in the chamber or meeting room or in the public gallery when any matter that relates to any of your DPI is under discussion or debate unless you have requested and obtained a written dispensation from your Council's Monitoring Officer in advance of the relevant meeting.
- 7.3. You must register within 28 days of becoming a member of the Council (and notify your Council's Monitoring Officer of any changes within 28 days) any non statutory Local Non Pecuniary Interests (LNPIs) set out in Appendix A to this code but you may participate in any discussions or debates relating to or concerning any of your LNPIs after the date of registration.
- 7.4. You must declare any DPIs or LNPIs to a meeting where business is relevant to those interests, including those interests that are already registered with the Monitoring Officer or where registration is pending.
- 7.5. You must register, within 28 days, any gifts and hospitality received by you in accordance with the instructions issued within your Council by the Monitoring Officer.
- 7.6. The Council's Register of Interests will be available for inspection at the Council offices during normal office hours, and will be published on the Council's website.

## **8. Sensitive Interests**

You may also apply to your Council's Monitoring officer for non publication of the full details of any of your DPIs or LNPIs where you reasonably believe that publication of the details of a particular DPI or LNPI could result in your being subjected to violence or intimidation. In considering such applications the Monitoring Officer shall have regard to any representations made by you in determining whether he or she considers the relevant DPI or LNPI should be treated as a Sensitive Interest and excluded from the published version of the Register of Members' Interests.

## Part 1

### Description of categories of Disclosable Pecuniary Interests

You have a Disclosable Pecuniary Interest in any business of the Council if it is of a description set out in 1 - 7 below and is either:

- (a) An interest of yours
- (b) An interest of your spouse or civil partner
- (c) An interest of a person with whom you are living as husband and wife or as civil partners

and, in the case of paragraphs (b) and (c), you are aware that they have the interest.

In these descriptions the term "relevant person" is used to mean you as member and any such person as set out in paragraphs (b) and (c)

- 1 Any employment, office, trade, profession or vocation carried on for profit or gain.
- 2 Any payment or provision of any other financial benefit (other than from the Council) made or provided within the relevant period in respect of any expenses incurred in carrying out your duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992 other than from a registered political party.
- 3 Any beneficial interest in securities of a body where -
  - (1) that body (to your knowledge) has a place of business or land in the area of the Council and
  - (2) either:
    - (a) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or
    - (b) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.
- 4 Any contract which is made between the relevant person, or a body in which they have a beneficial interest, and the Council-
  - (1) under which goods or services are to be provided or works are to be executed; and
  - (2) which has not been fully discharged.
- 5 Any beneficial interest in any land in the Council's area.
- 6 Any tenancy where to your knowledge (a) the landlord is the Council and (b) the tenant is a body in which a relevant person has a beneficial interest.
- 7 Any licence (alone or jointly with others) to occupy land in the Council's area for a month or longer.

## **Part 2**

### **Description of categories of Local Non Pecuniary Interests**

- (1) Any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by the Council;
- (2) Any body-
  - (a) exercising functions of a public nature;
  - (b) directed to charitable purposes; or
  - (c) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union);of which you are a member or in a position of general control or management;
- (3) Any person from whom you have received a gift or hospitality with an estimated value of at least £25.



## **Local Government Association**

### **Model Councillor Code of Conduct 2020**

#### **Joint statement**

The role of councillor across all tiers of local government is a vital part of our country's system of democracy. It is important that as councillors we can be held accountable and all adopt the behaviors and responsibilities associated with the role. Our conduct as an individual councillor affects the reputation of all councillors. We want the role of councillor to be one that people aspire to. We also want individuals from a range of backgrounds and circumstances to be putting themselves forward to become councillors.

As councillors, we represent local residents, work to develop better services and deliver local change. The public have high expectations of us and entrust us to represent our local area, taking decisions fairly, openly, and transparently. We have both an individual and collective responsibility to meet these expectations by maintaining high standards and demonstrating good conduct, and by challenging behaviour which falls below expectations.

Importantly, we should be able to undertake our role as a councillor without being intimidated, abused, bullied, or threatened by anyone, including the general public.

This Code has been designed to protect our democratic role, encourage good conduct and safeguard the public's trust in local government.

## **Introduction**

The Local Government Association (LGA) has developed this Model Councillor Code of Conduct, in association with key partners and after extensive consultation with the sector, as part of its work on supporting all tiers of local government to continue to aspire to high standards of leadership and performance. It is a template for councils to adopt in whole and/or with local amendments.

All councils are required to have a local Councillor Code of Conduct.

The LGA will undertake an annual review of this Code to ensure it continues to be fit-for-purpose, incorporating advances in technology, social media and changes in legislation. The LGA can also offer support, training and mediation to councils and councillors on the application of the Code and the National Association of Local Councils (NALC) and the county associations of local councils can offer advice and support to town and parish councils.

## **Definitions**

For the purposes of this Code of Conduct, a “councillor” means a member or co-opted member of a local authority or a directly elected mayor. A “co-opted member” is defined in the Localism Act 2011 Section 27(4) as “a person who is not a member of the authority but who

- a) is a member of any committee or sub-committee of the authority, or;
- b) is a member of, and represents the authority on, any joint committee or joint sub-committee of the authority;

and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee”.

For the purposes of this Code of Conduct, “local authority” includes county councils, district councils, London borough councils, parish councils, town councils, fire and rescue authorities, police authorities, joint authorities, economic prosperity boards, combined authorities and National Park authorities.

## **Purpose of the Code of Conduct**

The purpose of this Code of Conduct is to assist you, as a councillor, in modelling the behaviour that is expected of you, to provide a personal check and balance, and to set out the type of conduct that could lead to action being taken against you. It is also to protect you, the public, fellow councillors, local authority officers and the reputation of local government. It sets out general principles of conduct expected of all councillors and your specific obligations in relation to standards of conduct. The LGA encourages the use of support, training and mediation prior to action being taken using the Code. The fundamental aim of the Code is to create and maintain public confidence in the role of councillor and local government.

## **General principles of councillor conduct**

Everyone in public office at all levels; all who serve the public or deliver public services, including ministers, civil servants, councillors and local authority officers; should uphold the [Seven Principles of Public Life](#), also known as the Nolan Principles.

Building on these principles, the following general principles have been developed specifically for the role of councillor.

In accordance with the public trust placed in me, on all occasions:

- I act with integrity and honesty
- I act lawfully
- I treat all persons fairly and with respect; and
- I lead by example and act in a way that secures public confidence in the role of councillor.

In undertaking my role:

- I impartially exercise my responsibilities in the interests of the local community
- I do not improperly seek to confer an advantage, or disadvantage, on any person
- I avoid conflicts of interest
- I exercise reasonable care and diligence; and
- I ensure that public resources are used prudently in accordance with my local authority's requirements and in the public interest.

## **Application of the Code of Conduct**

This Code of Conduct applies to you as soon as you sign your declaration of acceptance of the office of councillor or attend your first meeting as a co-opted member and continues to apply to you until you cease to be a councillor.

This Code of Conduct applies to you when you are acting in your capacity as a councillor which may include when:

- you misuse your position as a councillor
- Your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a councillor;

The Code applies to all forms of communication and interaction, including:

- at face-to-face meetings
- at online or telephone meetings
- in written communication
- in verbal communication
- in non-verbal communication
- in electronic and social media communication, posts, statements and comments.

You are also expected to uphold high standards of conduct and show leadership at all times when acting as a councillor.

Your Monitoring Officer has statutory responsibility for the implementation of the Code of Conduct, and you are encouraged to seek advice from your Monitoring Officer on any matters that may relate to the Code of Conduct. Town and parish councillors are encouraged to seek advice from their Clerk, who may refer matters to the Monitoring

Officer.

## **Standards of councillor conduct**

This section sets out your obligations, which are the minimum standards of conduct required of you as a councillor. Should your conduct fall short of these standards, a complaint may be made against you, which may result in action being taken.

Guidance is included to help explain the reasons for the obligations and how they should be followed.

### **General Conduct**

#### **1. Respect**

##### **As a councillor:**

**1.1 I treat other councillors and members of the public with respect.**

**1.2 I treat local authority employees, employees and representatives of partner organisations and those volunteering for the local authority with respect and respect the role they play.**

Respect means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor, you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a robust but civil manner. You should not, however, subject individuals, groups of people or organisations to personal attack.

In your contact with the public, you should treat them politely and courteously. Rude and offensive behaviour lowers the public's expectations and confidence in councillors.

In return, you have a right to expect respectful behaviour from the public. If members of the public are being abusive, intimidatory or threatening you are entitled to stop any conversation or interaction in person or online and report them to the local authority, the relevant social media provider or the police. This also applies to fellow councillors, where action could then be taken under the Councillor Code of Conduct, and local authority employees, where concerns should be raised in line with the local authority's councillor-officer protocol.

#### **2. Bullying, harassment and discrimination**

##### **As a councillor:**

**2.1 I do not bully any person.**

**2.2 I do not harass any person.**

**2.3 I promote equalities and do not discriminate unlawfully against any person.**

The Advisory, Conciliation and Arbitration Service (ACAS) characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and may not always be obvious or noticed by others.

The Protection from Harassment Act 1997 defines harassment as conduct that causes alarm or distress or puts people in fear of violence and must involve such conduct on at least two occasions. It can include repeated attempts to impose unwanted communications and

contact upon a person in a manner that could be expected to cause distress or fear in any reasonable person.

Unlawful discrimination is where someone is treated unfairly because of a protected characteristic. Protected characteristics are specific aspects of a person's identity defined by the Equality Act 2010. They are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The Equality Act 2010 places specific duties on local authorities. Councillors have a central role to play in ensuring that equality issues are integral to the local authority's performance and strategic aims, and that there is a strong vision and public commitment to equality across public services.

### **3. Impartiality of officers of the council**

**As a councillor:**

#### **3.1 I do not compromise, or attempt to compromise, the impartiality of anyone who works for, or on behalf of, the local authority.**

Officers work for the local authority as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. You can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written. However, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

### **4. Confidentiality and access to information**

**As a councillor:**

#### **4.1 I do not disclose information:**

- a. given to me in confidence by anyone**
- b. acquired by me which I believe, or ought reasonably to be aware, is of a confidential nature, unless**
  - i. I have received the consent of a person authorised to give it;**
  - ii. I am required by law to do so;**
  - iii. the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or**
  - iv. the disclosure is:**
    - 1. reasonable and in the public interest; and**
    - 2. made in good faith and in compliance with the reasonable requirements of the local authority; and**
    - 3. I have consulted the Monitoring Officer prior to its release.**

#### **4.2 I do not improperly use knowledge gained solely as a result of my role as a councillor for the advancement of myself, my friends, my family members, my employer or my business interests.**

#### **4.3 I do not prevent anyone from getting information that they are entitled to by law.**

Local authorities must work openly and transparently, and their proceedings and printed materials are open to the public, except in certain legally defined circumstances. You should work on this basis, but there will be times when it is required by law that discussions, documents and other information relating to or held by the local authority must be treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

## **5. Disrepute**

**As a councillor:**

### **5.1 I do not bring my role or local authority into disrepute.**

As a Councillor, you are trusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on you, other councillors and/or your local authority and may lower the public's confidence in you or your local authority's ability to discharge your/its functions. For example, behaviour that is considered dishonest and/or deceitful can bring your local authority into disrepute.

You are able to hold the local authority and fellow councillors to account and are able to constructively challenge and express concern about decisions and processes undertaken by the council whilst continuing to adhere to other aspects of this Code of Conduct.

## **6. Use of position**

**As a councillor:**

### **6.1 I do not use, or attempt to use, my position improperly to the advantage or disadvantage of myself or anyone else.**

Your position as a member of the local authority provides you with certain opportunities, responsibilities, and privileges, and you make choices all the time that will impact others. However, you should not take advantage of these opportunities to further your own or others' private interests or to disadvantage anyone unfairly.

## **7. Use of local authority resources and facilities**

**As a councillor:**

### **7.1 I do not misuse council resources.**

### **7.2 I will, when using the resources of the local authority or authorising their use by others:**

- a. act in accordance with the local authority's requirements; and**
- b. ensure that such resources are not used for political purposes unless that use could reasonably be regarded as likely to facilitate, or be conducive to, the discharge of the functions of the local authority or of the office to which I have been elected or appointed.**

You may be provided with resources and facilities by the local authority to assist you in carrying out your duties as a councillor.

Examples include:

- office support
- stationery
- equipment such as phones, and computers
- transport

- access and use of local authority buildings and rooms.

These are given to you to help you carry out your role as a councillor more effectively and are not to be used for business or personal gain. They should be used in accordance with the purpose for which they have been provided and the local authority's own policies regarding their use.

## **8. Complying with the Code of Conduct**

### **As a Councillor:**

**8.1 I undertake Code of Conduct training provided by my local authority.**

**8.2 I cooperate with any Code of Conduct investigation and/or determination.**

**8.3 I do not intimidate or attempt to intimidate any person who is likely to be involved with the administration of any investigation or proceedings.**

**8.4 I comply with any sanction imposed on me following a finding that I have breached the Code of Conduct.**

It is extremely important for you as a councillor to demonstrate high standards, for you to have your actions open to scrutiny and for you not to undermine public trust in the local authority or its governance. If you do not understand or are concerned about the local authority's processes in handling a complaint you should raise this with your Monitoring Officer.

### **Protecting your reputation and the reputation of the local authority**

## **9. Interests**

### **As a councillor:**

**9.1 I register and disclose my interests.**

Section 29 of the Localism Act 2011 requires the Monitoring Officer to establish and maintain a register of interests of members of the authority .

You need to register your interests so that the public, local authority employees and fellow councillors know which of your interests might give rise to a conflict of interest. The register is a public document that can be consulted when (or before) an issue arises. The register also protects you by allowing you to demonstrate openness and a willingness to be held accountable. You are personally responsible for deciding whether or not you should disclose an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise. It is also important that the public know about any interest that might have to be disclosed by you or other councillors when making or taking part in decisions, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained.

You should note that failure to register or disclose a disclosable pecuniary interest as set out in **Table 1**, is a criminal offence under the Localism Act 2011.

**Appendix B sets** out the detailed provisions on registering and disclosing interests. If in doubt, you should always seek advice from your Monitoring Officer.

## **10. Gifts and hospitality**

### **As a councillor:**

- 10.1 I do not accept gifts or hospitality, irrespective of estimated value, which could give rise to real or substantive personal gain or a reasonable suspicion of influence on my part to show favour from persons seeking to acquire, develop or do business with the local authority or from persons who may apply to the local authority for any permission, licence or other significant advantage.**
  
- 10.2 I register with the Monitoring Officer any gift or hospitality with an estimated value of at least £50 within 28 days of its receipt.**
  
- 10.3 I register with the Monitoring Officer any significant gift or hospitality that I have been offered but have refused to accept.**

In order to protect your position and the reputation of the local authority, you should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a councillor. The presumption should always be not to accept significant gifts or hospitality. However, there may be times when such a refusal may be difficult if it is seen as rudeness in which case you could accept it but must ensure it is publicly registered. However, you do not need to register gifts and hospitality which are not related to your role as a councillor, such as Christmas gifts from your friends and family. It is also important to note that it is appropriate to accept normal expenses and hospitality associated with your duties as a councillor. If you are unsure, do contact your Monitoring Officer for guidance.

## **Appendices**

### **Appendix A – The Seven Principles of Public Life**

The principles are:

#### **Selflessness**

Holders of public office should act solely in terms of the public interest.

#### **Integrity**

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must disclose and resolve any interests and relationships.

#### **Objectivity**

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

#### **Accountability**

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

#### **Openness**

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

#### **Honesty**

Holders of public office should be truthful.

#### **Leadership**

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

## Appendix B Registering interests

Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the Monitoring Officer the interests which fall within the categories set out in **Table 1 (Disclosable Pecuniary Interests)** which are as described in “The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012”. You should also register details of your other personal interests which fall within the categories set out in **Table 2 (Other Registerable Interests)**.

“**Disclosable Pecuniary Interest**” means an interest of yourself, or of your partner if you are aware of your partner's interest, within the descriptions set out in Table 1 below.

“**Partner**” means a spouse or civil partner, or a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners.

1. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest, or of any change to a registered interest, notify the Monitoring Officer.
2. A ‘sensitive interest’ is as an interest which, if disclosed, could lead to the councillor, or a person connected with the councillor, being subject to violence or intimidation.
3. Where you have a ‘sensitive interest’ you must notify the Monitoring Officer with the reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold the interest from the public register.

### Non participation in case of disclosable pecuniary interest

4. Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a ‘sensitive interest’, you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.
5. [Where you have a disclosable pecuniary interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it ]

### Disclosure of Other Registerable Interests

6. Where a matter arises at a meeting which **directly relates** to the financial interest or wellbeing of one of your Other Registerable Interests (as set out in **Table 2**), you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a ‘sensitive interest’, you do not have to disclose the nature of the interest.

## Disclosure of Non-Registerable Interests

7. Where a matter arises at a meeting which **directly relates** to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in Table 1) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.
8. Where a matter arises at a meeting which **affects** –
  - a. your own financial interest or well-being;
  - b. a financial interest or well-being of a relative or close associate; or
  - c. a financial interest or wellbeing of a body included under Other Registerable Interests as set out in **Table 2**

you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied

9. Where a matter (referred to in paragraph 8 above) **affects** the financial interest or well-being:
  - a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
  - b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

10. [Where you have an Other Registerable Interest or Non-Registerable Interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it]

### Table 1: Disclosable Pecuniary Interests

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the [Relevant Authorities \(Disclosable Pecuniary Interests\) Regulations 2012](#).

<b>Subject</b>	<b>Description</b>
<b>Employment, office, trade, profession or vocation</b>	Any employment, office, trade, profession or vocation carried on for profit or gain.
<b>Sponsorship</b>	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
<b>Contracts</b>	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the

	<p>councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council —</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
<b>Land and Property</b>	<p>Any beneficial interest in land which is within the area of the council.</p> <p>‘Land’ excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (alone or jointly with another) a right to occupy or to receive income.</p>
<b>Licenses</b>	<p>Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer</p>
<b>Corporate tenancies</b>	<p>Any tenancy where (to the councillor’s knowledge)—</p> <p>(a) the landlord is the council; and</p> <p>(b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.</p>
<b>Securities</b>	<p>Any beneficial interest in securities* of a body where—</p> <p>(a) that body (to the councillor’s knowledge) has a place of business or land in the area of the council; and</p> <p>(b) either—</p> <p>(i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were</p>

	spouses/civil partners have a beneficial interest exceeds one hundredth of the total issued share capital of that class.
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\* 'director' includes a member of the committee of management of an industrial and provident society.

\* 'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

**Table 2: Other Registrable Interests**

You must register as an Other Registrable Interest :

- a) any unpaid directorships
- b) any body of which you are a member or are in a position of general control or management and to which you are nominated or appointed by your authority
- c) any body
  - (i) exercising functions of a public nature
  - (ii) directed to charitable purposes or
  - (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)

of which you are a member or in a position of general control or management

## Appendix C – the Committee on Standards in Public Life

The LGA has undertaken this review whilst the Government continues to consider the recommendations made by the Committee on Standards in Public Life in their report on [Local Government Ethical Standards](#). If the Government chooses to implement any of the recommendations, this could require a change to this Code.

The recommendations cover:

- Recommendations for changes to the Localism Act 2011 to clarify in law when the Code of Conduct applies
- The introduction of sanctions
- An appeals process through the Local Government Ombudsman
- Changes to the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012
- Updates to the Local Government Transparency Code
- Changes to the role and responsibilities of the Independent Person
- That the criminal offences in the Localism Act 2011 relating to Disclosable Pecuniary Interests should be abolished

The Local Government Ethical Standards report also includes Best Practice recommendations. These are:

**Best practice 1:** Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.

**Best practice 2:** Councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation and prohibiting trivial or malicious allegations by councillors.

**Best practice 3:** Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.

**Best practice 4:** An authority's code should be readily accessible to both councillors and the public, in a prominent position on a council's website and available in council premises.

**Best practice 5:** Local authorities should update their gifts and hospitality register at least once per quarter, and publish it in an accessible format, such as CSV.

**Best practice 6:** Councils should publish a clear and straightforward public interest test against which allegations are filtered.

**Best practice 7:** Local authorities should have access to at least two Independent Persons.

**Best practice 8:** An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation, and should be given the option to

review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious, or trivial.

**Best practice 9:** Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker, and any sanction applied.

**Best practice 10:** A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and estimated timescales for investigations and outcomes.

**Best practice 11:** Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council, rather than the clerk in all but exceptional circumstances.

**Best practice 12:** Monitoring Officers' roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.

**Best practice 13:** A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.

**Best practice 14:** Councils should report on separate bodies they have set up or which they own as part of their annual governance statement and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness and publish their board agendas and minutes and annual reports in an accessible place.

**Best practice 15:** Senior officers should meet regularly with political group leaders or group whips to discuss standards issues.

***The LGA has committed to reviewing the Code on an annual basis to ensure it is still fit for purpose.***

# Guidance on Local Government Association Model Councillor Code of Conduct

We are pleased to publish this supporting guidance which is aimed to help understanding and consistency of approach towards the code. The code, together with the guidance, has been designed to protect our democratic role, encourage good conduct, and safeguard the public's trust and confidence in the role of councillor in local government.

08 Jul 2021

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### Part 1 - Introduction

In December 2020, the Local Government Association (LGA) developed and published a **Model Councillor Code of Conduct** in association with key partners and following extensive consultation with the sector. This was in response to the recommendation of the Committee of Standards in Public Life Local Government Ethical Standards 2019. The code was part of our work on supporting all tiers of local government to continue to aspire to high standards of leadership and performance, and our civility in public life programme.

The code is a template for Local Authorities to adopt in whole and or with amendments to take into account local circumstances.

Our aim was to make the code relatively short and easy to read rather than an overly-complex legal document as it needed to be accessible to councillors, officers, and the public alike. The consultation response also asked for supporting guidance to help understand some of the key provisions in greater depth with examples and case illustrations.

We are therefore pleased to publish this supporting guidance which is aimed to help understanding and consistency of approach towards the code.

The code together with the guidance have been designed to protect our democratic role, encourage good conduct, and safeguard the public's trust and confidence in the role of councillor in local government. While it sets out the minimum standards of behaviour expected, together with the

guidance, it is designed to encourage councillors to model the high standards expected of councillors, to be mutually respectful even if they have personal or political differences, to provide a personal check and balance, and to set out the type of conduct that could lead to complaints being made of behaviour falling below the standards expected of councillors and in breach of the code. It is also to protect councillors, the public, local authority officers and the reputation of local government.

This guidance embeds the provisions of the code and is structured to enable each chapter to be directly accessed. We have also produced a standalone document without the embedded code intended to provide easy access to the guidance.

The LGA will undertake an annual review of this guidance and the code to ensure it continues to be fit for purpose, incorporating advances in technology, social media, case law and changes in legislation.

For the purposes of this guidance, we have adopted the definitions used in the Code of Conduct, for “councillor” and “local authority”.

Any comments on the use of the guidance or suggestions for improvement would be welcomed and should be sent to [ModelCode@local.gov.uk](mailto:ModelCode@local.gov.uk)

## **General principles of Councillor conduct**

The Seven Principles of Public Life (also known as the Nolan Principles) outline the ethical standards those working in the public sector are expected to adhere to. The principles apply to all public office holders at all levels including ministers, civil servants, councillors, and local authority officers, as well as private and voluntary organisations delivering services paid for by public funds. The principles are set out in [Appendix 2](#) below.

These principles underpin the standards that councillors should uphold and form the basis for the Code of Conduct, where the principles have been translated into a series of clear rules. While fundamental to the Code of Conduct, the principles are not part of the rules of the code and should be used for guidance and interpretation only.

## **Application of the Model Councillors' Code of Conduct**

### **When does the Code apply?**

S27(2) of the Localism Act 2011 says that a local authority must adopt ‘a code dealing with the conduct that is expected of members and co-opted members of the authority when they are acting in that capacity.’

The term 'capacity' is not further defined in the Act. However, the Model Code states that:

**The Code of Conduct applies to you when you are acting in your capacity as a councillor which may include when:**

- you misuse your position as a councillor
- your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a councillor.

This means it applies when you are carrying out your official duties, for example when you are considering or discussing local authority business, either as a councillor or representing the local authority on an outside body.

There is no formal description of what the role of a councillor is, but aside from formal local authority business it would include promoting and representing the local authority in the local community and acting as a bridge between the community and the local authority. The LGA's **Guidance** for new councillors is a helpful reference point.

The code does not, therefore, apply solely when you are in local authority meetings or on local authority premises.

The code applies to all forms of communication and interaction, including:

- at face-to-face meetings
- at online or telephone meetings
- in written communication
- in verbal communication
- in non-verbal communications
- in electronic and social media communication, posts, statements, and comments.

This includes interactions with the public as well as with fellow councillors and local authority officers.

### **Acting as a private individual**

For something to fall within the code there must be a clear link to a local authority function or your role as a councillor. For example, an argument with a neighbour which does not relate to local authority business would not engage the code, even if your neighbour happens to know you are a councillor and therefore complains to the local authority about being treated disrespectfully.

### **Example**

A councillor and an officer had a personal relationship. The councillor sent and encouraged the officer to send inappropriate social media messages, including messages of a sexual nature, during office hours. The panel rejected arguments that the councillor had been acting in an entirely personal capacity. It found that the councillor could not divorce himself from his role as the officer's quasi-employer and that, when sending or encouraging the officer to send the messages during working hours, he was acting in his official capacity.

It is not always immediately apparent in which capacity you are acting, therefore in situations where there may be ambiguity it may be helpful if you can make clear to people in which capacity you are engaging with them.

While the Code does not apply to your non-councillor roles, what you do as a councillor could impact on your position in those other roles.

Political party or group rules may also require you as a councillor to demonstrate certain behaviours as a private individual and failure to do so can result in sanctions from political groups.

Under the Local Government Act 1972 councillors can be disqualified from being a councillor due to matters in their private life, such as being subject to a bankruptcy order or receiving a custodial sentence of three months or longer (whether or not suspended).

### **In what circumstances might I give the impression to a reasonable member of the public that I was engaged on local authority business?**

When you use or attempt to use your position as a councillor to seek to gain an advantage for yourself or someone close to you or to disadvantage someone this is an attempt to misuse your position and therefore falls within the scope of the Code of Conduct.

A number of factors will need to be taken into account to determine whether or not you had used or attempted to use your position as a councillor.

For example:

- writing to someone on local authority headed paper or using a local authority email address may lead someone to assume you were writing in your capacity as a councillor
- handing out a business card where you describe yourself as a councillor may also lead to that assumption
- wearing official local authority regalia.

### **Examples**

Attempting to misuse your position as a councillor would include if you threaten to use your position improperly to block someone's planning, licence or grant application. In effect you would be doing something that only a councillor could do even if as a matter of fact, you did not have the power to do so. That may include an assumption, for example, that you would put inappropriate pressure on officers or fellow councillors or lobby behind the scenes for a particular outcome. It should not be up to a member of the public to have to work out whether you are in fact on a planning committee.

Another example would be disclosing confidential information improperly you had received because of your role as a councillor.

A councillor returning from a party got into an argument with a taxi driver. When he arrived home, he refused to pay the fare and when he spoke to the manager of the taxi company, he said that he was a councillor and would make sure that the taxi driver's licence was withdrawn by the council. While he was entitled to dispute the payment if he was dissatisfied with the service he had received he was found to have breached the code by invoking his office and seeking to misuse his position to intimidate the manager and driver and to seek to gain an advantage for himself, notwithstanding the fact that he did not in reality have the ability to carry out his threat.

### **Social media postings**

Simply describing yourself as a councillor in a social media posting or at the top of your page or in your username or profile, for example, does not of itself mean that every posting you make is covered by the Code. There must be a link within the individual posting or thread to your role as a councillor or to local authority business. However, even if you do not describe yourself as a councillor you may fall within the scope of the code if you are discussing local authority business.

For example, a posting which is simply discussing a recent football match is not covered by the code even if you have described yourself as a councillor. However, if you make a posting threatening a fellow councillor or officer that would fall within the code even if you have not described yourself as a councillor as it relates to local authority business or your role as a councillor.

Each matter would need to be looked at on a case-by-case basis ([see guidance on ‘disrespect, bullying and harassment in Part 2 for further information’](#)).

You should be very careful when describing yourself as a councillor as seeing the word “councillor” may lead to assumptions amongst the community that you are acting as a councillor.

To help avoid some of these issues, some councillors have found it helpful to have separate social media profiles for personal and local authority use, though even the strictest privacy settings are no guarantee that posts or actions will remain private. As a rule of thumb, never post anything online you would not be comfortable saying or sharing in a public meeting. If your local authority has guidance on the effective use of social media this can help.

The LGA has published [guidance on councillors](#) and social media.

### **Examples**

Following a heavy snowstorm which meant a local street market could not go ahead a councillor posted on the local community Facebook page that a certain local authority officer should be sacked for failing to put adequate arrangements in place to clear the snow. Even though it was not posted on a local authority page and he did not explicitly describe himself as a councillor in the post he was found to have breached the code by treating an officer with disrespect and seeking to put undue pressure on officers.

A councillor who described himself as such in his Twitter profile made insulting and offensive comments about the Prime Minister which led to complaints being made to his local authority. He was found not to have breached the code as the comments did not directly relate to his role as a councillor or local authority business but were seen as wider political comments.

### **What does acting as a representative of my local authority mean?**

You are acting as a representative of the local authority when you are sitting on an outside body to which you have been appointed by the local authority, for example.

You would also be considered a representative of the local authority where you were attending an external function or conference on behalf of the local authority or as the local authority's nominated delegate.

You would not be considered as a representative of the local authority where you were attending an event in a party-political role, for example at a political party's annual conference. In that situation you would be subject to any relevant party rules.

Matters in party group meetings would also normally not be covered by the code as they are more matters for a party to regulate. However, if you are clearly trying to improperly influence fellow councillors or put undue pressure on them in relation to local authority business for example then relevant provisions of the code would apply. The same would apply to social media groups you may be a member of, such as a WhatsApp group set up for your local authority group.

### **What if I sit on more than one local authority?**

If you sit on more than one local authority, you are subject to the code and associated procedures of the local authority you are representing at any one time. As such, if you are on a district council and a parish council, you would be bound by the district code when attending district council meetings or speaking to district council officers; and bound by the parish council code when attending parish council meetings or speaking to parish council officers.

Where your local authorities have the same code, the same rules would apply and, for example, your completed register of interests should be the same on both tiers.

### **What is a co-opted member?**

The code also applies to co-opted members under the Localism Act. A co-opted member under the Act is someone who is entitled to vote on any matter to be decided at a local authority committee or sub-committee.

A parish councillor who has been co-opted to fill a casual vacancy where an election has not been held is also covered by the Code of Conduct in the same way as if they had been elected.

It does not, therefore include co-opted members who do not have voting rights, nor does it cover, for example, an Independent Person appointed under s28 of the Localism Act to support the local authority on standards matters.

However, it would be good practice to ask such councillors to agree to abide by the code of conduct and to inform the monitoring officer of any interests they might have. While they would not formally fall within the statutory framework for complaint handling, they can be removed from their role by the local authority should they be found to have committed a serious breach of the code so it is important that they are also aware of the expected standards of behaviour.

## **Part 2 – General obligations under the Code of Conduct**

### **Respect**

#### **As a councillor:**

- 1. I treat other councillors and members of the public with respect.**
- 2. I treat local authority employees, employees and representatives of partner organisations and those volunteering for the local authority with respect and respect the role they play.**

Showing respect to others is fundamental to a civil society. As an elected or appointed representative of the public it is important to treat others with respect and to act in a respectful way. Respect means politeness, courtesy and civility in behaviour, speech, and in the written word. It also relates to all forms of communications councillors undertake, not just in meetings. Rude, offensive, and disrespectful behaviour lowers the public's expectations and confidence in its elected representatives.

### **Respect**

The key roles and responsibilities of councillors; representing and serving your communities and taking decisions on their behalf, require councillors to interact and communicate effectively with others. Examples of councillor interaction and communication include talking to constituents, attending local authority meetings, representing the local authority on outside bodies, and participating in community meetings and events. In turn this means that as a councillor you are required to interact with many different people, often from diverse backgrounds and with different or conflicting needs and points of view.

You will engage in robust debate at times and are expected to express, challenge, criticise and disagree with views, ideas, opinions, and policies. Doing these things in a respectful way will help you to build and maintain healthy working relationships with fellow councillors, officers, and members of the public, it encourages others to treat you with respect and helps to avoid conflict and stress. Respectful and healthy working relationships and

a culture of mutual respect can encourage positive debate and meaningful communication which in turn can increase the exchange of ideas, understanding and knowledge.

Examples of ways in which you can show respect are by being polite and courteous, listening and paying attention to others, having consideration for other people's feelings, following protocols and rules, showing appreciation and thanks and being kind. In a local government context this can mean using appropriate language in meetings and written communications, allowing others time to speak without interruption during debates, focusing any criticism or challenge on ideas and policies rather than personalities or personal attributes and recognising the contribution of others to projects.

### **Disrespectful behaviour**

Failure to treat others with respect will occur when unreasonable or demeaning behaviour is directed by one person against or about another. The circumstances in which the behaviour occurs are relevant in assessing whether the behaviour is disrespectful. The circumstances include the place where the behaviour occurs, who observes the behaviour, the character and relationship of the people involved and the behaviour of anyone who prompts the alleged disrespect.

Disrespectful behaviour can take many different forms ranging from overt acts of abuse and disruptive or bad behaviour to insidious actions such as bullying and the demeaning treatment of others. It is subjective and difficult to define. However, it is important to remember that any behaviour that a reasonable person would think would influence the willingness of fellow councillors, officers or members of the public to speak up or interact with you because they expect the encounter will be unpleasant or highly uncomfortable fits the definition of disrespectful behaviour.

Examples of disrespect in a local government context might include rude or angry outbursts in meetings, use of inappropriate language in meetings or written communications such as swearing, ignoring someone who is attempting to contribute to a discussion, attempts to shame or humiliate others in public, nit-picking and fault-finding, the use of inappropriate sarcasm in communications and the sharing of malicious gossip or rumours.

Disrespectful behaviour can be harmful to both you and to others. It can lower the public's expectations and confidence in you and your local authority and councillors and politicians more generally. It influences the willingness of fellow councillors, officers, and the public to speak up or interact with you because they expect the encounter will be unpleasant or

uncomfortable. Ongoing disrespectful behaviour can undermine willingness of officers to give frank advice, damage morale at a local authority, and ultimately create a toxic culture and has been associated with instances of governance failure.

## Freedom of expression

The requirement to treat others with respect must be balanced with the right to Freedom of expression. Article 10 of the European Convention on Human Rights protects your right to hold your own opinions and to express them freely without government interference. This includes the right to express your views aloud or in writing, such as in published articles or leaflets or on the internet and social media. Protection under Article 10 extends to the expression of views that may shock, disturb, or offend the deeply-held beliefs of others.

However, Article 10 is not an absolute but a qualified right which means that the rights of the individual must be balanced against the interests of society. Whether a restriction on freedom of expression is justified is likely to depend on a number of factors, including the identity of the speaker, the context of the speech and its purpose, as well as the actual words spoken or written. Democracy depends on people being free to express, debate and criticise opposing viewpoints. The courts have generally held that the right to free expression should not be curtailed simply because other people may find it offensive or insulting. A balance must still be struck between the right of individuals to express points of view which others may find offensive or insulting, and the rights of others to be protected from hatred and discrimination.

Freedom of expression is protected more strongly in some contexts than others. In particular, a wide degree of tolerance is accorded to political speech, and this enhanced protection applies to all levels of politics, including local government. Article 10 protects the right to make incorrect but honestly made statements in a political context but it does not protect statements which the publisher knows to be false. Political expression is a broad concept and is not limited to expressions of or criticism of political views but extends to all matters of public administration including comments about the performance of public duties by others. However, gratuitous personal comments do not fall within the definition of political expression.

Public servants such as local government officers are subject to wider levels of acceptable criticism than other members of the public when matters of public concern are being discussed. However, the limits are not as wide as they are for elected politicians such as councillors. Officers do

not necessarily have the same right of reply to such comments as councillors do and councillors should take care not to abuse or exploit this imbalance.

Recent case law has confirmed that local authority officers should be protected from unwarranted comments that may have an adverse effect on good administration and states that it is in the public interest that officers are not subject to offensive, abusive attacks and unwarranted comments that prevents them from carrying out their duties or undermine public confidence in the administration. That said, officers who are in more senior positions, for example chief executives or heads of services, will also be expected to have a greater degree of robustness.

### **Is the Respect provision of the code a gag on councillors?**

This provision of the Code (Paragraph 1) is not intended to stand in the way of lively debate in local authorities. Such discussion is a crucial part of the democratic process. Differences of opinion and the defence of those opinions through councillors' arguments and public debate are an essential part of the cut and thrust of political life. Councillors should be able to express their opinions and concerns in forceful terms. Direct language can sometimes be appropriate to ensure that matters are dealt with properly. The code is not intended to stifle the expressions of passion and frustration that often accompany discussions about local authority business.

### **Can councillors criticise officers?**

Yes. In some cases, officers have been known to reject reasonable criticism appropriately made and describe it as disrespectful or bullying. The Code of Conduct is not intended to constrain councillors' involvement in local governance, including the role of councillors to challenge performance. Councillors can question and probe poor officer performance provided it is done in an appropriate way. In the everyday running of a local authority, it is inevitable that councillors may have disagreements with officers from time to time.

This paragraph of the code does not mean that councillors cannot express disagreement with officers. This disagreement might, in the appropriate context, manifest itself in criticism of the way in which an officer or officers handled particular matters.

It is important that councillors raise issues about poor performance in the correct way and at the appropriate forum in accordance with your local authority's processes and procedures, and not in a public meeting or through a published attack in the media.

All local authorities should have clearly defined policies, procedures, and occasions where such issues can be properly raised. It is only where councillors' conduct is unfair, unreasonable, or demeaning that the code will be relevant. If a councillor's criticism is abusive or offensive it is likely to breach the code.

### **What kinds of conduct are not covered?**

A very clear line must be drawn between the Code of Conduct's requirement of respect for others, including councillors with opposing views, and the freedom to disagree with the views and opinions of others. In a democracy, members of public bodies should be able to express disagreement publicly with each other.

### **What if a member of the public is being unnecessarily disrespectful to me?**

Councillors are allowed to respond to criticism, and where that criticism is robust, then they can be robust in response. However, councillors should always seek to try to be civil and demonstrate leadership in their communication. Even where councillors have been wrongly accused, responding in an angry, defensive way can often escalate the situation.

There has been a growing tendency for members of the public to use social media channels to unfairly criticise local councillors. For this reason, many local authorities now offer social media guidance to councillors in addition to the civility in public life resources available on the [LGA's website](#).

### **Examples**

The complaint alleged that the councillor posted on their blog a highly critical comment and an offensive caption about a former councillor, who had passed away and whose funeral had taken place the previous day. The councillor was found to have breached the provisions of his local authority's Code of Conduct relating to councillors treating others with respect; as well as conducting themselves in a manner which could reasonably be regarded as bringing their role or their authority into disrepute.

The complaint alleged that a councillor commented under a pseudonym on a local authority blog referring to possible nepotism in the awarding of a contract to a local firm by the local authority. The standards committee found that the councillor had breached the Code of Conduct in making the posts because he had failed to treat others with respect and, in doing so, he had conducted himself in a manner which brought his role and his local authority into disrepute.

The complaint alleged that a councillor had made remarks of an abusive, insulting and personal nature to the complainant, a police officer, and also made a number of unfounded allegations about him during two telephone calls to a police station made in his capacity as a ward councillor. It was found that the comments amounted to an unacceptable personal attack on the complainant and that the councillor had breached the respect provisions in his local authority's Code of Conduct.

## **Bullying**

### **As a councillor:**

1.

#### **1. I do not bully any person.**

Bullying, harassment, discrimination, and victimisation (either directly or indirectly) are unacceptable and should not be tolerated. It is important to recognise the impact such behaviour can have on any individual experiencing it, as well as on the wider organisation in terms of morale and operational effectiveness.

Bullying may be characterised as offensive, intimidating, malicious, insulting, or humiliating behaviour, an abuse or misuse of power that can make a person feel vulnerable, upset, undermined, humiliated, denigrated or threatened. Power does not always mean being in a position of authority and can include both personal strength and the power to coerce through fear or intimidation. Bullying may be obvious or be hidden or insidious. Such conduct is usually part of a pattern of behaviour which attempts to undermine an individual or a group of individuals, is detrimental to their confidence and capability, and may adversely affect their health.

Bullying can take the form of physical, verbal, and non-verbal conduct but does not need to be related to protected characteristics. Bullying behaviour may be in person, by telephone or in writing, including emails, texts, or online communications such as social media. The standards of behaviour expected are the same, whether you are expressing yourself verbally or in writing.

Bullying can affect anyone, in any career, at any time, at any level and within any workplace. Such behaviour can take the form of easily noticed, physically threatening or intimidatory conduct with immediate impact, or it can take place behind closed doors, or be much more subtle or camouflaged and difficult to identify, at least at first. It can start, for example, with what appear to be minor instances, such as routine 'nit-picking' or fault-finding, but which become cumulative or develop into more

serious behaviour over time, enabling the perpetrator to isolate and control the person.

Some bullies lack insight into their behaviour and are unaware of how others perceive it. Others know exactly what they are doing and will continue to bully if they feel they are unlikely to be challenged. Bullying can sometimes be overlooked, as a result of common euphemisms being used by way of explanation or justification, referring to someone as having a “poor leadership style” or a “bad attitude,” for example, or to the problem being due to a “personality clash”.

You should always be mindful of the overall potential impact of the behaviour on others. First and foremost, bullying can have a significant impact on the recipient’s well-being and health. Bullying can have an impact on a local authority’s effective use of resources and provision of services. Officers who are subject to bullying are frequently away from their posts, sometimes for extended periods, on sickness or stress-related leave. Bullying can impact on a councillor’s ability to represent their residents effectively. It can also discourage candidates from standing in local elections, making local authorities less representative of their communities, and impacting local democracy.

Like disrespectful behaviour, bullying can be difficult to define. When allegations of bullying are considered it’s likely that the person handling the complaint will consider both the perspective of the alleged victim, and whether the councillor intended their actions to be bullying. They will also consider whether the individual was reasonably entitled to believe they were being bullied.

Conduct is unlikely to be considered as bullying when it is an isolated incident of a minor nature, where it is targeted at issues, rather than at an individual’s conduct or behaviour, or when the behaviour by both the complainant and councillor contributed equally to the breakdown in relations. However, the cumulative impact of repeated 'minor' incidents should not be underestimated.

Examples of bullying include but are not limited to:

- verbal abuse, such as shouting, swearing, threats, insults, sarcasm, ridiculing or demeaning others, inappropriate nicknames, or humiliating language
- physical or psychological threats or actions towards an individual or their personal property
- practical jokes

- overbearing or intimidating levels of supervision, including preventing someone from undertaking their role or following agreed policies and procedures
- inappropriate comments about someone's performance
- abuse of authority or power, such as placing unreasonable expectations on someone in relation to their job, responsibilities, or hours of work, or coercing someone to meet such expectations
- ostracising or excluding someone from meetings, communications, work events or socials
- sending, distributing, or posting detrimental material about other people, including images, in any medium
- smear campaigns.

## **Freedom of expression 'Respect' guidance Part 2**

### **Does this mean that councillors cannot raise concerns about officers or fellow councillors?**

Bullying behaviour should be contrasted with the legitimate challenges which a councillor can make in challenging policy or scrutinising performance. An example of this would be debates in the chamber about policy or asking officers to explain the rationale for the professional opinions they have put forward. You are entitled to challenge fellow councillors and officers as to why they hold their views. However, if your criticism is a personal threat or abusive or offensive in nature, you are likely to cross the line of what is acceptable behaviour.

### **Preventing bullying conduct from developing**

Ideally, a culture of honest and clear communication should be sought, with respect for the individual and for the confidentiality required when managing individual performance-related issues. The bullying of officers might be reduced by establishing a specific protocol, which addresses issues such as councillor-officer work relations and appropriate behaviour.

The protocol for parish and town councils can include such simple but important matters as acceptable times to contact the clerk by telephone at home or call at the clerk's home on council business.

Local authority officers and parish clerks also need to be mindful that councillors can come from a wide range of backgrounds and may have been part of workplaces where the culture and expected standards are very different from what the clerk or officers expect; as a result, the councillor simply may not be aware of the impact that their communications have had on the clerk or officer. Early discussion about emerging issues is important

to help avoid matters escalating and help establish more effective working arrangements for the future.

## **Bullying and harassment and the law**

In some cases, acts of bullying or harassment can be civil offences, which can be brought to an employment tribunal or a county court.

In some cases, conduct that amounts to bullying and harassment may also amount to criminal offences, which can be tried in the criminal courts.

There is not an exhaustive list of acts of bullying or harassment that may constitute a criminal offence. Examples may include, but are not limited to:

- physical assault
- making threats of violence or death threats
- stalking
- hate crimes
- sexual harassment

## **Intimidation of councillors**

Councillors can face behaviours which could amount to bullying and intimidation when carrying out their role.

The LGA and the Welsh Local Government Association recognise the growing need among councillors for support related to intimidation and have jointly developed a **“Councillors' guide to handling intimidation. Practical steps that you and your local authority can undertake to protect yourself as a person in a public position”**. The guide covers topics such as how to handle abuse, both face-to-face, letters or online, guidance on personal safety, lone working and online abuse and the legal and practical remedies, including the nature of the criminal offences involved. It will be continuously updated with the latest advice and information available.

## **Harassment**

### **As a councillor:**

1.
  1. **I do not harass any person.**

The Protection from Harassment Act 1997 states that harassment includes behaviour which alarms a person or causes a person distress or puts people in fear of violence and must involve such conduct on at least two

occasions. It can include repeated attempts to impose unwanted communications and contact upon a victim in a manner that could be expected to cause distress or fear in any reasonable person. Harassment of any kind whether direct or indirect is in no-one's interest and should not be tolerated. It is important to recognise the impact such behaviour can have on any individual experiencing it, as well as on the wider organisation in terms of morale and operational effectiveness.

Like bullying, harassment can take the form of physical, verbal, and non-verbal conduct but does not need to be related to protected characteristics. Harassment may be in person, by telephone or in writing, including emails, texts, or online communications such as social media. It may manifest obviously or be hidden or insidious.

The factors likely to be considered when assessing allegations of harassment are whether the councillor knows or ought to know that their actions constitute harassment, whether a reasonable person would consider the actions to be harassment and the impact of the behaviour/conduct on victim.

Examples of harassment include but are not limited to:

- sending unwelcome emails
- unnecessarily repetitive, intrusive questioning
- unwelcome physical contact such as touching or invading 'personal space'
- haranguing
- intimidation
- inappropriate remarks or questioning such as comments about someone's appearance, lewd comments, and offensive jokes
- overbearing or intimidating levels of supervision, including preventing someone from undertaking their role or following agreed policies and procedures
- inappropriate comments about someone's performance
- placing unreasonable expectations on someone in relation to their job, responsibilities, or hours of work, or coercing someone to meet such expectations
- sexual harassment

### **What does the law say about harassment?**

In some cases, acts of harassment can be civil offences, which can be brought to an employment tribunal or county court.

In some cases, conduct that amounts to harassment may also amount to criminal offences, which can be tried in the criminal courts. There is not an exhaustive list of acts of harassment that may constitute a criminal offence. Examples may include, but are not limited to physical assault:

- making violent or death threats
- stalking
- hate crimes
- sexual harassment

### **Example**

The complaint alleged that a councillor had behaved in a disrespectful and harassing manner towards two fellow female councillors and officers. It was established that the councillor had made unwarranted and inappropriate physical contact with the councillors and officers at an official event and had also made remarks towards the officers which were patronising and demeaning. The councillor was found to be in breach of the Code of Conduct.

## **Discrimination**

### **As a councillor:**

#### **2.3 I promote equalities and do not discriminate unlawfully against any person.**

Councillors have a central role to play in ensuring that equality issues are integral to the local authority's performance and strategic aims, and that there is a strong vision and public commitment to equality across public services.

The Equality Act 2010 imposes positive duties on local authorities to promote equality and to eliminate unlawful discrimination and harassment. Under the Act your authority may be liable for any discriminatory acts which you commit. This will apply when you do something in your official capacity in a discriminatory manner. You must be careful not to act in a way which may amount to any of the prohibited forms of discrimination, or to do anything which hinders your authority's fulfilment of its positive duties under the Act. Such conduct may cause your authority to break the law, and you may find yourself subject to a complaint that you have breached this paragraph of the Code of Conduct. If you are unsure about the particular nature of the duties of your authority you should seek advice from the monitoring officer or parish clerk.

Unlawful discrimination is where someone is treated unfairly because of a protected characteristic. Protected characteristics are specific aspects of a person's identity defined by the Equality Act 2010. They are:

- age
- disability
- gender reassignment
- marriage and civil partnership
- pregnancy and maternity
- race
- religion or belief
- sex and sexual orientation

There are four main forms of discrimination:

**Direct discrimination:** treating people differently because of their age, disability, gender reassignment, marriage or civil partnership, pregnancy or maternity, race, religion or belief, sex, or sexual orientation.

**Indirect discrimination:** treatment which does not appear to differentiate between people because of their age, disability, gender reassignment, marriage or civil partnership, pregnancy or maternity, race, religion or belief, sex, or sexual orientation but which disproportionately disadvantages them.

**Harassment:** engaging in unwanted conduct on the grounds of age, disability, gender reassignment, marriage or civil partnership, pregnancy or maternity, race, religion or belief, sex, or sexual orientation, which violates another person's dignity or creates a hostile, degrading, humiliating or offensive environment.

**Victimisation:** treating a person less favourably because they have complained of discrimination, brought proceedings for discrimination, or been involved in complaining about or bringing proceedings for discrimination.

Examples of discriminatory behaviour include but are not limited to:

- exclusion or victimisation based on the Protected Characteristics
- treating someone less favourably or limiting their opportunities based on any of the Protected Characteristics
- comments, slurs, jokes, statements, questions, or gestures that are derogatory or offensive to an individual's or group's characteristics
- promoting negative stereotypes relating to individual's or group's characteristics

- racial or ethnic slurs, insults, or jokes
- intolerance toward religious customs
- mimicking, mocking, or belittling a person's disability
- homophobic, biphobic or transphobic comments or slurs
- discriminating against pregnant people or mothers
- declaring ('outing') someone's religion or sexuality or threatening to do so against their will
- deliberate, unwarranted application of an authority's practice, policy or rule in a way that may constitute indirect discrimination
- instructing, causing, inducing, or knowingly helping someone to commit an act of unlawful discrimination under the Equality Act 2010.

A councillor's personality and life experiences will naturally incline them to think and act in certain ways. They may form views about others based on those experiences, such as having an affinity with someone because they have a similar approach to life or thinking less of someone because they are from a different generation. This is known as "unconscious bias" and it can lead people to make decisions based on biases or false assumptions. Councillors need to be alert to the potential of unconscious bias and ensure they make decisions based on evidence, and not on assumptions they have made based on biases.

## Questions

### **How can councillors cause their authority to be in breach of the Equality Act?**

The Code of Conduct is not intended to stifle democratic debate. Councillors should always remember that Article 10 of the European Convention on Human Rights gives a high level of protection to comments that are genuinely made during political debate, even if most people would find them offensive.

Some councillors have particular roles which may give a higher risk for the potential for discrimination; for example, if you are on an appointment panel for a position in the local authority, or you are able to award local grants in your ward and will need to decide which organisations to support.

Merely arguing, or even voting, against a proposal which is aimed at complying with a positive anti-discriminatory duty would not be enough by itself to risk breaking this part of the code. Simply having a party-political or personal position on an issue is unlikely to amount to a breach of this provision because it does not, of itself, involve the local authority doing anything.

Under the Equality Act 2010, an authority is made liable for any discriminatory acts which a councillor commits. This will apply where they say or do something in their official capacity in a discriminatory manner.

### **Examples**

The complaint alleged that a councillor 'liked' several racially discriminatory comments on social media and one comment advocating violence against Travellers. The panel found that 'Liking' of the offensive comments did amount to a failure to treat those who were the subject of such comments with respect and a failure to promote equalities in breach of the Code of Conduct.

A councillor was a member of the local authority's recruitment panel to appoint a new chief executive. Five applicants were shortlisted. After one candidate had finished his presentation and left the room the councillor said, "good candidate, shame he's black". The panel found that the Code of Conduct had been breached.

## **Impartiality of officers**

### **As a councillor:**

#### **3.1 I do not compromise, or attempt to compromise, the impartiality of anyone who works for, or on behalf of, the local authority.**

Officers work for the local authority as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. You can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written. However, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

Both councillors and officers are servants of the public and are indispensable to one another. Together, they bring the critical skills, experience and knowledge required to manage an effective local authority.

At the heart of this relationship, is the importance of mutual respect. Councillor-officer relationships should be conducted in a positive and constructive way. Therefore, it is important that any dealings between councillors and officers should observe reasonable standards of courtesy, should show mutual appreciation of the importance of their respective roles and that neither party should seek to take unfair advantage of their position or seek to exert undue influence on the other party.

Councillors provide a democratic mandate to the local authority and are responsible to the electorate whom they represent. They set their local authority's policy framework, ensure that services and policies are delivered and scrutinise local authority services.

Councillors of the executive, chairs and vice chairs of committees have additional responsibilities. These responsibilities will result in increased expectations and relationships with officers that are more complex. Such councillors must still respect the impartiality of officers and must not ask them to undertake work of a party-political nature or compromise their position with other councillors or other officers.

Officers provide the professional advice and managerial expertise and information needed for decision making by councillors and to deliver the policy framework agreed by councillors. They are responsible for implementing decisions of councillors and the day-to-day administration of the local authority.

The roles are very different but need to work in a complementary way.

It is important for both sides to respect these differences and ensure that they work in harmony. Getting that relationship right is an important skill. That is why the code requires councillors to respect an officer's impartiality and professional expertise. In turn officers should respect a councillor's democratic mandate as the people accountable to the public for the work of the local authority. It is also important for a local authority to have a councillor-officer protocol which sets out how this relationship works and what both councillors and officers can expect in terms of mutual respect and good working relationships.

Officers may sometimes give you advice that you do not want to hear or does not suit your political views. They must be allowed to do this without fear of recriminations to allow for good decision-making looking at all relevant options.

That means in your dealing with officers you must not seek to influence them improperly or put undue pressure on them. For example, you should not get officers to help you prepare party political material, or to help you with matters relating to your private business. You should not provide or offer any incentive or reward in return for acting in a particular way or reaching a particular decision.

Other than political assistants, officers are required to remain politically neutral and not demonstrate their support for specific parties or candidates.

The fundamentally held principle is that “the local government system of the UK has long resided on a bond of trust between elected members and a permanent corps of local government officer... that relationship of trust stems from the right of council members to expect that they are being assisted in their functions by officers who are politically neutral and whose loyalty is to the council as a whole<sup>[1]</sup>”.

### Examples

A councillor became involved in a social care case on behalf of a constituent during which time he inappropriately sought to influence operational decision-making and sent discourteous and disrespectful correspondence to the officers. In doing so, he lost sight of his overall responsibility to the local authority to allow its officers to perform their statutory functions. He was found to have breached the Code of Conduct.

A councillor who, over a period of six months, persistently sought to influence the decisions of officers dealing with a complaint by his son and daughter-in-law against their local authority tenant neighbour was found, through his actions, to have compromised the impartiality of the officers and to have used his position improperly to promote the interest of his family and to have brought the role of councillor into disrepute in breach of the Code of Conduct.

### What does working on behalf of the authority mean?

Local Authorities deliver services in a range of ways. Often services will have been contracted out to outside bodies. For example, if you are in a highway authority, road repair services may be carried out by outside contractors. Their employees delivering that contract are doing so on behalf of the local authority and you should not use your position to interfere improperly in delivery of that service.

### What if I disagree with the views of an officer?

You are perfectly entitled to disagree with officers. They are there to give you impartial professional advice and you do not need to accept their advice without question. When you do question them however, you should treat them with respect and recognise that they are professionals.

If you feel dissatisfied with the advice you are given you should raise through appropriate management channels in line with your local authority’s councillor-officer protocol (where you have one) - **see guidance on respect, bullying and harassment in Part 2.**

Where you have a declarable interest in a matter you are discussing with an officer you should make that clear to the officer – **see guidance on**

**declarations of interest in Part 3.** Where it is an interest which would stop you from taking part in a meeting you should not discuss those matters with officers except where you are seeking professional advice in the same way as any member of the public could – for example, assistance with making an application – and the officer should make a note that an interest has been declared. If you need to speak to an officer about the matter, you should arrange a meeting as a member of the public and not seek to use your position to gain preferential or quicker access.

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[1] Ahmed v United Kingdom (2000) 29 EHRR 1

### **Having regard to Officer advice**

Councillors take decisions every day that affect the lives of those who live and work within your community. It is therefore important that those decisions are made having regard to all available evidence and weighing up all sides of the argument.

Decisions can be challenged if they are unreasonable, and the local authority could find itself facing an expensive legal bill if it takes a decision which is unlawful. When considering any decision, you must have regard to any professional advice you have been offered, for example from planning or licensing officers. Both the monitoring officer and the chief finance officer have a statutory duty to report formally to the local authority where they believe a local authority action or expenditure is, or may be, unlawful. Similarly, when it comes to elections, you will need to have regard to any advice given to you by the returning officer who may well be a senior officer but in that capacity is entirely independent of and separate from the local authority and is required to be politically neutral.

You must also give reasons for all decisions in accordance with statutory requirements and any reasonable requirements imposed by your local authority. Giving reasons for decisions is particularly important in relation to regulatory decisions and decisions where people's rights are affected. Where councillors disagree with officer recommendations in making a decision, councillors will need to take particular care in giving clear reasons for the decision.

If you seek advice as an individual councillor, or advice is offered to you, for example, on whether or not you should register or declare an interest, you must have regard to this advice before you make your mind up. Failure to do so may lead to a breach of the Code of Conduct.

If in any doubt – be safe and always seek advice from your monitoring officer before taking any action.

Local authorities have protocols for councillor-officer relations in their constitutions which are accessible on their websites.

The LGA published **“A councillor’s workbook on effective councillor/officer relationships 2018”**. This workbook has been designed as a distance learning aid for local councillors. It forms part of the suite of LGA resources intended to provide councillors with insight and assistance into key skills and knowledge. It is designed to provide a foundation for effective working as you progress in your councillor career, from the ward level to holding a leading councillor position. The workbook has been updated to contain information and examples obtained from the LGA’s work on the ground in local authorities and through the **Corporate Peer Challenge programme**, and to reflect the changing nature of the councillor and officer relationship.

## **Confidentiality and access to information**

### **As a councillor:**

#### **4.1 I do not disclose information:**

**a. given to me in confidence by anyone**  
**b. acquired by me which I believe, or ought reasonably to be aware, is of a confidential nature, unless**

- I have received the consent of a person authorised to give it;
- I am required by law to do so;
- the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or
- the disclosure is:

1. reasonable and in the public interest; and
2. made in good faith and in compliance with the reasonable requirements of the local authority; and
3. I have consulted the monitoring officer prior to its release.

**4.2 I do not improperly use knowledge gained solely as a result of my role as a councillor for the advancement of myself, my friends, my family members, my employer, or my business interests.**

### **4.3 I do not prevent anyone from getting information that they are entitled to by law.**

Local authorities must work openly and transparently. Their proceedings and printed materials are open to the public, except in certain legally defined circumstances. You should work on this basis, but there will be times when it is required by law that discussions, documents, and other information relating to or held by the local authority must be treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

### **Confidential information**

While local authority business is by law generally open and local authorities should always operate as transparently as possible, there will be times – for example, when discussing a named individual, confidential HR matters or commercially sensitive information – when it is appropriate for local authority business to be kept confidential or treated as exempt information.

In those circumstances, you must not disclose confidential information, or information which you believe to be of a confidential nature, unless:

- you have the consent of the person authorised to give it
- you are required by law to do so
- the disclosure is made to a third party for the purposes of obtaining professional advice (for example, your lawyer or other professional adviser) provided that person agrees not to disclose the information to any other person
- the disclosure is in the public interest

### **Disclosure in the public interest**

Disclosure ‘in the public interest’ is only justified in limited circumstances, when all the following four requirements are met:

- the disclosure must be reasonable
- the disclosure must be in the public interest
- the disclosure must be made in good faith
- the disclosure must be made in compliance with any reasonable requirements of your authority

In relation to the disclosure of confidential information in the public interest, the four requirements are outlined in more detail below.

1. The first requirement, that the disclosure must be reasonable, requires you to consider matters such as:

- Whether you believe that the information disclosed, and any allegation contained in it, is substantially true. If you do not believe this, the disclosure is unlikely to be reasonable.
- Whether you make the disclosure for personal gain. If you are paid to disclose the information, the disclosure is unlikely to be reasonable.
- The identity of the person to whom the disclosure is made. It may be reasonable to disclose information to the police or to an appropriate regulator. It is less likely to be reasonable for you to disclose the information to the world at large through the media.
- The extent of the information disclosed. The inclusion of unnecessary detail, and in particular, private matters such as addresses or telephone numbers, is likely to render the disclosure unreasonable.
- The seriousness of the matter. The more serious the matter disclosed, the more likely it is that the disclosure will be reasonable.
- The timing of the disclosure. If the matter to which the disclosure relates has already occurred, and is unlikely to occur again, the disclosure may be less likely to be reasonable than if the matter is continuing or is likely to reoccur.
- Whether the disclosure involves your authority failing in a duty of confidence owed to another person.

2. The second requirement, that the disclosure must be in the public interest, needs to involve one or more of the following matters or something of comparable seriousness, that has either happened in the past, is currently happening, or is likely to happen in the future:

- a criminal offence is committed.
- your local authority or some other person fails to comply with any legal obligation to which they are subject.
- a miscarriage of justice occurs.
- the health or safety of any individual is in danger.
- the environment is likely to be damaged.
- that information tending to show any matter falling within the above is deliberately concealed.

3. The third requirement, that the disclosure is made in good faith, will not be met if you act with an ulterior motive, for example, to achieve a party-political advantage or to settle a score with a political opponent.

4. The fourth requirement, that you comply with the reasonable requirements of your local authority, means that before making the disclosure you must comply with your local authority's policies or protocols on matters such as whistle-blowing and confidential information. You must first raise your concerns through the appropriate channels set out in such policies or protocols.

In summary, to decide whether the disclosure is reasonable and in the public interest, you may need to conduct a balancing exercise weighing up the public interest in maintaining confidentiality against any countervailing public interest favouring disclosure. This will require a careful focus on how confidential the information is, on any potentially harmful consequences of its disclosure, and on any factors, which may justify its disclosure despite these potential consequences. If in doubt you should always seek advice from the monitoring officer. Always keep a note of the reason for your decision.

In some situations, it is extremely unlikely that a disclosure can be justified in the public interest. These will include where the disclosure amounts to a criminal offence, or where the information disclosed is protected by legal professional privilege.

### **Circumstances in which a local authority can treat information as confidential**

The presumption under local government law is that local authority business is open unless it falls within a specific category of confidential or exempt information as set out in legislation. These categories are:

1. information given to the local authority by a Government Department on terms which forbid its public disclosure or
2. information the disclosure of which to the public is prohibited by or under another Act or by Court Order.

Generally personal information which identifies an individual, must not be disclosed under the data protection and human rights rules.

Exempt information means information falling within the following categories (subject to any condition):

1. relating to any individual.

2. which is likely to reveal the identity of an individual.
3. relating to the financial or business affairs of any particular person (including the authority holding that information).
4. relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or officer-holders under the authority.
5. in respect of which a claim to legal professional privilege could be maintained in legal proceedings.
6. which reveals that the authority proposes:
  1. to give under any enactment a notice under or by virtue of which requirements are imposed on a person; or
  2. to make an order or direction under any enactment
7. relating to any action taken or to be taken in connection with the prevention, investigation, or prosecution of crime.

Where information is legally classified as 'confidential' under the above categories the public must be excluded from meetings whenever it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed. Likewise, public access to reports, background papers, and minutes will also be excluded.

Where an officer recommends that a report to a decision-making committee should be treated as exempt information under the above categories the committee must still agree that the matter should be heard in a closed session. The committee may disagree with any recommendation and decide that those legal tests have not been met; or they may agree that those tests have been met but nevertheless it is in the public interest that the matter be considered in an open session. Again, you should keep a record of the rationale for the decision.

Once the local authority has agreed that the matter be treated as exempt, public access to relevant reports, background papers and minutes will also be excluded and an individual councillor must abide by that collective decision or risk breaching the code if they disclose that information (papers and content of discussion) without lawful excuse.

### **Does confidentiality under the code apply only to information which is classified as confidential or exempt by law?**

No. The code goes wider than matters simply considered in a formal local authority setting. Information is a broad term. It includes facts, advice, and opinions. It covers written material, including tapes, videos, CDs, DVDs, and other electronic media. It covers material in unwritten form, including

intellectual property. Information can only be confidential if all the following apply:-

- it has the necessary 'quality of confidence' about it (trivial information will not be confidential but information that you would expect people to want to be private would be);
- it was divulged in circumstances importing an obligation of confidence (information properly in the public domain will not be confidential);
- disclosure of it would be detrimental to the party wishing to keep it confidential.

For example, you may be told confidential information by a constituent in the course of your duties. That is why the code is written broadly to cover information classed as confidential which you may come across in your duties.

You should use your judgment when you are given information. An individual does not have to explicitly say that information is confidential if they tell you something which a reasonable person would regard as sensitive. You may, however, wish to clarify if somebody tells you something whether they want you to treat it as confidential.

### **Examples**

A councillor was assisting a resident in an adoption process, which the resident decided to subsequently withdraw from. The resident's estranged parent contacted the councillor for information as to what was happening with the case and the councillor inadvertently shared confidential information as she had not realised that father and son were estranged. This was found to be a breach of the code.

A councillor circulated information about an officer's medical condition to other councillors and a local headteacher with whom he was acquainted. He was found to have disclosed information which should reasonably be regarded as being of a confidential nature and without the officer's consent in breach of the Code of Conduct.

### **What does consent by the person authorised to give it mean?**

If somebody, for example a constituent, has told you something in confidence – for example in the line of casework – you may later want to put that in the public domain as part of pursuing that case. You should always check with the individual before you disclose something you believe is confidential to ensure that they are comfortable with that information being disclosed. You should also be clear with them as to how you may use the information, they give you to help resolve their issue.

### **In what circumstances am I required to disclose confidential information by law?**

This would be where a law enforcement or regulatory agency or the courts required disclosure of information.

### **In what way could I use information I have obtained to advance myself or others?**

As a councillor you will often receive commercially sensitive or other confidential information. You must not use that information to your own advantage. For example, if you know the local authority is considering the purchase of a piece of land, you should not use that information in your private dealings to seek to purchase the land.

### **How does this relate to the Data Protection Act?**

As part of their role councillors will receive personal information. They should seek to ensure they are familiar with how the Data Protection Act applies to their role in handling such information through training, and if they are not sure to seek advice from an appropriate officer in the council.

Although councillors are not required to register as a data controller, they will receive personal information from residents in their area. They should only use it for the purpose for which it has been given and must ensure this information is held securely and only share with others that are entitled to it.

In contrast, the local authority is responsible for information they provide to councillors and ensuring they know how it can be used.

### **Access to information**

Transparency is a very important principle underpinning local democracy and public decision-making. The public are entitled to see information about the way decisions are made unless there are specific reasons why that information is confidential. Your local authority should have a publication scheme setting out what information is accessible to the public and you as an individual councillor must not prevent any person from accessing information which they are entitled to by law. This includes information under the Freedom of Information Act 2000 or those copies of minutes, agendas, reports, and other documents of your local authority which they have a right to access.

If in doubt seek advice from the relevant local authority officers.

### **The 'need to know'**

As a councillor, you are not automatically entitled to access all information the local authority holds. For example, the local authority may deal with highly confidential and sensitive information about employees or about residents involved in complex cases.

In addition to rights set out in law or conferred by your local authority constitution, you have a right to inspect documents if you can demonstrate a “need to know”. This isn’t a right to a roving commission but must be linked to your performance of your duties and functions as a councillor. For example, the need could more easily be demonstrated by membership of a relevant committee, such as a staffing committee than simply because you are interested in seeing the information. Local authorities have more justification for denying free access to particularly sensitive papers such as childcare or staffing records. You should not seek to get information if you have a declarable interest in it.

Most local authorities will have a nominated officer you can seek advice from if you feel you are not being given access to information you seek.

You can also exercise the “need to know” in respect of attending meetings. Access to Information Rules set out an Overview and Scrutiny Committee’s rights of access to documents and additional rights of access to documents for councillors to carry out their functions.

Where you are given access to documents which are not available to members of the public, you should ensure that any confidential information is used and protected in an appropriate and secure manner and shared with authorised persons only.

### **Can I use local authority information for matters outside the local authority?**

A councillor is entitled to access information held by the local authority for the performance of their duties as a councillor. If a councillor wishes to use local authority information for any purpose other than in connection with their duties as a councillor, and that information is not in a publicly available document, however, then that councillor should submit a freedom of information request so that it can be given to them to use freely.

The general rule is that any information held by the local authority and given directly to a councillor may only ever be used for the purpose for which it was provided. That purpose may add particular restrictions, for example where it relates to an individual constituent or sensitive matter. The purpose should not be for anything other than use in connection with

the proper performance of the councillor's duties as a councillor. The exceptions to this are where the information has already been published, it has been given as a result of a request under Freedom of Information or Environmental Information Regulations or it is in the public interest ('whistleblowing') for which provisions are made in the Code of Conduct as explained above.

Please see the [ICO website](#) for helpful guidance on data protection and freedom of information.

## Disrepute

### As a councillor:

#### 5.1 I do not bring my role or local authority into disrepute.

As a councillor, you are trusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. Article 10 of the European Convention on Human Rights protects your right to freedom of expression, and political speech as a councillor is given enhanced protection but this right is not unrestricted. You should be aware that your actions might have an adverse impact on your role, other councillors and/or your local authority and may lower the public's confidence in your ability to discharge your functions as a councillor or your local authority's ability to discharge its functions.

In general terms, disrepute can be defined as a lack of good reputation or respectability. In the context of the Code of Conduct, a councillor's behaviour in office will bring their **role** into disrepute if the conduct could reasonably be regarded as either:

1. reducing the public's confidence in them being able to fulfil their role; or
2. adversely affecting the reputation of your authority's councillors, in being able to fulfil their role.

Conduct by a councillor which could reasonably be regarded as reducing public confidence in their local authority being able to fulfil its functions and duties will bring **the authority** into disrepute.

For example, circulating highly inappropriate, vexatious or malicious e-mails to constituents, making demonstrably dishonest posts about your authority on social media or using abusive and threatening behaviour might well bring the role of councillor into disrepute. Making grossly unfair or patently untrue or unreasonable criticism of your authority in a public arena might well be regarded as bringing your local authority into disrepute.

## Questions

### **What distinguishes disrepute to “your role or local authority” from disrepute to you as a person?**

The misconduct will need to be sufficient to damage the reputation of the councillor’s role or local authority, as opposed simply to damaging the reputation of the individual concerned.

Certain kinds of conduct may damage the reputation of an individual but will rarely be capable of damaging the reputation of the role of councillor or the reputation of the authority.

Here are some of the situations that might tip the balance in favour of disrepute to the role of councillor or to the authority in particular cases:

1. Situations where councillors have put their private interests above the public interest, which they are expected to promote as councillors, and therefore reduced the standing of their role. For example, councillors using their position to secure a secret personal profit.
2. Similarly, situations where a councillor defies important and well-established rules of the authority for private gain.
3. Where a councillor engages in conduct which directly and significantly undermines the authority’s reputation as a good employer or responsible service provider.

### **Examples**

A councillor posted a tweet reading “Cllr Blogs why don’t you just throw in the towel, just go before you cause any more damage to the reputation of the council. You and some members of your cabinet have failed. I hope that the SFO is brought in to investigate your conduct. #failedleadership.” The complainant stated that she found the tweet ‘very offensive’ and bullying and also considered that the tweet would reasonably bring the councillor’s office and the authority into disrepute. The councillor was found to have brought his authority into disrepute by reducing public confidence in the council.

A councillor brought his role and authority into disrepute by taking advantage of a local authority mistake and failing to prevent local authority-employed contractors from working on his privately-owned home. The local authority mistakenly sent decorators to the home, an ex-local authority property. The councillor only told the local authority about the mistake after the work had been completed and then said he could not be charged for the work.

The chair of a local authority made a deeply inappropriate remark at a local authority meeting that was reported in the local media and was accused of bringing his role and authority into disrepute. It was clear in both the meeting and the local media reporting that other councillors expressed concerns about his comments and found them inappropriate. It was found that he had not brought his authority into disrepute but that he had brought his role into disrepute.

## **Misuse of position**

### **As a councillor:**

#### **6.1 I do not use, or attempt to use, my position improperly to the advantage or disadvantage of myself or anyone else.**

Your position as a councillor provides you with certain opportunities, responsibilities, and privileges, and you make choices all the time that will impact others. However, you should not take advantage of these opportunities to further your own or others' private interests or to disadvantage anyone unfairly.

You should not use, or attempt to use, your public office either for your or anybody else's personal gain or loss. For example, your behaviour would be improper if you sought to further your own private interests through your position as a councillor.

Involving yourself in a decision in which you have an interest, to seek to benefit yourself or another would be a breach of this paragraph of the code. For guidance on how to conduct yourself when you have an interest and how to balance your rights as an individual and your responsibilities as a public decision maker see the chapter on registration of interests.

Councillors who own land, or whose relatives or close associates own land, need to be particularly cautious where planning matters are concerned. This applies equally to parish councillors when your local authority is consulted on planning matters. Similarly, while it is reasonable to expect councillors to help constituents apply to the local authority, for example, for housing, it is quite improper to seek to influence the decision to be taken by the officers and would also be in breach of paragraph 3 of the code.

#### **What kinds of attempts to advantage or disadvantage would be improper?**

There are circumstances where it will be proper for a councillor to seek to confer an advantage or disadvantage and other circumstances where it will not.

Being a councillor can involve making hard choices and balancing a range of interests. Most decisions will inevitably benefit some people and will be to the detriment of others. It's important when you make those decisions to make them in what you think is the public interest and not be influenced by private interests.

For example, there can be no objection to councillors voicing their opposition to the closure of a local public library. This conduct is clearly intended to secure an advantage for the users of the library. What is crucial is that councillors' attempts to secure this advantage are clearly part and parcel of their duties as a local representative. Therefore, these activities are not improper.

The term 'improperly' is not defined in the Code of Conduct. This ensures that the scope of the provision is not unnecessarily limited. The underlying principle is that councillors are elected or appointed to public office to serve the public interest.

A councillor's conduct would be improper if they were to use their public position to further private interests of themselves or associates, or to settle old scores with enemies, to the detriment of the public interest. Any conduct that unfairly uses a councillor's public position to promote private interests over the public interest will be improper.

### **What if the attempt to confer an advantage or disadvantage fails?**

The wording of the Code of Conduct makes it clear that the use of position provision (paragraph 6) covers failed attempts as well as situations where an advantage or disadvantage has actually been achieved.

For example, if you have tried to influence fellow councillors to vote in a particular way which would be to your personal advantage and/or that of your family/close associates you would have breached this provision of the code even if they did not in fact vote that way.

### **Examples**

Most alleged improper uses of position are in connection with matters in which the councillors have interests.

A councillor who was a 'joint co-ordinator' of a community group did not notify the local authority of her position in this group. She took part in the considerations and voted on the decision to negotiate a new lease in respect of a workshop used by this community group. A standards committee found that she had used her position improperly as the decision

on which she voted benefited a group in which she clearly had an interest which she had not disclosed to the local authority.

A local authority leader failed to declare a conflict of interest relating to land he owned. The court found that he used his position as a councillor and instructed a planning officer to alter the road route to benefit his own land's value to a considerable extent. He was found guilty of misconduct in public life for trying to influence the route of a new by-pass to enclose his land in a new development belt, which would have significantly increased its value. He received an 18-month custodial sentence.

A parish councillor was found to have improperly used his position and secured an advantage for a member of the public by asking the parish clerk to make a payment which had not been approved by the Parish Council in breach of the Code of Conduct. The payment was for repairs to a private road used by the councillor to get to his allotment.

## **Misuse of resources and facilities**

### **As a councillor:**

#### **7.1 I do not misuse local authority resources.**

#### **7.2 I will, when using the resources of the local authority or authorising their use by others:**

- 1. act in accordance with the local authority's requirements; and**
  - 1. ensure that such resources are not used for political purposes unless**
    - 1. that use could reasonably be regarded as likely to facilitate, or**
    - 2. be conducive to, the discharge of the functions of the local authority or of the office to which I have been elected or appointed.**

You may be provided with resources and facilities by your local authority to assist you in carrying out your duties as a councillor.

Examples include:

- office support
- stationery
- equipment such as phones, and computers
- transport
- access and use of local authority buildings and rooms

These are given to you to help you carry out your role as a councillor more effectively and are not to be used for business or personal gain. They should be used in accordance with the purpose for which they have been provided and the local authority's own policies regarding their use.

You must make sure you use the authority's resources for proper purposes only. It is not appropriate to use, or authorise others to use, the resources for political purposes, including party political purposes. When using the authority's resources, you must have regard, if applicable, to any Local Authority Code of Publicity made under the Local Government Act 1986.

**The recommended code of practice for local authority publicity** published by Ministry of Housing, Communities & Local Government provides guidance on the content, style, distribution, and cost of local authority publicity.

You must be familiar with the rules applying to the use of resources made available to you by your local authority. Failure to comply with the local authority's rules is likely to amount to a breach of the code.

If you authorise someone (for example a member of your family) to use your local authority's resources, you must take care to ensure that this is allowed by the local authority's rules.

You should never use local authority resources for purely political purposes, including designing and distributing party political material produced for publicity purposes.

However, your authority may authorise you to use its resources and facilities for legitimate political purposes in connection with your authority's business. For example, holding surgeries in your ward and dealing with correspondence from your constituents. In this case, you must be aware of the limitations placed upon such use for these purposes. Using your authority's resources outside of these limitations is likely to amount to a breach of the Code of Conduct. Where you are part of a formally-recognised political group, your local authority is also allowed to give you such resources as you need for local authority business, for example use of a room for group meetings.

You should never use local authority resources purely for private purposes, for example using a photocopier to print off flyers for your business unless your local authority's procedures allow for you to repay any costs accrued.

**What are the "resources of the local authority"?**

The resources of the local authority include services and facilities as well as the financial resources of the authority.

Resources could include any land or premises, equipment, computers, and materials. The time, skills, and assistance of anybody employed by the authority, or working on its behalf, are also resources, as is information held by the authority which it has not published.

### **What constitutes using resources “improperly for political purposes”?**

The code acknowledges that party politics has a proper role to play, both in the conduct of authority business and in the way that councillors carry out their duties.

There will be times when it is acceptable for political groups to use the resources of the local authority, for example, to hold meetings in authority premises. Often it is impractical to separate a councillor’s political campaigning from carrying out their duties as an elected ward member, such as when they hold surgeries or deal with correspondence from constituents.

However, councillors and monitoring officers will need to exercise considerable care to ensure that this provision is not abused. You must ensure that there is a sufficient connection between the use of resources and the business of the authority. Only **improper** use of resources will be a breach of the Code of Conduct.

This part of the code complements Section 2 of the Local Government Act 1986, which prevents the publication of material "designed to affect public support for a political party". The code, however, goes further than the Code of Recommended Practice on Publicity. It covers not only the publication of campaigning material but also any other activity that is intended to promote purely party-political interests.

You must have regard to any applicable local authority code of publicity made under the powers contained in Section 4 of the Local Government Act 1986. Publicity is defined as “any communication, in whatever form, addressed to the public at large or to a section of the public”. It will cover meetings, websites, and social media postings as well as printed and other written material.

You should be particularly scrupulous about the use of authority resources when elections are pending, particularly those resources relating to publicity. When using the local authority’s resources in these

circumstances, you should not appear to be seeking to influence public opinion in favour of you, your party colleagues, or your party.

### **How do you know what the authority's requirements for the use of resources are?**

Your local authority should have a protocol dealing with use of authority resources. A typical protocol would cover the following topics:

- use of authority premises
- councillor-officer relationships including use of officer time
- information technology, for example computer equipment and the use of associated software, including the use of such equipment at home
- telephones
- photocopying
- use of stationery and headed notepaper
- postage
- use of authority transport
- allowances and expenses

Your local authority may also have a separate protocol on the use of social media which would also be relevant.

The key principle underlying all such protocols should be that public office and public resources should not be used to further purely private or party-political purposes.

It is worth noting that where you authorise someone such as a family member to use the authority's resources, you must check whether the authority's rules allow this.

#### **Examples**

The complaint alleged a councillor used his computer equipment provided by his local authority for private purposes by downloading inappropriate adult pornographic images and sending a number of letters to a local newspaper, which he falsely represented as being from members of the public. He was found to have misused the local authority's equipment in breach of the code and had brought his office into disrepute.

A councillor used local authority notepaper in an attempt to avoid parking penalties incurred by his son. He also dishonestly attempted to renew a parking permit for disabled drivers. He was convicted of attempting, by deception, to evade the parking penalties dishonestly. He was also found by his local authority to have breached this paragraph of the code.

### **Complying with the Code of Conduct**

It is extremely important for you as a councillor to demonstrate high standards, for you to have your actions open to scrutiny and for you not to undermine public trust in the local authority or its governance. If you do not understand or are concerned about the local authority's processes in handling a complaint you should raise this with your monitoring officer.

## **As a councillor:**

### **8.1 I undertake Code of Conduct training provided by my local authority.**

Councillors should be competent for the work they undertake, and this includes the way in which you conduct yourself when carrying out your role as a councillor. Training helps to develop such competence, ensuring that you understand the Code of Conduct and how it applies to you.

As a councillor you are responsible for your own actions and will be held personally responsible if you breach your local authority's Code of Conduct. Therefore, it is essential that, where you are offered the opportunity by your local authority, you equip yourself with sufficient knowledge of the code to ensure that you comply with it at all times.

### **8.2 I cooperate with any Code of Conduct investigation and/or determination.**

The Code of Conduct is a cornerstone of good governance. It is important for public trust that it is seen to be taken seriously by individual councillors as well as the local authority as a whole.

While being the subject of a complaint that you have breached the Code of Conduct and having your conduct investigated may at times be unpleasant and stressful it is essential that councillors cooperate with any code investigations and determinations. Failure to cooperate will not stop an investigation but may simply drag matters and does not allow you to put your side of the story so increases the risk that inferences are drawn about your unwillingness to cooperate and that you will be found in breach of the Code.

It is equally important if you have made a complaint which the local authority has decided merits investigation that you continue to cooperate. Complaints made simply to damage the reputation of an individual through inferences but which you are not willing to support through your cooperation will damage relationships and will also damage the reputation of you and your local authority.

If you are asked to assist the investigator as a potential witness it is again important that you do so to allow as fully rounded a picture as possible to

be drawn so that any determination on a case has as much evidence as necessary in order to reach the correct decision. You should let the investigator know if you need any reasonable adjustments made.

### **8.3 I do not intimidate or attempt to intimidate any person who is likely to be involved with the administration of any investigation or proceedings.**

However much you may be concerned about allegations that you or a fellow councillor failed to comply with the Code of Conduct, it is always wrong to intimidate or attempt to intimidate any person involved in the investigation or hearing. Even though you may not have breached the Code of Conduct, you will have your say during any independent investigation or hearing, and you should let these processes follow their natural course. If you seek to intimidate a witness in an investigation about your conduct, for example, you may find yourself subject to another complaint that you breached this paragraph of the Code of Conduct.

### **When does the duty not to intimidate start and avoiding allegations of intimidation?**

Once there is the possibility of a complaint that the Code of Conduct has been broken, councillors need to be alert to how their behaviour towards potential witnesses or officers involved in handling of their case may be viewed. However innocently the contact is intended or may appear, great care should be taken when councillors deal with people involved with their case.

You should refer to your local authority's procedures and protocol for dealing with alleged breaches of your Code of Conduct.

### **8.4 I comply with any sanction imposed on me following a finding that I have breached the Code of Conduct.**

Fair, consistent, and proportionate sanctions help to ensure the integrity of the standards framework and thus maintain public trust and confidence in councillors, your role, and your authorities. It is important that councillors and local authorities take standards of conduct seriously and the use of sanctions helps to demonstrate this.

Failure to comply with sanctions can bring the standards framework into disrepute.

## **Part 3 – Protecting your reputation and the reputation of the local authority**

The code requires you to register matters under 2 separate categories:

1. Gifts and hospitality, you receive in your role as a councillor; and
2. Certain types of interests

## **Registration of gifts, hospitality and interests**

### **Gifts and hospitality**

**As a councillor:**

**9.1 I do not accept gifts or hospitality, irrespective of estimated value, which could give rise to real or substantive personal gain or a reasonable suspicion of influence on my part to show favour from persons seeking to acquire, develop or do business with the local authority or from persons who may apply to the local authority for any permission, licence or other significant advantage.**

**9.2 I register with the monitoring officer any gift or hospitality with an estimated value of at least £50 within 28 days of its receipt.**

**9.3 I register with the monitoring officer any significant gift or hospitality that I have been offered but have refused to accept.**

In order to protect your position and the reputation of the local authority, you should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a councillor. The presumption should always be not to accept significant gifts or hospitality. However, there may be times when such a refusal may be difficult if it is seen as rudeness in which case you could accept it but must ensure it is publicly registered.

However, you do not need to register gifts and hospitality which are not related to your role as a councillor, such as Christmas gifts from your friends and family. It is also important to note that it is appropriate to accept normal expenses and hospitality associated with your duties as a councillor. If you are unsure, do contact your monitoring officer for guidance.

#### **What does “hospitality” mean?**

Hospitality can be defined as any food, drink, accommodation, or entertainment freely provided or heavily discounted.

#### **How much detail should I include on the register?**

Where you register gifts or hospitality you should include the name of the person or organisation who gave you the gift or hospitality; the date on which you received it; the reason it was given; and its value or estimated value.

### **How do I know if gifts or hospitality have been offered to me because of my role as a councillor?**

The code says you must register any gift or hospitality received *in your capacity as a councillor* if the estimated value exceeds £50 or such other limit as agreed by your local authority.

You should ask yourself whether you would have received the gift or hospitality if you were not on the local authority. If you are in doubt as to the motive behind an offer of a gift or hospitality, we recommend that you register it or speak to the clerk or monitoring officer before deciding whether to accept it. You should also refer to the local authority's policy on gifts and hospitality.

You do not need to register gifts and hospitality which are not related to your role as a councillor, such as Christmas gifts from your friends and family, or gifts which you do not accept. However, you should apply common sense when you consider how receipt of a gift might be interpreted. For example, if you are the chair of the planning committee and a birthday present arrives from a family friend who is also an applicant just before a planning application is due to be considered, then you need to think about how this would be interpreted by a reasonable member of the public.

### **What about gifts or hospitality I do not accept?**

The code makes it clear that the presumption is that you do not normally accept gifts or hospitality. While gifts or hospitality can be offered for benign reasons it is important for your reputation, the reputation of the local authority and the need to reassure the public that decision-making is not being improperly influenced that you do not accept gifts or hospitality wherever possible.

Simply accepting gifts or hospitality and then registering it does not mean that it may be seen as reasonable. Accepting an expensive meal from somebody who is negotiating for a contract with the council, for example, is not 'made right' by being recorded on a public register.

There will be times, however, where turning down hospitality or gifts could be seen as causing unnecessary offence. For example, if you have been invited as a ward councillor to a local festival or faith celebration along with

other members of the community then it may be entirely appropriate to accept the hospitality. However, you should always exercise particular caution if the organisers are involved in ongoing negotiations with the local authority on a particular matter.

Where you are offered a gift or hospitality but decline it you should nevertheless notify the monitoring officer. That helps the authority to identify if there are any patterns and to be aware of who might be seeking to influence the authority.

### **What about gifts or hospitality that falls below the limit in the code?**

You should always notify the monitoring officer of any gift or hospitality offered to you if it could be perceived as something given to you because of your position, especially where the gift or hospitality is from somebody who has put in an application to the local authority (or is about to) even where that hospitality falls below £50 or the limit set by the local authority.

While that would not be a matter for the public register it again allows the authority to be aware of any patterns.

Also, an accumulation of small gifts you receive from the same source over a short period of say a couple of months that add up to £50 or over should be registered in the interests of transparency.

### **What if I do not know the value of a gift or hospitality?**

The general rule is, if in doubt as to the value of a gift or hospitality, you should register it, as a matter of good practice and in accordance with the principles of openness and accountability in public life. You may therefore have to estimate how much a gift or hospitality is worth. For example, if you attend a dinner as a representative of the authority which has been pre-paid by the sponsors you would need to make an informed judgment as to its likely cost.

### **What if I'm at an event but don't have the hospitality or only have a small amount?**

The best way to preserve transparency is for you to assess the hospitality on offer, whether it is accepted or not. This is because it would clearly not be in your interests to be drawn into arguments about how much you yourself ate or drank at a particular occasion. For example, you may find yourself at a function where relatively lavish hospitality is on offer, but you choose not to accept it. You may go to a champagne reception but drink a single glass of orange juice for example.

As a guide you should consider how much a person could reasonably expect to pay for an equivalent function or event run on a commercial basis. What you have been offered is the value of the event regardless of what you actually consumed. Clearly where you are in any doubt the prudent course is to register the hospitality.

### **Is there a minimal threshold where I wouldn't have to notify the monitoring officer?**

The code is about ensuring that there is transparency and accountability about where people may be trying to influence you or the local authority improperly. However, in the course of your duties as a councillor you will be offered light refreshments or similar on many occasions. It is perfectly acceptable to have a cup of tea or biscuits at a meeting with residents at the local community centre for example and there may be times when an external meeting lasts all day and the organisers offer you a sandwich lunch and refreshments.

The Government's guide to the Bribery Act for employers says that 'the Government does not intend that genuine hospitality or similar business expenditure that is reasonable and proportionate be caught by the Act, so you can continue to provide bona fide hospitality, promotional or other business expenditure. In any case where it was thought the hospitality was really a cover for bribing someone, the authorities would look at such things as the level of hospitality offered, the way in which it was provided and the level of influence the person receiving it had on the business decision in question. But, as a general proposition, hospitality or promotional expenditure which is proportionate and reasonable given the sort of business you do is very unlikely to engage the Act.'

You should use your discretion and think how it might look to a reasonable person but always seek the views of the monitoring officer or clerk where you are a parish councillor if in doubt.

### **What are 'normal expenses and hospitality associated with your duties as a councillor'?**

As well as the minimal threshold hospitality above there will be times when you are paid expenses which include an element for food and drink as part of your role.

The focus of the code is on the source of the hospitality and its nature. Hospitality does not need to be registered where it is provided or reimbursed by the authority or where it is clearly ancillary to the business being conducted, such as an overnight stay for an away-day. Therefore,

hospitality at a civic reception or mayor's ball would not need to be registered.

However, the hospitality should be registered if it is provided by a person or body other than the authority and is over and above what could reasonably be viewed as ancillary to the business conducted. You might meet dignitaries or business contacts in local authority offices. However, if such meetings take place in other venues, such as at cultural or sporting events, this should be registered as hospitality.

If you are away at a conference and you are offered entertainment by a private company or individual or attend a sponsored event you should consider registering it.

### **What if my role involves me attending regular events or receiving gifts or hospitality?**

Some roles in a local authority will inevitably involve being offered more entertainment than others because of the 'ambassadorial' nature of the role. For example, the mayor or chair of the authority will be invited to a large number of functions and the leader of the local authority may be attending events as political leader of the local authority.

Although the mayor or chair, for example, may attend many social functions, they are not exempt from the requirement to register hospitality as individual councillors. However, where the hospitality is extended to the office holder for the time being rather than the individual, there is no requirement under the code to register the hospitality against your individual register. The question a councillor needs to ask themselves is, "Would I have received this hospitality even if I were not the mayor/chair?" If the answer is yes, then it must be registered.

If matters are recorded on a mayor or chair's register any entry on the register should make it clear that gifts or hospitality are being accepted because of the office held and, where possible, any gifts accepted should be 'donated' to the local authority or to charity or as raffle prizes for example.

Gifts that are clearly made to the local authority, for example a commemorative goblet which is kept on display in the local authority's offices, do not need to be registered in the councillor's register of gifts and hospitality. However, such gifts ought to be recorded by the local authority for audit purposes.

### **Register of interests**

Section 29 of the Localism Act 2011 requires the monitoring officer to establish and maintain a register of interests of members of the local authority.

You need to register your interests so that the public, local authority employees and fellow councillors know which of your interests might give rise to a conflict of interest. The register is a public document that can be consulted when (or before) an issue arises. The register also protects you by allowing you to demonstrate openness and a willingness to be held accountable. You are personally responsible for deciding whether or not you should disclose an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise. It is also important that the public know about any interest that might have to be disclosed by you or other councillors when making or taking part in decisions, so that decision-making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained.

Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the monitoring officer the interests which fall within the categories set out in **Table 1 (Disclosable Pecuniary Interests)** which are as described in “The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012”. You should also register details of your other personal interests which fall within the categories set out in **Table 2 (Other Registerable Interests)**.

You must register two different categories of interests:

1. Disclosable Pecuniary Interests – these are categories of interests which apply to you and your partner. The categories are set out in regulations made under s27 of the Localism Act 2011 and knowing non-compliance is a criminal offence.
2. Other registerable interests – these are categories of interest which apply only to you and which the LGA believes should be registered as an aid to transparency.

Further details about these two categories follow. For guidance on when these interests give rise to a matter which needs to be declared at a meeting see the **guidance on declaring interests in Part 3**.

## **Disclosable Pecuniary Interests**

These are interests which must be notified to the principal authority’s monitoring officer within 28 days of the code being adopted by your local authority or within 28 days from when you become a councillor in

accordance with the statutory requirements of the Localism Act 2011. These are enforced by criminal sanction, and failure to register or declare such an interest at a meeting is a criminal offence. You must keep your register up to date so, as soon as a new interest needs to be registered or you cease to hold an interest, you should notify the monitoring officer.

A 'disclosable pecuniary interest' is an interest of yourself or your partner (which means spouse or civil partner, a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners) and the categories covered are set out in Appendix A of the Code.

## Offences

It is a criminal offence under the Localism Act 2011 to

- fail to notify the monitoring officer of any disclosable pecuniary interest within 28 days of election or co-option
- fail to disclose a disclosable pecuniary interest at a meeting if it is not on the register
- fail to notify the monitoring officer within 28 days of a disclosable pecuniary interest that is not on the register that you have disclosed to a meeting
- participate in any discussion or vote on a matter in which you have a disclosable pecuniary interest
- knowingly or recklessly provide information that is false or misleading in notifying the monitoring officer of a disclosable pecuniary interest or in disclosing such interest to a meeting.

The criminal penalties available to a court are to impose a fine not exceeding level 5 on the standard scale and disqualification from being a councillor for up to five years.

<b>Subject</b>	<b>Description</b>
<b>Employment, office, trade, profession or vocation</b>	Any employment, office, trade, profession or vocation carried on for profit or gain.
<b>Sponsorship</b>	Any payment or provision of any other financial benefit (other than from the council) made to the

councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses.

This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

## **Contracts**

Any contract made between the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director\* or a body that such person has a beneficial interest in the securities of\*) and the council:

- (a) under which goods or services are to be provided or works are to be executed; and
- (b) which has not been fully discharged.

Any beneficial interest in land which is within the area of the council.

## **Land and Property**

'Land' excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners (alone or jointly with another) a right to occupy or to receive income.

## **Licences**

Any licence (alone or jointly with others) to occupy land in the local authority for a month or longer  
Any tenancy where (to the councillor's knowledge)—

## **Corporate tenancies**

- (a) the landlord is the council; and
- (b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners is a

partner of or a director\* of or has a beneficial interest in the securities\* of.

Any beneficial interest in securities\* of a body where—

(a) that body (to the councillor's knowledge) has a place of business or land in the council; and

(b) either—

(i) the total nominal value of the securities\* exceeds £25,000 or one hundredth of the total issued share

## Securities

capital of that body; or

(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/ her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

\* director' includes a member of the committee of management of an industrial and provident society.

\* 'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

### **Does 'office carried on for profit or gain' include allowances I may receive from another local authority I sit on?**

If you receive allowances which are treated as taxable income rather than simply being pure reimbursement of expenses, say, then they do need to be registered and declared as appropriate.

Reimbursement of expenses is separately covered by the DPI category 'sponsorship' and makes clear that it excludes the need to register or

declare reimbursement of expenses from one's own authority. However, that does not exclude any allowances received from another authority. This is supported by a letter written by the then Minister Brandon Lewis to Desmond Swayne MP in 2013 when this issue was raised with Government which said: "a member being in receipt of taxable members' allowances may be considered to give rise to a disclosable pecuniary interest under the subject of 'Employment, office, trade or vocation' set out in the regulations.

That means that any member in receipt of taxable allowances from another authority would have to register such as a DPI. For example, a parish councillor who is also a district councillor and is in receipt of taxable allowances from the district would need to register that fact.

### **How much detail do I need to put about my employment?**

It is not enough simply to put, for example, 'management consultant' or 'teacher'. Sufficient detail should be given to identify your company or employer. This aids transparency and allows people to see where potential conflicts of interest may arise.

Where you have a sensitive employment, which should not be disclosed you should discuss this with your monitoring officer (see 'sensitive interests' below). While the law on sensitive interests only applies to where there is a fear of intimidation there may be employment, such as certain sections of the military, which cannot be disclosed for other reasons so you should always seek advice if in doubt.

### **What is a contract with the local authority?**

Some councillors' own businesses which may have dealings with the local authority. For example, a grounds maintenance company may contract with a parish council for grass cutting. Such contracts should be included on the register of interests.

More broadly, councillors, as residents, may have dealings with the local authority in their personal lives. For example, some councillors pay their own local authority to have garden waste collections, rent an allotment or may be a member of the gym of a local authority operated leisure centre. Such arrangements form a subscription service that are open to all residents, and do not require registration.

### **How much detail is required of landholdings?**

Sufficient detail should be given to identify the land in question.

An address and, where the address is not sufficient, details that are sufficient to identify the land will usually meet the requirement. A plan identifying the land may be useful in some situations but is not a requirement.

### **Do you have to register the landholdings of your employers or bodies you have shareholdings in?**

In general, there is no requirement to list the landholdings of companies or corporate bodies included in the register. The only requirement is to register any tenancy between such bodies and the authority (under the corporate tenancies). Obviously, you can only be expected to register those you ought reasonably to be aware of, so, for example, if you work for a large housebuilder you may not be aware of which land in the local authority's area they had options on.

You do need to be mindful of your level of control in the company and the effect this may have on your benefit from the land. For example, if you and your spouse jointly owned a farming business, you would be the sole beneficiaries of any land owned by that farm and as such it is strongly advised to register land held by companies in which you have a controlling interest.

### **What about my home and tenancies?**

The most common beneficial interest in land councillors have is their home address. You should include in here your home if you live in it; whether that be as a result of a mortgage, tenancy, or other arrangement (for example, a councillor is living with their parents but not paying a rental fee to them).

You should also include in the section for beneficial interests in land any tenancy properties you own in the local authority's area.

### **How much information do you have to give out about shareholdings?**

In general, if you hold more than £25,000 of equity in a company, or more than 1 per cent of a shareholding, you are required to declare this.

Many councillors hold investments through trust funds, investment funds or pension funds which are managed by fund managers. In that situation, you may not know if you actually hold more than £25,000 in a single company or more than 1 per cent of a shareholding. The expectation is that you should take reasonable steps to ensure you do understand what investments you may have and whether the requirement to register applies, and so:

1. It can be helpful for councillors to state on their form that they have funds invested in specific funds.
2. It can be helpful for councillors to make fund managers aware of their requirement to declare where they hold significant investments within a company that operates in the local authority's area so that they can be notified if this is the case.

### **Do I have to separate my spouse/partners interests and my own interests?**

The law only requires you to register the interests, and you are not required specifically to state whether the interest is held by you, or by your spouse. However, many local authorities do ask for this information as it can be more transparent to separate it.

### **How much information do I need to obtain from my spouse/partner?**

You need to make sure you take all reasonable steps to obtain information from your spouse or partner about their interests. For example, you would reasonably be expected to know where they worked, or if they owned any rental properties. You would be expected to ask if they had any shareholdings in companies, but they may not know the full details of an investment fund they had and where it was invested, and if that were the case, you would not be expected to know (and register) it either.

### **Other registerable interests**

In addition to the Disclosable Pecuniary Interests above, you must, within 28 days of the code being adopted by your local authority, or your election or appointment to office (where that is later), notify the monitoring officer in writing of the details of your interests within the following categories, which are called 'other registerable interests':

- (a) Details of any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by your local authority;
- (b) Details of any body of which you are a member or in a position of general control or management and which –
  - exercises functions of a public nature
  - is directed to charitable purposes, or
  - is a body which includes as one of its principal purposes influencing public opinion or policy

(c) Details of any gifts or hospitality with an estimated value of more than £50 or such other limit as your local authority has agreed, that you receive personally in connection with your official duties.

With Other Registerable Interests, you are only obliged to register your own interests and do not need to include interests of spouses or partners. Therefore, a spousal interest in a local group is not registerable as an 'other registerable interest'. Failure to register these interests is **not** covered by the criminal offence but would be a breach of the code.

### **What is a “body exercising functions of a public nature”?**

Although it is not possible to produce a definitive list of such bodies, here are some criteria to consider when deciding whether or not a body meets that definition -

- does that body carry out a public service?
- is the body taking the place of local or central government in carrying out the function?
- is the body (including one outsourced in the private sector) exercising a function delegated to it by a public authority?
- is the function exercised under legislation or according to some statutory power?
- can the body be judicially reviewed?

Unless you answer “yes” to one of the above questions, it is unlikely that the body in your case is exercising functions of a public nature.

Examples of bodies included in this definition: government agencies, other councils, public health bodies, council-owned companies exercising public functions, arms-length management organisations carrying out housing functions on behalf of a council, school governing bodies.

### **Do local campaigning or Facebook groups need to be registered?**

Membership (which does not include simply being on a mailing list), of local campaign or Facebook groups will only need to be registered if they are bodies:

- exercising functions of a public nature;
- directed towards charitable purposes; or
- one whose principal purpose includes influencing public opinion or policy.

Generally, it is unlikely that these groups will be regarded as formal bodies to be registered. However, each case should be considered on its own

merits. 'A Body' is defined as 'a number of persons united or organised'. Some groups are very united on their cause and organised, but their purpose must fall under one of the functions listed above.

There must also be some formality to the membership, such as registration for example. Simply attending a meeting of a local campaign does not of itself make you a 'member' of that organisation.

There has been a growth in organisations which are more nebulous in nature, and no formal membership requirements exist, such as Extinction Rebellion. It can be helpful to ask yourself the question "do I consider I am a member of the organisation" and if the answer is yes, then register the membership for transparency purposes.

If you need further information or specific advice, please speak to your clerk or monitoring officer.

### **What about membership of a political party or trade union?**

The second category of other registerable interests refers to membership of a body or being in a position of general control and management of a body, one of whose principal purposes includes the influence of public opinion or policy. This includes any political party or trade union. Memberships of political parties and Trade Unions therefore need to be registered. Remember that if because of membership of a political party or a trade union any payment or financial benefit is received, it is likely to come under the Sponsorship category of DPI.

### **Sensitive interests**

Where you consider that disclosure of the details of an interest could lead to you, or a person connected with you, being subject to violence or intimidation, and the monitoring officer agrees, if the interest is entered on the register, copies of the register that are made available for inspection and any published version of the register will exclude details of the interest, but may state that you have an interest, the details of which are withheld.

### **What is sensitive information?**

It may include your sensitive employment (such as certain scientific research or the Special Forces) which is covered by other legislation or interests that are likely to create serious risk of violence or intimidation against you or someone who lives with you. For example, disclosure of your home address where there has been a threat of violence against you or where there is a court order protecting your whereabouts.

You should provide this information to your monitoring officer and explain your concerns regarding the disclosure of the sensitive information; including why it is likely to create a serious risk that you or a person who lives with you will be subjected to violence or intimidation. You do not need to include this information in your register of interests, if your monitoring officer agrees, but you need to disclose at meetings the fact that you have an interest in the matter concerned (see guidance on declaring interests).

### **What happens if the monitoring officer does not agree that the information is sensitive?**

It is for the monitoring officer to decide if the information is sensitive. You must notify the monitoring officer of the information which you think is sensitive and give your reasons and any supporting evidence.

If the monitoring officer agrees, this information does not need to be included in the register of interests. However, if the monitoring officer disagrees then it must be registered.

### **What happens if the information stops being sensitive?**

You must notify the monitoring officer of any change in circumstances which would mean that the sensitive information is no longer sensitive within 28 days of the change, for example a change in employment. The information would then be included in the authority's register of interests.

### **I haven't received a direct threat, but I am concerned about registering my home address.**

At present, councillors are required to register their home address as part of their local authority's register of interests which are typically published on their local authority website. There have been growing concerns about the potential for threats and intimidation to councillors by virtue of disclosing their home address. Whilst some councillors believe disclosing a home address is a core component of democracy and it is important for the public to know where a councillor may live as they may be making decisions that have an impact on their property, others are very concerned about it. Section 32 of the **Localism Act 2011** allows Local Authorities to withhold sensitive interests from the public register where their disclosure could lead to violence or intimidation. It is recommended that councillors should not be required to register their home addresses as a disclosable pecuniary interest. The **Committee on Standards in Public Life's** review of Local Government Ethical Standard recommended in January 2019 that councillors should not be required to register their home addresses as a disclosable pecuniary interest. However, at present the Government has not legislated for this.

It is important that if councillors have such concerns, they share these with the monitoring officer transparently and openly so they can be properly considered.

### **Who should you notify when registering your interests?**

The Localism Act and the Code both say that the monitoring officer is responsible for maintaining the register. You must therefore notify your monitoring officer of your interests to be registered. This is also true for parish councillors that you must notify the monitoring officer of the district, metropolitan or unitary authority for the area in which the parish council is situated.

However, the obvious point of contact for information of this type for the public is the parish clerk. The clerk needs to have an up-to-date copy of the register of interests in order to comply with public access requirements and there is a requirement for the parish council to publish the registers on their website where they have one, either directly or through a link to the relevant page on the principal authority's website. It also ensures that the clerk is aware of potential conflicts if they arise in a parish council meeting and can advise accordingly. It is therefore practical for the parish clerk to act as the point of contact between parish councillors and the relevant monitoring officer by collecting their interests together, passing them on and regularly asking councillors to review if there have been any changes.

However, you should ensure that there is a system in place for the parish clerk to pass on immediately any information to the relevant monitoring officer as each individual councillor is ultimately responsible for ensuring that the relevant monitoring officer is in possession of all the required information.

## **Declarations of interest**

### **As a councillor:**

#### **9.1 I register and disclose my interests.**

Section 29 of the Localism Act 2011 requires the monitoring officer to establish and maintain a register of interests of members of the authority.

You need to register your interests so that the public, local authority employees and fellow councillors know which of your interests might give rise to a conflict of interest. The register is a public document that can be consulted when (or before) an issue arises. The register also protects you by allowing you to demonstrate openness and a willingness to be held accountable. You are personally responsible for deciding whether or not

you should disclose an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise. It is also important that the public know about any interest that might have to be disclosed by you or other councillors when making or taking part in decisions, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained.

You should note that failure to register or disclose a disclosable pecuniary interest as set out in **Table 1 of the Code**, is a criminal offence under the Localism Act 2011.

**Appendix B of the Code sets** out the detailed provisions on registering and disclosing interests. If in doubt, you should always seek advice from your monitoring officer.

This part of the Code is about the registering of your interests and then how to go about declaring or managing your interests.

At heart there is a simple principle – as public decision-makers, decisions must be made in the public interest and not to serve private interests. However, the rules to set out whether you have an interest or not in any given situation can be complex given the infinite variety of issues that may arise. This guidance is to help you steer a way through those rules.

The Code therefore requires members to declare interests in certain circumstances. Disclosure, in the register and at meetings, is about letting members of the public and interested parties know where you are coming from when involved in decision making and is to enable you to be ‘up front’ about who you are and what your conflicts of interest might be. Conflicts of interest in decision making as a councillor, and what in public law is known as ‘apparent bias’, are an established part of the local government legal landscape. The Nolan Principles and the Model Code require councillors to act impartially (i.e. not be biased) when carrying out their duties. **(See also guidance on bias and predetermination in Part 3)**

A single councillor who is guilty of bias is enough to strike out the whole decision when challenged before the courts. This can cause huge cost and reputational damage for the local authority, yet is seldom due to actual corruption or even consciously favouring a personal interest over the public interest on the part of the councillor involved and may have no repercussions for them personally.

The object of this part of the Code is therefore twofold.

Firstly, it is to provide an explanation and a guide to the public and councillors as to what is or isn't a conflict of interest and then how a conflict between the interest you may hold as an individual councillor and the public interest you must hold as a decision maker of a public authority can be best managed.

Secondly, the Code provides a means to hold an individual councillor to account for their actions when they fail to manage that conflict of interest properly and put the decision of the public authority, including the public purse, and decisions around individuals' daily lives, at risk.

The test at law for apparent bias is 'would a fair-minded and informed observer, having considered the facts, conclude that there was a real possibility of bias'. This is why you will see this question reflected in the Code when you are asked to consider whether or not you should participate in a meeting where you have a conflict of interest.

The code contains three different categories of interests – **Disclosable Pecuniary Interests (DPI); Other Registerable Interests (ORI); and Non-Registerable Interests (NRI)**.

For the first two categories these are interests which must be recorded on a public register except in limited circumstances ([see guidance on Registration of Interests in Part 3](#)). The third category do not need to be recorded on the register but will need to be declared as and when they arise.

This means an interest may arise not just from interests already on your register. There will also be times when, although the interest does not personally involve you, it may involve a relative or close associate. You are not expected to register every interest of those people, but you will need to declare them as and when they might arise. These are referred to in the code as '**non-registerable interests**'.

As a brief summary, the requirements of the code apply where:

1. you or someone you are associated with has an interest in any business of your authority, and;
2. where you are aware or ought reasonably to be aware of the existence of that interest, and
3. you attend a meeting of your authority at which the business is considered (or where you are making a delegated decision as an individual under executive arrangements).

You must disclose to that meeting the existence and nature of your interests at the start of the meeting, or when the interest becomes apparent. It is usual to have for any declarations of interest at the start of the meeting but it is good practice also to ask again at the start of any agenda item. For example, members of the public may only be present for a specific item so will not have heard the declaration at the start, and a member may only become aware of the interest part-way through the meeting or item in any case.

And there will be times that because your interest is so close to the matter under discussion you will not be able to take part in that item of business. Those circumstances are explained in greater detail for each category of interest below.

This means there are three types of interest which you may have to declare:

**Disclosable Pecuniary Interests (Part A of the Register); Other Registerable Interests (Part B); and Non-registerable interests.**

Guidance is given below on each of these categories in turn.

## **Disclosable Pecuniary Interests** **(Annex B, paragraphs 4 and 5)**

Disclosable Pecuniary Interests (or 'DPIs') were introduced by s30 of the Localism Act 2011. They are a category of interests which relate to the member and/or their partner, such as financial interests of you or your partner such as your house or other property, or if you have a job or own a business. The categories are set out in regulations made under the Act and are in **Table 1 of Annex B of the Code**.

**'Partner'** is defined by regulations as your 'spouse or civil partner, a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners.'

They must be registered and, where they come up in a meeting, declared. Failure knowingly to register or declare a DPI is a criminal offence under the Localism Act.

The Localism Act says that if you are present at a meeting of the Council, or any committee, sub-committee, joint committee or joint sub-committee of

the authority, and you have a disclosable pecuniary interest **in any matter to be considered or being considered at the meeting:**

- you may not participate in any discussion of the matter at the meeting
- you may not participate in any vote taken on the matter at the meeting
- if the interest is not registered, you must disclose the interest to the meeting
- if the interest is not registered and is not the subject of a pending notification, you must notify the monitoring officer of the interest within 28 days.

The Act says you need to declare the nature of the interest only if it is not on the public register. In addition, your authority's rules might require you to leave the room where the meeting is held while any discussion or voting takes place.

However, the Model Code states that it is important to declare the nature of the interest and to withdraw while the item is being dealt with. This aids transparency for the public and helps avoid accusations that you may be seeking to influence the outcome by remaining in the room even if your local authority's rules don't explicitly require it.

If you have a **DPI**, you may in certain circumstances be granted a dispensation to take part (see guidance on **Dispensations in Part3**).

### **When does a Disclosable Pecuniary Interest arise?**

The Localism Act uses the phrase 'you have a DPI in any matter...'

This wording has led to some confusion as to what circumstances would lead to the need to declare a DPI. The Explanatory Notes to the Localism Act say that section 31 of the Act "requires a member of a relevant authority to disclose a disclosable pecuniary interest that they are aware of (apart from a sensitive interest), at a meeting or if acting alone, where any matter to be considered **relates to** their interest. ... It prohibits a member from participating in discussion or voting on any matter **relating to** their interest or, if acting alone, from taking any steps in relation to the matter (subject to any dispensations)." [our emphasis].

This means you have a Disclosable Pecuniary Interest (DPI) in a matter when the matter being discussed **directly relates** to your registered interest or that of your partner, rather than simply affecting it.

For example, if you have registered 1 Acacia Avenue as your address, you would have a DPI if you put in a planning application for 1 Acacia Avenue,

or if the whole of Acacia Avenue was being considered for a Resident Parking Zone.

You would not have a DPI if 3 Acacia Avenue had put in a planning application as the matter does **not directly relate** to your registered interest. You may however have a non-registerable interest (see below) as the application may indirectly affect your property.

### **Does setting the Council Tax or precept give rise to a DPI?**

The LGA is clear that you do not have a DPI simply if you are voting to set the Council Tax or precept. Guidance issued by the Government in 2013 made clear that ‘any payment of, or liability to pay, council tax does not create a disclosable pecuniary interest as defined in the national rules; hence being a council tax payer does not mean that you need a dispensation to take part in the business of setting the council tax or precept or local arrangements for council tax support.’

The Council Tax and precept are charges on all relevant properties in the area and do not directly relate to any single property in such a way as to give rise to a DPI. Members are therefore fully entitled to vote on the matter (subject to rules about Council tax arrears).

### **Other registerable interests**

#### **(Paras 6, 8 and 9 of Annex B)**

The second category of interests are ‘other registerable interests’ or ORIs.

If you have an ‘Other Registerable Interest’ – that is an interest which falls within the categories in Table 2 in Annex B - the Code says you should not participate in the relevant business in two circumstances:

1. when a matter directly relates to the finances or wellbeing of that interest. (para 6); or
2. when a matter affects the finances or wellbeing of that interest to a greater extent than it affects the majority of inhabitants; and a reasonable member of the public would thereby believe that your view of the public interest would be affected (paras 8 and 9).

### **An interest ‘directly relates’ to an outside body where the local authority is taking a decision which directly relates to the funding or wellbeing of that organisation**

For example, under a) if you are a member of a group which has applied for funding from the local authority, or if you are a member of an

organisation which has submitted a planning application, the decision directly relates to that organisation.

In such a case you must not take part in any discussion or vote on the matter. You can speak on the matter before withdrawing but only where the public are also allowed to address the meeting. For example, you may want to put forward the organisation's case as to why it has applied for funding, but representatives from competing organisations would also need to be able to make their case.

If the public are not allowed to address the meeting on that item, you would need, if necessary, to get another councillor who did not have an ORI to make any relevant case.

If the local authority is simply discussing that outside organisation but not making a decision which relates to its finances or wellbeing – for example discussing the annual report from the organisation – that does not directly relate to the organisation as there is no direct impact on the organisation which would give rise to a conflict of interest.

Under b) if you are on the committee of the local village hall and an application for a licence for another venue in the village is made which may take trade away from the village hall then the matter would affect the village hall and a reasonable person would believe that would affect your view of the public interest so those two tests are met.

You would not have an interest if the local authority was discussing early planning for an event, which may or may not be held in the village hall as there would be no direct financial impact at that time. When the plans crystallised then an interest would arise as a decision would be made which would have financial implications.

There will also be circumstances where you do not need to declare an interest even though the matter may be relevant to the wider aims of an organisation of which you are a member. For example, if you are a member of a charity such as the Royal Society for the Protection of Birds (RSPB), you do not need to declare an interest every time the local authority might discuss matters relating to habitats or conservation issues. Those issues may reflect the wider aims of RSPB, but they do not directly relate to or affect the organisation and your mere membership of the organisation has no bearing on the matter.

If you were in a position of control or general management in that body and the organisation was campaigning actively on the specific issue being discussed or you personally were campaigning actively on that specific

issue the situation would be different. In those circumstances you may have an interest and there is a risk of predetermination. Where there is doubt you should always seek advice from the monitoring officer (or clerk if you are a parish councillor).

As with DPIs you can be granted a dispensation (see below) and if the interest has not been registered or notified to the monitoring officer you should do so within 28 days of the meeting.

## **Non-registerable interest**

### **(paras 7, 8 and 9 of Annex B)**

The third category of interests is Non-registerable interests or NRIs.

A **Non-registerable Interest** arises where the interest is that of yourself or your partner which is not a DPI or of a relative or close associate (see definition below).

As a councillor you are not expected to have to register the interests of your relatives or close associates but under the Code you are expected to declare them as and when relevant business occurs which affects their finances or wellbeing. The Code says you should not participate in the relevant business in two circumstances:

- **a.** when a matter directly relates to that interest. Or
- **b.** when a matter affects that interest to a greater extent than it affects the majority of inhabitants and
  - a reasonable member of the public would thereby believe that your view of the public interest would be affected

For example, under a) if your son has submitted an application for a licence to open a bar, the matter directly relates to your relative. You must not take part in any discussion or vote on the matter.

For example, under b) there has been an application made to build several units of housing on a field adjacent to your business partner's home. It is not their application, but they will be more affected by the application than the majority of people so again you would be expected to declare the interest and withdraw.

Similarly, an application for the property next door to you does not directly relate to your property so it is not a DPI, but you would instead need to declare a Non-Registerable Interest.

In all of these cases you can speak on the matter before withdrawing but only where the public are also allowed to address the meeting. If the public are not allowed to address the meeting on that item, you would need if necessary, to get another councillor who did not have an NRI to make any relevant case or to represent the wider views of constituents.

As with DPIs you can be granted a dispensation (see below).

### **What is the difference between ‘relates to’ and ‘affects’?**

Something relates to your interest if it is directly about it. For example, the matter being discussed is an application about a particular property in which you or somebody associated with you or an outside body you have registered has a financial interest.

‘Affects’ means the matter is not directly about that interest but nevertheless the matter has clear implications for the interest – for example, it is a planning application for a neighbouring property which will result in it overshadowing your property. An interest can of course affect you, your family or close personal associates positively and negatively. So, if you or they have the potential to gain or lose from a matter under consideration, an interest would need to be declared in both situations.

### **What does “affecting well-being” mean?**

The term ‘well-being’ can be described as a condition of contentedness and happiness. Anything that could affect your quality of life or that of someone you are closely associated with, either positively or negatively, is likely to affect your well-being. There may, for example, be circumstances where any financial impact of a decision may be minimal but nevertheless the disruption it may cause to you or those close to you could be significant. This could be on either a temporary or permanent basis. Temporary roadworks in your street may affect your wellbeing on a temporary basis. Closure of a local amenity may have a more permanent impact on your wellbeing if you use it more than the majority of people in the area.

### **What are the definitions of relative or close associate?**

The Code does not attempt to define “relative” or “close associate”, as all families vary. Some people may have very close extended families, but others will have more distant relations. You should consider the nature of your relationship with the person (eg whether they are a close family member or more distant relation). The key test is whether the interest might be objectively regarded by a member of the public, acting reasonably, as potentially affecting your responsibilities as a councillor. It would be a person with whom you are in either regular or irregular contact with over a

period of time who is more than an acquaintance. It is someone a reasonable member of the public might think you would be prepared to favour or disadvantage when discussing a matter that affects them. It may be a friend, a colleague, a business associate or someone whom you know through general social contacts. A close associate may also be somebody to whom you are known to show animosity as you might equally be viewed as willing to treat them differently.

### **What if I am unaware of the interest?**

You can only declare an interest in a matter if you are aware of the interest. For example, a company of which your father-in-law is a director may have made an application to the local authority. You may not be aware that he is a director, and you are not expected to have to ask about the business affairs of your relatives or acquaintances simply because you are a councillor. However, you would need to declare an interest as soon as you became aware.

A reasonable member of the public would expect you to know of certain interests of course, so it is, for example, reasonable that you would be expected to know your daughter's address or job but not necessarily any shareholdings she might have. While it is therefore your decision as to whether or not to declare an interest, you should always consider how it might seem to a reasonable person and if in doubt always seek advice from the monitoring officer.

### **Do I always have to withdraw if I have an 'other registerable interest' or a non-registerable interest to declare?**

Where you have declared a DPI the Localism Act says you must always withdraw from participation unless you have a dispensation.

If the matter is an 'other registerable interest' or a non-registerable interest you must always withdraw from participation where the matter directly relates to that interest unless you have a dispensation.

If it is something which affects the financial interest or wellbeing of that interest you are asked to declare it and the Code then asks you to apply a two-part test before considering whether to participate in any discussion and/or vote:

1. Does the matter affect the interest more than it affects the majority of people in the area to which the business relates?

For example, if a major development affects the settlement where your sister lives and your sister would be no more affected than anybody

else – for example, she lives at the other end of the settlement rather than next door to the development, the answer would be no. If the answer is yes, you then ask:

2. Would a reasonable member of the public knowing all the facts believe that it would affect your judgment of the wider public interest?

This is similar to the test for bias (*see guidance on predetermination and bias in Part 2*) and if the answer is yes to that question then you must not take part in the meeting.

You help to run a food bank and are considering a motion to investigate the causes of poverty. A reasonable member of the public would not think that fact would affect your view of the wider public interest.

You are over 65 and are taking part in a discussion about provisions for older people. You would be more affected than the majority, but a reasonable member of the public would not think that fact would affect your view of the wider public interest.

You are discussing closure of the local authority-run home where your elderly parent lives. A reasonable member of the public would think that fact would affect your view of the wider public interest because of the direct effect on your parent.

### **What does ‘withdraw from the meeting’ mean?**

When you withdraw from the meeting that means you must not be present in the room during the discussion or vote on the matter. If the public are allowed to speak at the meeting then you would be granted the same speaking rights as the public and would need to comply with the same rules – for example, giving notice in advance or abiding by time limits. However, unlike the public you would then withdraw once you had spoken.

This would be true at a committee meeting, for example, even if you are not a member of the committee but are simply attending as a member of the public. By staying in the room, even though you are not permitted to speak or vote, it is a long-held doctrine of case law that a councillor may still influence the decision or might gather information which would help in the furtherance of his or her interest. It is therefore in the public interest that a councillor, after having made any representations, should withdraw from the room, and explain why they are withdrawing.

These rules would apply to virtual meetings as they would to physical meetings. For example, after having spoken you should turn off your microphone and camera and may be moved to a 'virtual waiting room' while the item is discussed.

## **Executive decisions**

Where you are an executive member you should follow the same rules as above when considering a matter collectively – that is you should not take part in the decision where you have an interest applying the same rules as apply to other meetings above.

Where you have delegated decision-making power, you should not exercise that delegation in relation to matters where you have a disclosable pecuniary interest or another type of interest which would debar you from taking part in a meeting. Instead you should ask the executive to take the decision collectively without your participation.

Where you have been delegated non-executive powers under s.236 of the Local Government and Public Housing Act 2007 you should similarly follow this approach and your local authority may need to make that clear in its code if it is using that power.

## **Dispensations**

Wherever you have an interest the code allows you to apply for a dispensation. The Localism Act sets out arrangements for applying for a dispensation where you have a DPI but is silent about dispensations for other types of interest as they are not statutory interests. A similar process should however be set out in your constitution or Dispensation Policy for ORIs and NRIs.

A dispensation must be applied for in writing to the 'Proper Officer' (the monitoring officer or, in the case of a parish council, the clerk) in good time before the relevant meeting and will be considered according to the local authority's scheme of delegation for considering a dispensation. The circumstances whereby a dispensation may be granted are where -

1. It is considered that without the dispensation the number of persons prohibited from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business.
2. It is considered that without the dispensation the representation of different political groups on the body transacting any particular

business would be so upset as to alter the likely outcome of any vote relating to the business.

3. That the authority considers that the dispensation is in the interests of persons living in the authority's area.
4. That the authority considers that it is otherwise appropriate to grant a dispensation.

### **What is a 'sensitive interest'?**

There are circumstances set out in the Localism Act where you do not need to put an interest on the public register or declare the nature of an interest at a meeting although you would have to declare in general terms that you have an interest. These are so-called 'sensitive interests'.

An interest will be a sensitive interest if the two following conditions apply:

(a) That you have an interest (whether or not a DPI); and

(b) the nature of the interest is such that you and the monitoring officer consider that disclosure of the details of the interest could lead to you or a person connected to you being subject to violence or intimidation.

Where it is decided that an interest is a "sensitive interest" you must inform the monitoring officer of the interest so that a record is kept but it will be excluded from published versions of the register. The monitoring officer may state on the register that the member has an interest the details of which are excluded under that particular section.

Where the sensitive interest crops up in a meeting the usual rules relating to declaration will apply except that you will only be required to disclose that you hold an interest in the matter under discussion but do not have to say what that interest is. The Localism Act sets out the scheme where the DPI is a sensitive interest. Your local authority procedures should allow for similar arrangements for other registerable or declarable interests.

For example, if your sister has been subject to domestic violence such that the perpetrator has been served with a Domestic Violence Protection Order you would not be expected to disclose your sister's address to a meeting.

### **What do I do if I need advice?**

If you are unsure as to whether you have an interest to declare you should always seek advice from the monitoring officer (or the clerk if you are a parish councillor).

**The Golden Rule is be safe –seek advice if in doubt before you act.**

No.	TYPESPEAK*	VOTE	STAY	EXAMPLE	COMMENTS
				Awarding a contract to your own company	
1	DPI	N	N	N	Planning application for your property <i>Directly relates to DPI-foreseeable-narrow-criminal</i>
				Resident parking zone includes your house	
2a	ORI	If public allowed to	N	N	Awarding/withdrawing grant funding to a body of which you are a member e.g. village hall Granting planning permission to a body of which you are a member <i>Directly relates to finances-foreseeable-narrow-can "address" meeting if public can do, but not take part in discussion.</i>
2b	ORI	Test	Test	Test	Awarding grant funding to a body other than the body of which you are a member e.g. competitor to village hall <i>Affects finances or wellbeing-test (1) greater than majority of inhabitants and (2) reasonable public-affect view of public interest</i>
3a	NRI	If public allowed to	N	N	Determining an application submitted by your sister or your neighbour for a dog breeding licence Partner with free parking permit and policy review decision to be made Councillor objects in private capacity to neighbours planning <i>Directly relates to finances of you, partner (not a DPI)-a relative or close associate-Unforeseeable-can "address" meeting if public can do, but not take part in discussion.</i>

					application cannot sit on PC as statutory consultee	
3b	NRI	Test	Test	Test	Application for housing development on land near to partners business property	<i>Affects finances or well-being-test 1) greater than majority of inhabitants and (2) reasonable public-affect view of public interest</i>
					Your neighbour applies for planning permission	
					Road works noise outside your house	
2b/3b	NRI	Test	Test	Test	Odours from nearby refuse tip	<i>May not affect finances but Well-being=quality of life – apply 2-stage test</i>
					ASB from rough sleepers housed in B+B's nearby	

\*speak-take part in discussion, as opposed to addressing a public meeting as a member of the public where others can also address the meeting

Proximity in personal relationship and in physical proximity are often important factors in determining ability to speak and/or vote.

## **Bias and Predetermination**

Bias and predetermination are not explicitly mentioned in the Code of Conduct. The code provisions on declarations of interest are about ensuring you do not take decisions where you or those close to you stand to lose or gain improperly. **(See guidance on declarations of interest in Part 2)**

There is however a separate concept in law dealing with bias and predetermination which exists to ensure that decisions are taken solely in the public interest rather than to further private interests.

Both the courts and legislation recognise that elected councillors are entitled, and indeed expected, to have and to have expressed their views

on a subject to be decided upon by the local authority. In law, there is no pretence that such democratically accountable decision-makers are intended to be independent and impartial as if they were judges or quasi-judges.

Nonetheless, decisions of public authorities do involve consideration of circumstances where a decision-maker must not act in a way that goes to the appearance of having a closed mind and pre-determining a decision before they have all of the evidence before them and where they have to act fairly. Breaches of the rules of natural justice in these circumstances have and do continue to result in decisions of local authorities being successfully challenged in the courts. These issues are complex, and advice should be sought and given in the various situations that come up, which is why there are no direct paragraphs of the code covering this, although it does overlap with the rules on declarations of interest.

While declaring interests will to some extent deal with issues of bias, there will still be areas where a formal declaration is not required under the Code of Conduct, but councillors need to be clear that they are not biased or predetermined going into the decision-making process. Otherwise the decision is at risk of being challenged on appeal or in the Courts. To quote a leading judgment in this field "All councillors elected to serve on local councils have to be scrupulous in their duties, search their consciences and consider carefully the propriety of attending meetings and taking part in decisions which may give rise to an appearance of bias even though their actions are above reproach." [1]

The rules against bias say that there are three distinct elements.

The first seeks accuracy in public decision-making.

The second seeks the absence of prejudice or partiality on the part of you as the decision-maker. An accurate decision is more likely to be achieved by a decision-maker who is in fact impartial or disinterested in the outcome of the decision and who puts aside any personal strong feelings they may have had in advance of making the decision.

The third requirement is for public confidence in the decision-making process. Even though the decision-maker may in fact be scrupulously impartial, the appearance of bias can itself call into question the legitimacy of the decision-making process. In general, the rule against bias looks to the appearance or risk of bias rather than bias in fact, in order to ensure that justice should not only be done but should manifestly and undoubtedly be seen to be done.

To varying degrees, these “requirements” might be seen to provide the rationales behind what are generally taken to be three separate rules against bias: “automatic” (or “presumed”) bias, “actual” bias, and “apparent” bias.

[1] *Kelton v Wiltshire Council* [2015] EWHC 2853 (Admin)

The rationale behind “automatic” or “presumed” bias appears to be that in certain situations (such as if you have a pecuniary or proprietary interest in the outcome of the proceedings) then it must be presumed that you are incapable of impartiality. Since a motive for bias is thought to be so obvious in such cases, the decisions are not allowed to stand even though no investigation is made into whether the decision-maker was biased *in fact*. In these circumstances you should not participate in the discussion or vote on the issue. These are covered by the code’s requirement to declare certain interests and withdraw from participation. ([see guidance on declaration of interests in Part 3](#)).

A single councillor who is guilty of bias is enough to strike out the whole decision when challenged before the courts. This can cause huge cost and reputational damage for the local authority yet is seldom due to actual corruption or even consciously favouring a personal interest over the public interest on the part of the councillor involved and may have no repercussions for them personally.

## **Predetermination**

The Localism Act 2011 has enshrined the rules relating to pre-disposition and predetermination into statute. In essence you are not taken to have had, or appeared to have had, a closed mind when making a decision just because you have previously done anything that directly or indirectly indicated what view you may take in relation to a matter and that matter was relevant to the decision.

Predetermination at a meeting can be manifested in a number of ways. It is not just about what you might say, for example, but it may be shown by body language, tone of voice or overly-hostile lines of questioning for example.

You are therefore entitled to have a predisposition one way or another as long as you have not pre-determined the outcome. You are able to express an opinion providing that you come to the relevant meeting with an open mind and demonstrate that to the meeting by your behaviour, able to take account of all of the evidence and make your decision on the day.

## **How can bias or predetermination arise?**

The following are some of the potential situations in which predetermination or bias could arise.

### **Connection with someone affected by a decision**

This sort of bias particularly concerns administrative decision-making, where the authority must take a decision which involves balancing the interests of people with opposing views. It is based on the belief that the decision-making body cannot make an unbiased decision, or a decision which objectively looks impartial, if a councillor serving on it is closely connected with one of the parties involved.

#### **Examples**

The complaint alleged that a councillor had behaved in a disrespectful and harassing manner towards two fellow female councillors and officers. It was established that the councillor had made unwarranted and inappropriate physical contact with the councillors and officers at an official event and had also made remarks towards the officers which were patronising and demeaning. The councillor was found to be in breach of the Code of Conduct.

A district councillor also belongs to a parish council that has complained about the conduct of an officer of the district council. As a result of the complaint the officer has been disciplined. The officer has appealed to a councillor panel and the councillor seeks to sit on the panel hearing the appeal. The councillor should not participate.

Contrast this with:

The complaint about the officer described above is made by the local office of a national charity of which the councillor is an ordinary member and is not involved with the local office. The councillor should be able to participate in this situation because the matter is not concerned with the promotion of the interests of the charity.

### **Improper involvement of someone with an interest in the outcome**

This sort of bias involves someone who has, or appears to have, inappropriate influence in the decision being made by someone else. It is inappropriate because they have a vested interest in the decision.

#### **Examples**

A local authority receives an application to modify the Definitive Map of public rights of way. A panel of councillors are given delegated authority to

make the statutory modification Order. They have a private meeting with local representatives of a footpath organisation before deciding whether the Order should be made. However, they do not give the same opportunity to people with opposing interests.

### **Prior involvement**

This sort of bias arises because someone is being asked to make a decision about an issue which they have previously been involved with. This may be a problem if the second decision is a formal appeal from the first decision, so that someone is hearing an appeal from their own decision. However, if it is just a case of the person in question being required to reconsider a matter in the light of new evidence or representations, it is unlikely to be unlawful for them to participate.

### **Commenting before a decision is made**

Once a lobby group or advisory body has commented on a matter or application, it is likely that a councillor involved with that body will still be able to take part in making a decision about it. But this is as long as they do not give the appearance of being bound only by the views of that body. If the councillor makes comments which make it clear that they have already made up their mind, they may not take part in the decision.

If the councillor is merely seeking to lobby a public meeting at which the decision is taking place but will not themselves be involved in making the decision, then they are not prevented by the principles of predetermination or bias from doing so. Unlike private lobbying, there is no particular reason why the fact that councillors can address a public meeting in the same way as the public should lead to successful legal challenges.

### **Examples**

A local authority appoints a barrister to hold a public inquiry into an application to register a village green. The barrister produces a report where he recommends that the application is rejected. A councillor attends a meeting in one of the affected wards and says publicly: "speaking for myself I am inclined to go along with the barrister's recommendation". He later participates in the local authority's decision to accept the barrister's recommendation. At the meeting the supporters of the application are given an opportunity to argue that the recommendation should not be accepted.

This is unlikely to give rise to a successful claim of predetermination or bias. The statement made by the councillor only suggests a predisposition to follow the recommendation of the barrister's report, and not that he has closed his mind to all possibilities. The subsequent conduct of the meeting,

where supporters of the application could try and persuade councillors to disagree with the recommendation, would confirm this.

A developer entered into negotiations to acquire some surplus local authority land for an incinerator. Planning permission for the incinerator had already been granted. Following local elections there is a change in the composition and political control of the local authority. After pressure from new councillors who have campaigned against the incinerator and a full debate, the local authority's executive decides to end the negotiations. This is on the grounds that the land is needed for housing and employment uses.

The local authority's decision is unlikely to be found to be biased, so long as the eventual decision was taken on proper grounds and after a full consideration of all the relevant issues.

### **What do I do if I need advice?**

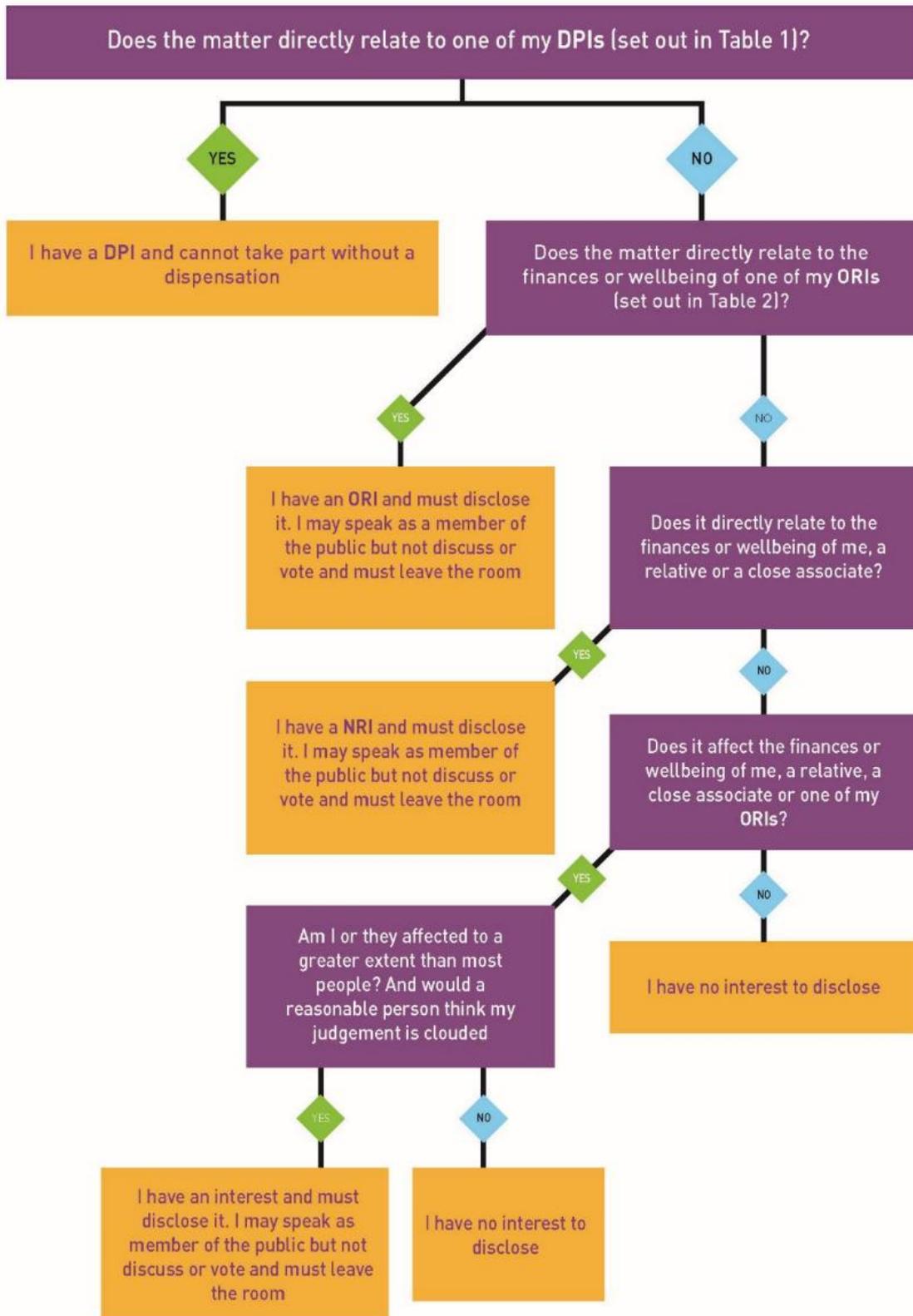
If you are unsure as to whether your views or any action you have previously taken may amount to predetermination you should always seek advice from the monitoring officer (or the clerk if you are a parish councillor).

**The Golden Rule is be safe –seek advice if in doubt before you act.**

## **Appendix 1 - Interests Flowchart**

### **Interests Flowchart**

The flowchart below gives a simple guide to declaring an interest under the code.



## Appendix 2 - General Principles

### General Principles

The Seven Principles of Public Life (also known as the Nolan Principles) outline the ethical standards those working in the public sector are expected to adhere to. The principles apply to all public office holders at all levels including ministers, civil servants, councillors, and local authority officers, as well as private and voluntary organisations delivering services paid for by public funds. The principles are:

### **Selflessness**

Holders of public office should act solely in terms of the public interest.

### **Integrity**

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

### **Objectivity**

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

### **Accountability**

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

### **Openness**

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

### **Honesty**

Holders of public office should be truthful.

### **Leadership**

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

These principles underpin the standards that councillors should uphold and form the basis for the Code of Conduct, where the Principles have been translated into a series of clear rules. While fundamental to the Code of Conduct the principles are not part of the rules of the code and should be used for guidance and interpretation only.

**AUDIT & GOVERNANCE COMMITTEE**

**Monday, 14 March 2022**

<b>Subject</b>	ANNUAL INTERNAL AUDIT PLAN 2022/23
<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>	Mrs 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:**

To review and approve the annual internal audit plan, as required by this Committee's Terms of Reference and the Council's constitution.

Internal Audit Services acts in accordance with the Accounts and Audit Regulations (2015) and aims to follow the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (2019). This report has been prepared in accordance with our Audit Charter. The Council is required under the Accounts and Audit Regulations to maintain an adequate and effective Internal Audit Service.

This report presents the strategic risk based Internal Audit Plan for 2022/23, as agreed with the Chief Executive and Corporate Management Team.

### **Options:**

There are no options to be considered in relation to this report.

### **Recommendation:**

That the Annual Internal Audit Plan 2022/23 be reviewed and approved.

## Corporate Impact Assessment

### **Governance:**

This report is being presented to the Audit & Governance Committee in accordance with the Committee's terms of reference [2.5 (c)(ii)]:

*"To review and approve the annual internal audit plan and any major changes to it."*

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

The entire annual Internal Audit Plan and its outcomes are essential to supporting and improving the governance environment, which proactively contributes to delivering the East Suffolk Strategic Plan.

### **Environmental:**

Internal Audit assurance is fundamental to support the Council's foundations of corporate governance, risk and control. This report supports the Council's environmental aims by considering environmental and sustainability risks as part of the development of the annual Internal Audit Plan.

### **Equalities and Diversity:**

Internal Audit assurance is fundamental to support the Council's foundations of corporate governance, risk and control. This report supports the Council's approach to ethics, equality, and diversity by considering risks in these areas as part of the development of the annual Internal Audit Plan.

### **Financial:**

Internal Audit assurance is fundamental to support the Council’s foundations of corporate governance, risk and control. This report supports the Council’s efficiency, effectiveness and economy by considering financial risk as part of the development of the annual Internal Audit Plan. Delivering the annual Internal Audit Plan is an essential element in mitigating the risk of losses arising from error, irregularity and fraud.

**Human Resources:**

Internal Audit assurance is fundamental to support the Council’s foundations of corporate governance, risk and control. This report supports the Council’s approach to staffing, training or other human resources issues by considering risks in these areas as part of the development of the annual Internal Audit Plan.

**ICT:**

Internal Audit assurance is fundamental to support the Council’s foundations of corporate governance, risk and control. This report supports the Council’s approach to technical governance and ICT by considering risks in these areas as part of the development of the annual Internal Audit Plan.

**Legal:**

Internal Audit assurance is fundamental to support the Council’s foundations of corporate governance, risk and control. This report supports the Council’s approach to legal and regulatory compliance and governance impacts by considering risks in these areas as part of the development of the annual Internal Audit Plan.

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.’

The Head of Internal Audit is the Council’s Data Protection Officer and Senior Information Risk Officer. In addition to the annual Internal Audit Plan, this report includes the annual Data Protection Plan, an essential component for the Council’s compliance with the Data Protection Act 2018 and UK GDPR.

**Risk:**

The fundamental purpose, nature and scope of internal auditing is to bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal Audit is considered the “third line of defence” in risk management, providing independent assurance on its effectiveness in every area included in the annual Internal Audit Plan. All audits presented as part of the annual Internal Audit Plan in this report are to support the effective management of risk and assist the Council in achieving its corporate objectives.

<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: (Select only one primary and as many secondary as appropriate)		Primary priority	Secondary priorities
<b>T01</b>	<b>Growing our Economy</b>		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>T02</b>	<b>Enabling our Communities</b>		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P08	Maximising health, well-being and safety in our District	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
<b>T03</b>	<b>Maintaining Financial Sustainability</b>		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>T04</b>	<b>Delivering Digital Transformation</b>		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T05</b>	<b>Caring for our Environment</b>		
P20	Lead by example	<input type="checkbox"/>	<input checked="" 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 checked="" 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>			
<ol style="list-style-type: none"> <li>Internal Audit assurance and any associated recommendations for improvement support a robust corporate governance framework. The work of Internal Audit Services represents a fundamental function in delivering the Council's Corporate Governance responsibilities.</li> <li>The work of Internal Audit is cross-cutting and affects all service areas by improving controls and processes, which contribute towards efficient and effective management of services.</li> </ol>			

- 3 The work of Data Protection is cross-cutting and supports all service areas and the Council as a whole in complying with data protection law and principles of information governance.

## Background and Justification for Recommendation

1 Background facts	
1.1	The work of the Internal Audit Service is to provide independent assurance and report upon the effective and efficient application of internal controls, governance arrangements and value for money at the Council.

2 Current position	
2.1	<p>The risk-based annual Internal Audit Plan is usually considered by the Committee at its March meeting each year and details the work that will provide assurance to the Council in terms of the adequacy and effectiveness of financial and management controls in the proposed audit areas included within the Plan.</p> <p>The work covered by the Internal Audit Team during 2022/23 will contribute towards the Head of Internal Audit's annual opinion, alongside the other sources of assurance set out in the report.</p>
2.2	Members will be aware that, in common with all other areas of the Council, the work of the Internal Audit Team has been significantly affected by the Covid-19 pandemic over the past two years and will be required to support continued activity in this area throughout the financial year 2022/23. At this time, the Internal Audit Team must retain the flexibility to be responsive to the Council's changing needs.
2.3	<p>The staff resource allocation available to deliver the annual plans within Appendices A1 &amp; A2 may be subject to change. Internal Audit currently have the following vacancies:</p> <ul style="list-style-type: none"> <li>a) Internal Audit – 1 x 1.0 FTE Senior Auditor, and 1 x 0.5 FTE Principal ICT Auditor.</li> <li>b) A request for resources is to be submitted for 1 x 1.0 FTE Senior Auditor.</li> <li>c) Data Protection – 1 x 1.0 FTE Information Governance Administrator.</li> </ul>

3 How to address current situation	
3.1	A risk-based annual Internal Audit Plan is required in order for the Head of Internal Audit to provide an opinion upon the adequacy and effectiveness of the Council's systems of governance, risk management and internal control in the year to 31 March 2023.
3.2	The Internal Audit Plan for 2022/23 will continue to identify system weaknesses and/or non-compliance with expected controls, and to bring these to the attention

	of management and include appropriate recommendations and agreed action plans.
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#### 4 Reason for recommendation

4.1	To ensure the Committee fulfils its terms of reference and supports the Internal Audit process, enabling good governance over public funds.
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## Appendices

### Appendices:

<b>Appendix A</b>	Annual Internal Audit Plan Report 2022/23
<b>Appendix A1</b>	Annual Internal Audit Plan 2022/23
<b>Appendix A2</b>	Annual Data Protection Plan 2022/23
<b>Appendix A3</b>	Governance Activity

### Background reference papers:

Date	Type	Available From
2017	Public Sector Internal Audit Standards	CIPFA
2020	East Suffolk Strategic Plan	Head of Internal Audit

## Appendix A: Annual Internal Audit Plan Report 2022/23

### 1 PURPOSE OF THE REPORT/PLAN

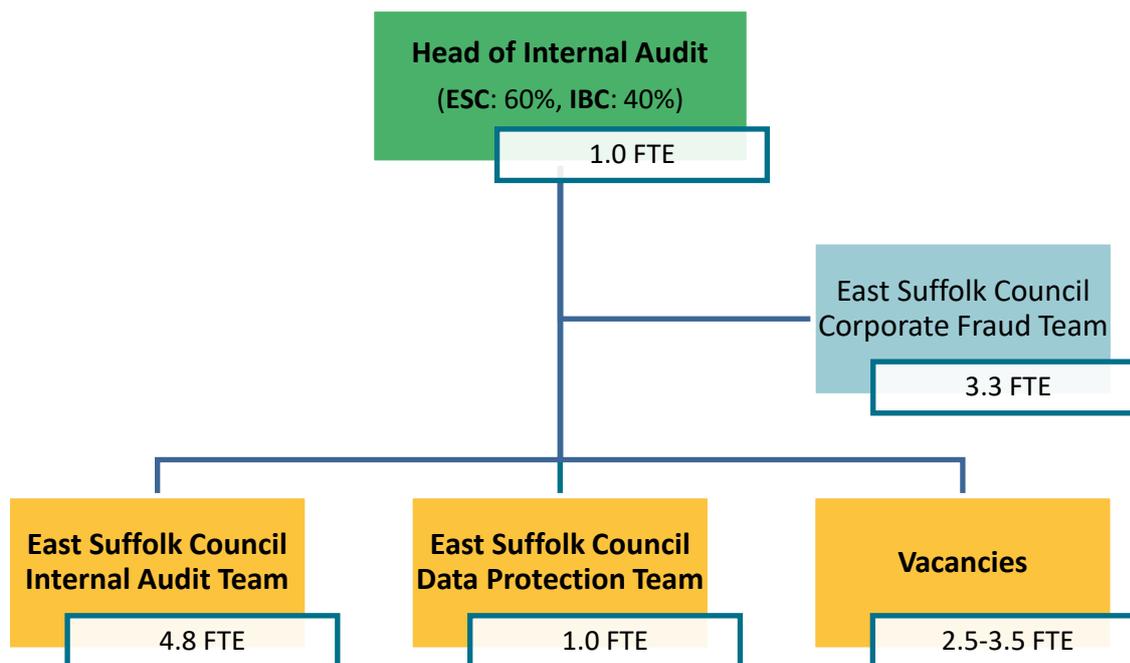
- 1.1 Internal Audit Services acts in accordance with the Accounts and Audit Regulations (2015) and aims to follow the Public Sector Internal Audit Standards (2017) and Local Government Application Note (2019). This report has been prepared in accordance with our Audit Charter. The Council is required under the Accounts and Audit Regulations to maintain an adequate and effective Internal Audit Service.
- 1.2 This report presents the strategic risk based Internal Audit Plan for 2022/23 as agreed with the Chief Executive and Corporate Management Team.
- 1.3 The Internal Audit work planned for the coming year is aligned to the East Suffolk Strategic Plan, which aims to deliver the highest quality of life possible for everyone who lives in, works in and visits East Suffolk. Planned and emerging Internal Audit reviews will directly support the good governance and risk management approach to the Council's priorities: Growing Our Economy; Enabling Our Communities; Remaining Financially Sustainable; Delivering Digital Transformation and Caring For Our Environment, described in detail in the East Suffolk Strategic Plan.
- 1.4 The Audit and Governance Committee is responsible for overseeing the application of audit resources and monitoring performance of the audit function.

### 2 INTRODUCTION

- 2.1 The work of the Internal Audit Service is to provide independent assurance and to report upon the effective and efficient application of internal controls, governance arrangements and value for money at the Council. All Internal Audit reports form part of the crucial evidence to enable the Chief Executive and Leader of the Council to sign the Annual Governance Statement (the obligatory statement along with the Annual Accounts). External Audit may also consider Internal Audit work to ensure that system controls are adequate and effective.
- 2.2 Internal Audit work aims to ensure services comply with the Council's Constitution and Code of Corporate Governance. Internal Audit reports make recommendations to address any weaknesses identified and give direction on how to support continual improvements by providing professional advice and guidance.

### 3 STRUCTURE AND RESOURCES

- 3.1 Since 1 June 2004 Internal Audit Service has been provided in partnership with Ipswich Borough Council (IBC), with the Head of Internal Audit and an Audit Manager shared with Ipswich Borough Council.
- 3.2 Such partnerships have enabled greater operational efficiency and effectiveness in the delivery of Internal Audit Services and provides the opportunity for each partner to **call** upon a wider skills base, which can be used to achieve greater flexibility and effectiveness in all areas of audit operations.
- 3.3 The table below represents the current structure of the Internal Audit Service:



- 3.4 The Internal Audit Plan is directly linked to the resources available, i.e., 5.8 FTEs. An additional 1.5 FTE staff are employed by the Council and contracted to provide audit services to Ipswich Borough Council as part of the audit partnership contract. It is anticipated that the resources available during 2022/23, including currently vacant posts, will provide 1480 productive audit days. Non-productive days include training, administration, holidays and sickness.
- 3.5 The Head of Internal Audit is also the Data Protection Officer and Senior Information Risk Owner for the Council, and the team support associated work in these areas. To prevent the perception of impairment to the independence and objectivity of Internal Audit whilst undertaking these additional roles, details of anticipated non-audit work are reported separately from the annual Internal Audit Plan in Appendices A2 & A3.
- 3.6 The productive days have been calculated with the anticipation that the current vacancies and the request for additional resources have been filled and met. Currently, Internal Audit has three vacancies 1 x 0.5FTE Principal ICT Auditor, 1 x 1.0FTE Senior Auditor, and 1 x 1.0FTE Information Governance Administrator. A request for resources is to be submitted for an additional 1 x 1.0FTE Senior Auditor post.

#### 4. PUBLIC SECTOR INTERNAL AUDIT STANDARDS

- 4.1 Internal Audit Services within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1 April 2013 and were last revised in 2017. The standards require periodic self-assessments and an assessment by an external professional every five years.
- 4.2 East Suffolk Council's Internal Audit function was reviewed in August 2019 by an External Quality Assessor (EQA). The review also included checking compliance with the Local Government Advisory Note (LGAN) where this has requirements in addition to those in the PSIAS.

4.3 The review identified no areas of non-compliance within the PSIAS at East Suffolk Council. The Committee can therefore have confidence that the Annual Audit Plan has been developed in accordance with national standards and best practice.

## 5 SOURCES OF ASSURANCE

5.1 The risk-based Internal Audit Plan considers many factors and ensures that all stakeholders' contributions are included. The main drivers used to formulate the Audit Plan are detailed below.



5.2 The risk based Internal Audit Plan for 2022/23 is aimed to be a product of all the drivers listed above, as well as the unprecedented impact of Covid-19. Initially developed from Internal Audit's own Risk Matrix, the Internal Audit planning and assurance process has considered how services will be delivered and is aligned to organisational objectives, priorities, and risks.

5.3 The Head of Internal Audit holds audit planning meetings with the Chief Executive, Strategic Directors and Heads of Service. These meetings enable Internal Audit to develop assurance maps for each service area to identify any national and local issues or emerging risks that the Council may seek to gain assurance over.

5.4 The Internal Audit Plan for 2022/23 has been reviewed by the Corporate Management Team. The Council's External Auditors have also been apprised of the Internal Audit Plan for 2022/23. The Internal Audit Plan for 2022/23 meets all professional Standards relating to Internal Audit in the Public Sector and should be treated as a working document, subject to amendment as necessary, to reflect changing corporate conditions or demands as well as reflecting any changes or refinement in the Council's risk profile.

5.5 The Covid-19 pandemic has resulted in a significant level of strain being placed on normal procedures and control arrangements. The level of impact is also changing as the situation develops. Internal Audit has and will continue to carry out work to assess whether there have been any changes to the Council's key activities or normal business practices in response to the pandemic. Where needed, Internal Audit has been proactive in providing input, advice and assurance to services on any proposed changes.

- 5.6 Where other external assurance providers may have undertaken relevant assurance work, Internal Audit will seek to rely on the work of these where professional standards would make it appropriate to do so, for example the Health and Safety Executive, Her Majesty's Revenue and Customs, External Audit (Ernst and Young LLP) and the Local Government and Social Care Ombudsman (not an exhaustive list).
- 5.7 Each year the Audit and Governance Committee is given the opportunity to request Internal Audit to undertake specific reviews or to provide guidance on specific concerns. Provision for this is included in the annual Internal Audit Plan given in Appendix A1.

## **6 INTERNAL AUDIT STRATEGY**

- 6.1 The Internal Audit Service must be adequate, effective and efficient in order to help the Council meet its objectives and is clearly positioned within the Council's Constitution. The Internal Audit Charter is deemed to be the Internal Audit Strategy and is being presented to the March 2022 Committee in order to ensure it continues to comply with the PSIAS.
- 6.2 Internal Audit Services apply a strategic risk-based assessment process to develop annual plans. Multiyear budgets are considered along with an assessment of the necessary skills required to deliver the service. Modern methodologies and technologies are utilised to perform reviews and provide advice to drive corporate improvements across the Council. Reviews and support listed within the Annual Internal Audit Plan are aligned to the Council's objectives, demonstrating the strategic nature of the Internal Audit Service. These reviews can be evaluated to assess Internal Audit and Council-wide performance.

## **7 THE ANNUAL INTERNAL AUDIT PLAN 2022/23**

- 7.1 This risk based Internal Audit Plan details the work that will provide assurance to the Council in terms of the adequacy and effectiveness of financial and management controls in the areas under review.
- 7.2 The risk based Internal Audit Plan is influenced by the resources made available by the Council for Internal Audit work. A careful balance must be achieved in terms of keeping audit costs at a realistic level, whilst recognising that there is a minimum level of coverage that must be undertaken to ensure good governance and internal controls are in operation. In this respect, the Internal Audit Plan for 2022/23 is considered to be a realistic plan of action.
- 7.3 Internal Audit work consists of consultancy reports, advice notes, probity / assurance reports (economic, effectiveness and efficiency reviews), along with value for money reports and computer audit reports, all agreed at the scoping stage of each exercise.
- 7.4 A risk assessment model is employed to score the relative risks of each of the identified systems in the "audit universe", which consists of all the potential auditable areas identified either by internal audit or by other stakeholders, and includes systems or other activity identified from risk registers. A number of risk attributes are assessed, including (not exhaustive) the following:
- Key System, i.e., materially affecting the general ledger

- Risk maturity of the organisation
- Length of time since last audit
- Impact on the organisation, based on reputational and fiduciary risks
- System complexity and vulnerability
- Issues identified through previous Internal Audit reviews/the Corporate Risk Register
- Likelihood of occurrence, based on soundness of internal control or change
- Potential for fraud and corruption
- Size of budget/number of employees
- Evidenced compliance with law/regulations
- Concerns raised by stakeholders
- Covid-19 impact

7.5 The risks are then weighted to provide a level of relative risk for each system. The relative risk determines the likelihood of inclusion in the plan for the year.

7.6 The proposed Internal Audit Plan 2022/23 in relation to all high risk rated areas is listed in Appendix A1.

7.7 Internal Audit will continue to provide regular reports to the Audit and Governance Committee on the activities detailed in the Internal Audit Plan and any significant issues arising.

7.8 The Head of Internal Audit issues Internal Audit Reports to the Chief Executive, Members of the Audit and Governance Committee, the Cabinet Member for the service area under review, External Audit and the Council's Section 151 Officer in accordance with best practice. Such distribution ensures that all key findings, recommendations and learning points are available for consideration and enables good governance.

7.9 The Chairman of the Audit and Governance Committee and any other elected Member have free access to the Head of Internal Audit and at least one private meeting per year will be held between the Chair of the Audit and Governance Committee and the Head of Internal Audit.

## APPENDIX A1: Internal Audit Plan 2022/23

Work performed will range from consultancy (C), probity (P), computer audit (CA), or key (financially material) systems (KS) which feed into the general ledger, all detailed in each audit brief. The proposed timeline for the Quarter in which this work will be carried out will be decided by Internal Audit in consultation with service areas, to give flexibility to schedule the work for the most appropriate time.

Service Area	Area of Activity	Comments	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2020 - 2024	Link to Public Sector Internal Audit Standards	Proposed timeline (Approximate audit days)
<b>Governance Support Corporate Management Team (CMT)</b>	Client Support, Corporate Governance, Annual Governance Statement and Risk Management	Attendance at Corporate meetings and provision of ad-hoc strategic advice and guidance. To include LACTO trading arrangements (C)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)  Failure to deliver the East Suffolk Strategic Plan (D3)  Failure to promote and maintain ethical standards (E4)	2110 – Governance	Throughout the year  (35)
	FoI Internal Reviews	Assistance with compliance with Freedom of Information and Environmental Information requests	Failure to promote and maintain ethical standards (E4)  Failure of Data Governance (D4)	1112 – Roles in addition to Internal Auditing	Throughout the year  (20)
	Annual Planning	Development of the Audit Plan	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS)	2010 - Planning	Throughout the year  (10)

Service Area	Area of Activity	Comments	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2020 - 2024	Link to Public Sector Internal Audit Standards	Proposed timeline (Approximate audit days)
			<p>including delivery of a balanced Annual Budget (D4)</p> <p>Failure to deliver the new East Suffolk Strategic Plan (D3)</p> <p>Failure to promote and maintain ethical standards (E4)</p>		
	Corporate Governance and Risk Management	Attendance at Corporate Governance Days and provision of independent professional advice. Responsible for Code of Corporate Governance (C)	<p>Failure to deliver the East Suffolk Strategic Plan (D3)</p> <p>Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)</p>	<p>2110 – Governance</p> <p>2110.A1 – Ethics</p> <p>2120 – Risk Management</p>	<p>Throughout the year</p> <p>(30)</p>
	Public Sector Internal Audit Standards Self-Assessment	Compliance with PSIAS	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)	1311 – Internal Assessments	<p>Throughout the year</p> <p>(12)</p>

Service Area	Area of Activity	Comments	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2020 - 2024	Link to Public Sector Internal Audit Standards	Proposed timeline (Approximate audit days)
	Quality Assurance and Improvement Programme	Compliance with PSIAS	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)	1311 – Internal Assessments	Throughout the year (10)
	Annual Governance Statement	Providing direction and perform independent best practice gap analysis (C)  Annual Governance Statement Framework, coordination, support, and Committee reporting (C)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)  Failure to deliver the East Suffolk Strategic Plan (D3)  Failure to promote and maintain ethical standards (E4)	2110 – Governance 2110.A1 – Ethics  2120 – Risk Management	Throughout the year (15)
	Committee reporting and attendance	Providing support to the Audit & Governance Committee	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)  Failure to deliver the East Suffolk Strategic Plan (D3)	2060 – Reporting to Senior Management and the Board  2500 – Monitoring Progress  2600 – Communicating the Acceptance of Risks	Throughout the year (15)

Service Area	Area of Activity	Comments	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2020 - 2024	Link to Public Sector Internal Audit Standards	Proposed timeline (Approximate audit days)
			Failure to promote and maintain ethical standards (E4)		
<b>Consultancy Activity</b>	Consultancy and special investigations	Provide professional advice for emerging issues and any required financial, whistleblowing or maladministration investigations (C)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)  Failure to deliver the East Suffolk Strategic Plan (D4)	2110 - Governance 2120 – Risk Management 2130 – Control	Throughout the year  (40)
	Support and advice to operational teams	Providing support to operational service areas (C)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)  Failure to deliver the East Suffolk Strategic Plan (D3)	2110 - Governance 2120 – Risk Management 2130 – Control	Throughout the year  (20)
	Support for Corporate Fraud (general)	Providing support to the Corporate Fraud Manager and her team (C)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)	2120 – Risk Management 2130 – Control 2120.A2 – Managing the risk of fraud	Throughout the year  (10)

Service Area	Area of Activity	Comments	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2020 - 2024	Link to Public Sector Internal Audit Standards	Proposed timeline (Approximate audit days)
			Failure to promote and maintain ethical standards (E4)		
	Member Requests	As agreed by the Audit and Governance Committee (P)	To be determined in line with requests received.	TBC in line with requests received	TBC (15)
	Head of Service Requests	As agreed by the Head of Internal Audit (P)	To be determined in line with requests received.	TBC in line with requests received	TBC (20)
	COVID-19 Business Grant counter-fraud support	Provide assurance to management and support any government returns required. Support any counter fraud activities (C)	Failure to effectively manage impact of Coronavirus and managing the transition to, and delivery of, the recovery phase (C3)	2120 – Risk Management 2130 - Control 2120.A2 – Managing the risk of fraud	Throughout the year (20)
	BEIS Post payment assurance	Coordinate the Councils post payment assurance to central government on COVID 19 Business Grants. (C)	Failure to effectively manage impact of Coronavirus and managing the transition to, and delivery of, the recovery phase (C3)	2130 - Control 2120.A2 – Managing the risk of fraud	Throughout the year (20)
	NFI Upload  NFI Matches	Participation in mandatory exercises and identification of fraud through data matching exercises with the Cabinet Office (P)	Failure to promote and maintain ethical standards (E4).  Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS)	2120.A2 – Managing the risk of fraud	Throughout the year (5; 30, Total – 35)

Service Area	Area of Activity	Comments	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2020 - 2024	Link to Public Sector Internal Audit Standards	Proposed timeline (Approximate audit days)
			including delivery of a balanced Annual Budget (D4)		
<b>Assurance Activity</b>  <b>Corporate and Cross Cutting</b>	Payroll (system migration)	Assurance relating to the migration to the new system (P)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)  Failure to deliver the East Suffolk Strategic Plan (D3)	2120 – Risk Management  2130 - Control	TBC  (25)
	Grant Funding	Assurance relating to non-COVID 19 grants administration and payment (P)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)  Failure to deliver the East Suffolk Strategic Plan (D3)	2120 – Risk Management  2130 - Control  2120.A2 – Managing the risk of fraud	TBC  (20)
	Strategic and Commercial Partnerships	Assurance relating to the governance arrangements of both Strategic and Commercial Partnerships (P)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)	2110 - Governance  2120 – Risk Management  2130 – Control	TBC  (20)

Service Area	Area of Activity	Comments	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2020 - 2024	Link to Public Sector Internal Audit Standards	Proposed timeline (Approximate audit days)
			Failure to deliver the East Suffolk Strategic Plan (D3)		
	Safeguarding	Governance arrangements surrounding the Council's responsibilities in relation to safeguarding (P)	Failure to protect the most vulnerable (C2)	2120 – Risk Management 2130 - Control	TBC (15)
	Use of Consultants	Governance arrangement and assurance on compliance with IR35 (P)	Failure to deliver the East Suffolk Strategic Plan (D3)  Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)	2110 - Governance 2130 - Control	TBC (20)
Assurance Activity  Economic Regeneration	Towns Fund Governance (Lowestoft)	Assurance in relation to the governance arrangements Advice and guidance on governance arrangements and controls relating to the administration of the Towns Fund (P)	Failure to deliver the East Suffolk Strategic Plan (D3)	2110 - Governance 2130 - Control	TBC (25)

<b>Service Area</b>	<b>Area of Activity</b>	<b>Comments</b>	<b>Link to Corporate Risk Register &amp; East Suffolk Council Strategic Plan 2020 - 2024</b>	<b>Link to Public Sector Internal Audit Standards</b>	<b>Proposed timeline (Approximate audit days)</b>
<b>Assurance Activity</b>	Port Health Cyber Essentials	Review and gap analysis of the Cyber Essentials Accreditation (P) (CA)	Failure of ICT (including Disaster Recovery for ICT) (D2)	2110 - Governance 2130 – Control	TBC (18)
<b>Environmental Services and Port Health</b>	Port Health PRS Project due diligence – Consultancy work	Support the project board in accordance with the Terms of Reference of the project board (C)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)	2110 - Governance 2120 – Risk Management	Throughout the year (5)
	Port Health Income	Assurance in relation to fees and charges (P)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)	2130 - Control	Q1 or Q2 (20)
	SCC COVID-19 Test and Trace Support COMF (Certification)	Certification of the Test and Trace Support funding (P)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)	2130 - Control	TBC (10)
<b>Assurance Activity</b>	Key Financial Controls	Review of key financial controls. This audit will provide high level	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS)	2130 - Control	TBC (25)

Service Area	Area of Activity	Comments	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2020 - 2024	Link to Public Sector Internal Audit Standards	Proposed timeline (Approximate audit days)
<b>Finance</b>		assurance over fundamental areas that have previously been considered as separate key financial systems (P) (KS)	including delivery of a balanced Annual Budget (D4)  Failure to deliver the East Suffolk Strategic Plan (D3)		
	Implementation of the CIPFA Code of Practice	Assurance on the controls and processes for the implementation of the CIPFA Code of Practice (P)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)	2130 - Control	TBC  (15)
	Budget Monitoring	Assurance on the controls and processes within the budget monitoring arrangements in place (P)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)	2110 - Governance	TBC  (20)
	Council Tax and Recovery of Benefits Overpayments (completed by West Suffolk)	Internal Audit will review the systems and controls in place for NNDR across all 5 Councils in the Anglia Revenues Partnership as part of the Internal Audit Service Level Agreement	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)  Failure to deliver the East Suffolk Strategic Plan (D3)	2130 - Control	Q3/4  (2; 2; 1; 90. Total - 95)

Service Area	Area of Activity	Comments	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2020 - 2024	Link to Public Sector Internal Audit Standards	Proposed timeline (Approximate audit days)
	<p>Council Tax Billing and Housing Benefits (completed by West Suffolk)</p> <p>Bailiff Services (completed by Fenland)</p> <p>NNDR</p>	<p>due to be signed in 2022/23.</p> <p>Housing Benefits and Council Tax will be reviewed by West Suffolk Council, and Bailiff Service by Fenland District Council Internal Audit Service (P)</p>			
	COVID 19 – Test and Trace Self Isolation Certification	Assurance relating to the administration of grants (P)	Failure to effectively manage impact of Coronavirus and managing the transition to, and delivery of, the recovery phase (C3)	<p>2120 – Risk Management</p> <p>2130 - Control</p> <p>2120.A2 – Managing the risk of fraud.</p>	TBC (50)
	COVID 19 ad hoc sign off for grants across the Council	Assurance relating to the administration of grants (P)	Failure to effectively manage impact of Coronavirus and managing the transition to, and delivery of, the recovery phase (C3)	<p>2120 – Risk Management</p> <p>2130 - Control</p> <p>2120.A2 – Managing the risk of fraud.</p>	TBC (50)
<b>Assurance Activity</b>	Disabled Facilities Grant (Certification)	Financial assurance to feed into Suffolk County	Failure to produce and deliver sustainable Medium-Term	2130 - Control	Q2

Service Area	Area of Activity	Comments	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2020 - 2024	Link to Public Sector Internal Audit Standards	Proposed timeline (Approximate audit days)
<b>Housing</b>		Council's assurance requirement (P)	Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)		(10)
	Disabled Facilities Grant (Governance) Home Improvement Agency	Assurance on the controls and processes within the Home Improvement Agency (P)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)	2130 - Control	TBC (20)
	Housing Repair and Maintenance (Planned Compliance)	Assurance on the certification of safety certificates and inspections (P)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)  Failure to deliver the East Suffolk Strategic Plan (D3)	2110 - Governance 2130 – Control	Q3 (30)
	Housing Repair and Maintenance (Planned Building Work)	Assurance on controls, and processes within planned building work (P)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)	2110 - Governance 2130 – Control	TBC (30)

Service Area	Area of Activity	Comments	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2020 - 2024	Link to Public Sector Internal Audit Standards	Proposed timeline (Approximate audit days)
			Failure to deliver the East Suffolk Strategic Plan (D3)		
	Housing Rents – Monitoring and Setting	Assurance on controls, monitoring and governance arrangements (P)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)  Failure to deliver the East Suffolk Strategic Plan (D3)	2110 - Governance 2130 – Control	Q4  (50)
	Housing Rents – Service Charges	Assurance on controls, and compliance with guidelines (P)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)  Failure to deliver the East Suffolk Strategic Plan (D3)	2110 - Governance 2130 – Control	Q4  (30)
	Homelessness Prevention Grant (Uplift) certification	Assurance relating to the administration of grant funding (P)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)	2110 - Governance 2130 – Control	Q1  (15)

Service Area	Area of Activity	Comments	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2020 - 2024	Link to Public Sector Internal Audit Standards	Proposed timeline (Approximate audit days)
			Failure to deliver the East Suffolk Strategic Plan (D3)		
	Housing Rents - Lettings	Assurance on controls, and compliance with guidelines (P)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)  Failure to deliver the East Suffolk Strategic Plan (D3)	2110 - Governance 2130 – Control	Q1 (30)
<b>Assurance Activity</b>  <b>ICT</b>	Remote Access and Security	Review of the governance arrangements and controls in relation remote access (CA)	Failure of ICT (including Disaster Recovery for ICT) (D2)	2110 - Governance 2130 - Control	TBC (20)
	Service Desk Management (Starters and Leavers process)	Review of the governance arrangements and controls in relation starters and leavers (CA)	Failure of ICT (including Disaster Recovery for ICT) (D2)	2110 - Governance 2130 - Control	TBC (10)
	Users Access Management (Key Financial Systems)	Review of the governance arrangements and controls in relation user access within the main financial systems (CA)	Failure of ICT (including Disaster Recovery for ICT) (D2)	2110 - Governance 2130 - Control	TBC (10)

Service Area	Area of Activity	Comments	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2020 - 2024	Link to Public Sector Internal Audit Standards	Proposed timeline (Approximate audit days)
	PSN Self-Assessment	Review of completion of and supporting evidence of self-assessment (CA)	Failure of ICT (including Disaster Recovery for ICT) (D2)	2110 - Governance 2130 - Control	TBC (25)
	PCI DSS Follow-up	Audit follow-up testing of a review of improvements to ensure PCI compliance (CA)	Failure of ICT (including Disaster Recovery for ICT) (D2)	2110 - Governance 2130 - Control	TBC (6)
<b>Assurance Activity</b>  <b>Legal and Democratic Services</b>	Licensing (Taxi)	A review of compliance with new licensing regulations (P)	Failure to promote and maintain ethical standards (E4)	2130 – Control	TBC (25)
	Gifts and Hospitality (Officers)	A review of compliance with the Code of Conduct (P)	Cross cutting but including:  Failure to promote and maintain ethical standards (E4)  Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)	2110 – Governance 2130 – Control	Q1 (15)
	Declaration of Interests (Officers)	A review of compliance with the Code of Conduct (P)	Cross cutting but including:	2110 - Governance 2130 – Control	Q1 (15)

Service Area	Area of Activity	Comments	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2020 - 2024	Link to Public Sector Internal Audit Standards	Proposed timeline (Approximate audit days)
			<p>Failure to promote and maintain ethical standards (E4)</p> <p>Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)</p>		
<p><b>Assurance Activity</b></p> <p><b>Operations</b></p>	Commercial Investment Strategy	Review of the effectiveness and governance arrangements of the Commercial Investment Strategy (P)	<p>Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4)</p> <p>Failure to develop commercial opportunities (C3)</p>	<p>2110 – Governance</p> <p>2130 – Control</p>	<p>TBC</p> <p>(15)</p>
	Contracts and Contract Management	Assurance on the effectiveness of controls within Contracts and Procurement activity (P)	<p>Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4).</p> <p>Failure to deliver the East Suffolk Strategic Plan (D3)</p>	<p>2110 - Governance</p> <p>2130 – Control</p>	<p>TBC</p> <p>(25)</p>

<b>Service Area</b>	<b>Area of Activity</b>	<b>Comments</b>	<b>Link to Corporate Risk Register &amp; East Suffolk Council Strategic Plan 2020 - 2024</b>	<b>Link to Public Sector Internal Audit Standards</b>	<b>Proposed timeline (Approximate audit days)</b>
<b>Assurance Activity</b>  <b>Planning and Coastal Management</b>	Coastal Management Partnership	Review of the governance arrangements within the Coastal Management Partnership (P)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (D4).  Failure to deliver the East Suffolk Strategic Plan (D3)	2110 - Governance 2130 – Control	TBC  (15)

## **APPENDIX A2: Data Protection Plan 2022/23**

Activities reported in this appendix are not considered part of Internal Audit Services, but are additional roles undertaken by the Head of Internal Audit and key to supporting the Council’s governance and management of risk.

<b>Service Area</b>	<b>Area of Activity</b>	<b>Comments</b>	<b>Link to Corporate Risk Register &amp; East Suffolk Council Strategic Plan 2020 - 2024</b>	<b>Link to Public Sector Internal Audit Stds</b>	<b>Proposed timeline</b>
<b>Data Protection Core Activity</b>	Strategic Advice and Guidance	Provision of guidance, advice and monitoring by the Data Protection Officer and Deputy Data Protection Officer.	Failure of Data Governance (D4)	N/A	Throughout the year (50)

Service Area	Area of Activity	Comments	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2020 - 2024	Link to Public Sector Internal Audit Stds	Proposed timeline
	Data Protection Subject Access Requests (SARs)	To comply with the legal duty to provide information to Data Subjects	Failure of Data Governance (D4)	N/A	Throughout the year (40)
	Data Incidents and Breaches	Responding to <ul style="list-style-type: none"> <li>• Confirmed breaches</li> <li>• Non-compliance with legislation</li> </ul>	Failure of Data Governance (D4)	N/A	Throughout the year (20)
	Data Protection Administration	Verifying and coordinating requests for personal data and supporting internal service areas on: <ul style="list-style-type: none"> <li>• Data Protection Impact Assessments</li> <li>• Data Sharing Agreements</li> <li>• Provision of general Data Protection Advice</li> <li>• Privacy Notices</li> </ul>	Failure of Data Governance (D4)	N/A	Throughout the year (190)
	Data Protection Training	Training to service areas on: <ul style="list-style-type: none"> <li>• Data Protection Impact Assessments</li> <li>• Project teams/Project Managers</li> <li>• New Starter Inductions</li> <li>• Bespoke training for individual service areas (e.g. Port Health)</li> <li>• Refresh Data Protection training</li> <li>• Data Protection Champions training</li> </ul>	Failure of Data Governance (D4)	N/A	Throughout the year (25)

Service Area	Area of Activity	Comments	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2020 - 2024	Link to Public Sector Internal Audit Stds	Proposed timeline
		<ul style="list-style-type: none"> <li>SharePoint updates and communications</li> </ul>			
<b>Data Protection Improvement Projects</b>	ICO Self-Assessment	Review of internal procedures against ICO recommended practice	Failure of Data Governance (D4)	N/A	Q2/3 (10)
	CCTV Review	Review of internal procedures against Surveillance Commissioner and ICO recommended practice	Failure of Data Governance (D4)	N/A	Q2/3 (5)
	Policies and Procedures	Review and Refresh of: <ul style="list-style-type: none"> <li>Data Protection Policy</li> <li>Information and Records Management Policy</li> <li>Information Asset Registers and Records of Processing Activities</li> <li>Data Quality and Management Policy</li> <li>Roles and responsibilities for Data Protection Champions</li> </ul>	Failure of Data Governance (D4)	N/A	Throughout the year (25)
	Paperless Working	Development of eForms for internal Data Protection reporting and activity	Failure of Data Governance (D4)	N/A	Throughout the year (5)

## APPENDIX A3: Governance Activity

Activities reported in this appendix are not considered part of Internal Audit or Data Protection Services, but are additional roles undertaken by the Head of Internal Audit and key to supporting the Council's governance and management of risk.

<b>Role</b>	<b>Activity</b>	<b>Comments</b>
Money Laundering Reporting Officer	Report and investigate suspicious activity, liaise with the National Crime Agency, maintain appropriate records, train relevant staff etc.	Compliance with numerous laws.
Senior Information Risk Officer and Strategic Lead for Information Governance	Information Risk Management – provision of advice	Governance and risk management advice around information security, records and information management
	Freedom of Information – provision of advice, oversight, and internal reviews	Compliance with the Freedom of Information Act 2000 and Environmental Information Regulations.

**AUDIT & GOVERNANCE COMMITTEE**

**Monday, 14 March 2022**

<b>Subject</b>	CORPORATE ANTI-FRAUD BUSINESS PLAN 2022/23
<b>Report by</b>	Councillor Maurice Cook, Cabinet Member with responsibility for Resources  Councillor Edward Back, Assistant Cabinet Member with responsibility for Resources
<b>Supporting Officer</b>	Mrs 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:**

To provide a strategic overview of the planned corporate anti-fraud work to be undertaken at the Council during 2022/23 and ensure Members of the Committee discharge their duties and responsibilities in accordance with the Committee's terms of reference.

**Options:**

No alternative options are presented in relation to this report

**Recommendation/s:**

That the Corporate Anti-Fraud Business Plan 2022-23 is commented upon and endorsed by the Committee.

## Corporate Impact Assessment

**Governance:**

This report supports the Council's governance framework by setting out how the Corporate Fraud service intends to lead and direct the Council's response to fraud risk in the coming financial year.

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

This report has links to the Council's:

- Anti Fraud and Corruption Strategy
- Anti Bribery Policy and Procedure
- Anti Money Laundering Policy
- Covert Surveillance Policy
- Whistleblowing Policy
- Code of Corporate Governance

**Environmental:**

This report does not include direct links to the Council's strategic environmental aims.

**Equalities and Diversity:**

This report does not require the completion of an Equalities Impact Assessment.

**Financial:**

This report has financial implications due to its purpose in reducing the risk of financial losses through fraud.

**Human Resources:**

This report does not have any direct staffing implications.

**ICT:**

This report does not have any direct ICT implications.

**Legal:**

The Corporate Fraud service relies on several statutory powers in order to deliver the Corporate Fraud Business Plan, including but not limited to primary legislation:

- Fraud Act 2006
- Prevention of Social Housing Fraud Act 2013
- Proceeds of Crime Act 2002
- Bribery Act 2010

**Risk:**

This report sets out how the Corporate Fraud Service intends to support fraud risk identification, mitigation and response over the coming financial year.

**External Consultees:** No external parties were consulted in the preparation of this report.

## Strategic Plan Priorities

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

<b>T05</b>	<b>Caring for our Environment</b>		
P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education and influence	<input type="checkbox"/>	<input type="checkbox"/>
<b>XXX</b>	<b>Governance</b>		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>How does this proposal support the priorities selected?</b>			
<p>The Council's Corporate Fraud Business Plan 2022/23 is the Council's response to combatting the financial, social and personal cost of fraud to the Council, economy and local community. It is a key element in the Council's governance framework, designed to reduce the risk of fraud, corruption and abuse in the delivery of local services.</p>			

## Background and Justification for Recommendation

<b>1 Background facts</b>	
1.1	The Council maintains a zero-tolerance approach towards fraud and corruption, and the existence of a professional Corporate Fraud Service demonstrates the Council's commitment to this objective.
1.2	Fraud is an act of deception carried out for personal gain or to cause loss, or a loss to another party. In the Public Sector fraud can be committed internally by workers or externally by suppliers, contractors, and members of the public. Fraud covers a wide spectrum of activities and can affect all departments. The Coronavirus Pandemic has enabled fraudulent activity, specifically in relation to grant payments distributed by the Government. The Corporate Fraud Service is involved with preventing, pursuing and prosecuting any irregularity in such areas.
1.3	The Fighting Fraud and Corruption Locally 2020 is the current national strategy for council leaders, chief executives, finance directors, and all those charged with governance in local authorities to use in defending against fraud in local government. This strategy sits alongside the CIPFA Code of Practice on managing the Risk of Fraud and Corruption.
1.4	The Corporate Anti-Fraud Business Plan 2022-2023 is a direct response to meeting national strategy, guidance, and achieving the Council's Strategic Plan objectives. It is a key contributor to enabling the Government's austerity measures in reducing public expenditure by reducing fraud, especially as the Coronavirus Pandemic has had a devastating impact across the globe. It also defines the Council's proactive and reactive anti-fraud work, which is noted by the Council's external auditors and Central Government bodies.
1.5	At East Suffolk Council the Corporate Fraud Service is managed by the Head of Internal Audit.
<b>2 Current position</b>	
2.1	A key responsibility within the Audit and Governance Committee's terms of reference is to 'Monitor Council policies on... Anti-Fraud and Corruption'. The Corporate Anti-Fraud Business Plan at Appendix A represents the planned

	corporate wide anti-fraud work for the financial year 1 April 2021 to 31 March 2022.
2.2	The Corporate Fraud Service will continue to focus its anti-fraud activities in the areas of prevention, detection, and prosecution work, directed by the Head of Internal Audit, who also leads this service area at Ipswich Borough Council. In addition to this, Covid 19 Business grants will continue to feature highly in our fraud enquires, also to assist completion of the Department for Business, Energy and Industrial Strategy (BEIS) returns to Government in respect of grants paid out whether any fraud or error occurred etc.
2.3	The financial year ahead will continue to be a year of further development and enhancement in the field of corporate anti-fraud activity given the ever-changing face of fraud given the COVID 19 (Coronavirus Pandemic) where fraud has increased substantially along with Brexit potentially changing some elements of anti-fraud work.

### 3 How to address current situation

3.1	Fraud is an ongoing threat to the effective use of local government resources. The Council has developed this Corporate Anti-Fraud Business Plan in order to prevent and detect the numerous known and anticipated types and sources of fraud.
-----	--

### 4 Reason/s for recommendation

4.1	To request endorsement of planned corporate anti-fraud work to be undertaken at the Council during 2022/23
4.2	To ensure Members of the Committee discharge their duties and responsibilities in accordance with the Committee's terms of reference.

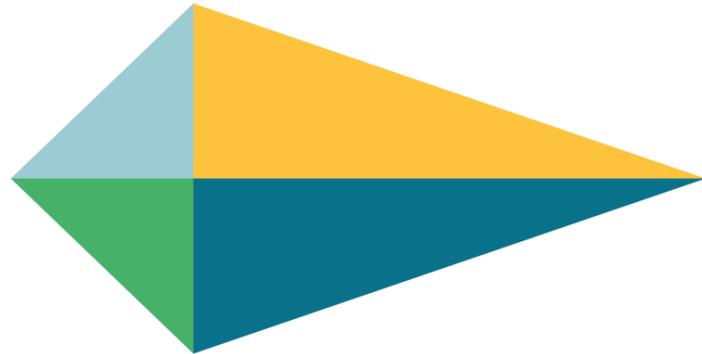
## Appendices

### Appendices:

<b>Appendix A</b>	Corporate Anti Fraud Business Plan 2022/23
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### Background reference papers:

Date	Type	Available From
2020	Fighting Fraud and Corruption Locally	CIFAS (on behalf of the Local Government Association) / Head of Internal Audit
2020	A Guide to Managing Fraud for Public Bodies	International Public Sector Fraud Forum / Head of Internal Audit
2020	National Fraud Initiative Report 2020	Cabinet Office / Head of Internal Audit
2019	CIPFA Fraud and Corruption Tracker Report	CIPFA / Head of Internal Audit
2014	Code of practice on managing the risk of fraud and corruption	CIPFA / Head of Internal Audit



**EASTSUFFOLK**  
C O U N C I L

**Corporate Anti-Fraud  
Business Plan  
2022-2023**

## Contents

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## 1. INTRODUCTION

- 1.1 Local Authorities have a moral duty to safeguard public funds and take responsible steps to ensure that controls are in operation to mitigate, prevent, detect and prosecute fraudulent activity. The Corporate Anti-Fraud Business Plan is developed annually based upon key fraud risks and through necessity remains fluid to reflect the continuous changes derived from the changing fraud landscape, and fraud risks identified as they arise. The Plan also represents the Council's strategic response to counter fraud and corruption.
- 1.2 The Leader of the Council, his Cabinet and Senior Management Team set the tone of zero tolerance approach towards all fraud actioned against the Council, its customers and all stakeholders.
- 1.3 The Corporate Fraud Service at East Suffolk undertakes dedicated fraud prevention, detection, investigation and intelligence gathering activities. We will continue to create an anti-fraud culture and enhance services across the Council services, including partnerships aligned directly to the five key strategic themes detailed the Council's Strategic Plan 2020-2024, see diagram below:



- 1.4 The Corporate Fraud Service will acknowledge, prevent and pursue fraudulent behaviour in order to support the Council to help grow the economy, enable our communities, remain financially sustainable, deliver digital transformation and care for the environment, whilst ensuring a zero-tolerance approach to all fraud issues.
- 1.5 All Councillors, officers, employees, consultants, partnership staff, volunteers and agency staff, etc. are expected to commit to a zero-tolerance approach towards fraud and corruption in the administration of its responsibilities, whether internally or externally, captured within the relevant contracts and codes of conduct.
- 1.6 The Corporate Fraud Service receives referrals from internal staff, contractors, partnership staff, external agencies, and other government departments along with referrals from members of the public.

- 1.7 A confidential telephone “**fraud**” **hotline**’ **01394 444444**, and email: [fraud@eastsuffolk.gov.uk](mailto:fraud@eastsuffolk.gov.uk), is available to report any suspicion of fraud, please leave a message and someone will get back to you.
- 1.8 A **confidential** Whistleblowing **hotline (without fear of reprisal)** on **01394 444222**, is available to report concerns in respect of the Council’s standard of openness, propriety and integrity and commitment etc.

## **2. INTERNATIONAL & NATIONAL CONTEXT**

- 2.1 Tackling fraud in Local Government continues to remain high profile; driven by the duty to ensure public stewardship of Council resources and to enable Council’s to provide services to those in need whilst facing significant reductions in funding.
- 2.2 The loss and harm caused by fraud in the public sector is significant. The Annual Fraud Indicator 2017 which provides the latest set of government sanctioned estimates, suggests that fraud costs the public sector at least £40.3bn annually, £7.8bn of which is specifically in local government. This does not take into consideration the social harm caused by fraud.
- 2.3 Protecting the English Public Purse 2016 (latest edition) has been issued by the European Institute for Combatting Corruption And Fraud (TEICCAF) to continue the national series of reports previously published by the Audit Commission. The report specifically identified:
- Right to Buy (RTB) is documented as one of the largest emerging threats in the country.
  - Procurement fraud is continuing to rise, with the number of cases increasing by over 90%.
  - Insurance fraud is continuing to rise, with the number of cases doubling.
- 2.4 Fighting Fraud and Corruption Locally (FFCL) Strategy for the 2020’s was launched in March 2020. ESC continue to support the new Strategy in Fighting Fraud and Corruption Locally.
- 2.5 CIPFA fraud and corruption tracker survey gives a national picture of fraud, bribery and corruption across UK Local Authorities and the action being taken to prevent it. CIPFA has estimated that for local authorities in the UK, the total value of fraud identified and prevented in 2019/20 is £239.4 million<sup>1</sup>.
- 2.6 The survey showed that the largest growing fraud area is housing tenancy, with the two highest perceived fraud risks areas being procurement and Council Tax single person discount. For 2019/20 the survey has shown the main areas of fraud by volume are Council Tax, Blue Badge, Housing and Business Rates.
- 2.7 HM Government has reinforced its commitment to tackling corruption by issuing a UK Anti-Corruption Strategy 2017-2022.

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<sup>1</sup> CIPFA Fraud and Corruption Tracker National Report 2020 is the most recent report.

2.8 The Covid-19 pandemic has had a significant impact globally, and the fraud threat posed during the emergency situations has been higher than at any other time. The Anti-Fraud Business includes workstreams to continue the monitoring and response to new and ever evolving fraud risks at a local and national level.

<sup>1</sup> The Accounts and Audit Regulations 2015, Financial Procedure Rules, CIPFA Solace delivering good governance in Local Government: Framework, Local Government Act 1972, National Audit Office and Cabinet Office.

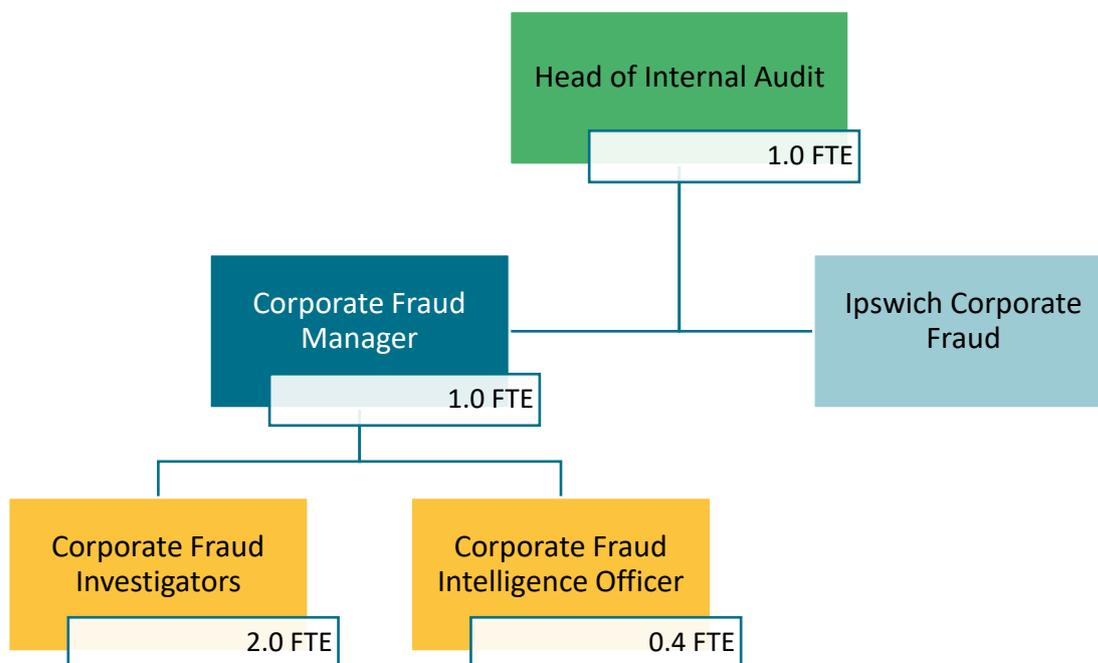
### **3. AIMS & OBJECTIVES**

3.1 The Corporate Fraud Service at East Suffolk Council is committed to:

- Raising awareness of the importance of tackling fraud;
- To complete Fraud self- assessment to identify areas for service improvement;
- Focusing on prevention and deterrence as a cost-effective means of reducing fraud losses to protect public resources, including improving the Council's intelligence framework;
- investigate potential fraudulent or corrupt activity and take appropriate action;
- Recover losses from fraud, using legislation such as Proceeds of Crime Act 2002 (POCA);
- Working with other organisations to prevent, deter and detect fraud and reduce loss through fraud and error;.
- A review of all fraud policies and procedures documents;
- A bespoke E-learning fraud awareness training package;
- Work with the Audit Team around key risk areas.

### **4. RESOURCES**

4.1 The Corporate Fraud Service reports to the Head of Internal Audit and forms part of the Audit Services Partnership with Ipswich Borough Council.



4.2 The Corporate Fraud Service in partnership with Ipswich Borough Council have skills that can be utilised in respect of the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2017. The Head of Internal Audit is also authorised by the NCA as a Senior Authorised Officer.

4.3 Partnership arrangements provide an opportunity to share training, knowledge and expertise, with two full time equivalent Financial Investigators appointed at Ipswich Borough Council. This provides a significant advantage to both Council's as it enables them to recover financial losses due to criminal activity, as well as the ability to tackle broader criminal conduct cross boundary. These specialised Investigators delve into an alternative world of investigations, and we have the possibility of utilising their skills for compensation and/or confiscation cases.

4.4 To be effective, the Council will continually adapt its resources and be fluid in order to face the changing nature of the threat and its own business. The Coronavirus Pandemic has identified emerging different fraud risks which all Council staff and their partnerships need to be fully aware of in order to safeguard public money and support the public.

4.5 Fighting fraud and corruption is a not a one-off cost, it requires ongoing investment which flexes with the scale of risk and threat that the Council faces, which the Coronavirus Pandemic has identified.

## 5. KEY ACTIVITIES 2022/23

5.1 Fighting Fraud and Corruption Locally 2020 – A Strategy for the 2020's was published in March 2020 and sets out the following themes:



- 5.2 Workstreams for the Corporate Fraud Service planned for 2022/23 have been aligned to common themes set out within the Council’s Ant-Fraud and Corruption Strategy and CIPFA Fighting Fraud and Corruption Locally – A strategy for the 2020’s. This also aligns to the East Suffolk Council’s Strategic Plan 2020-2024.
- 5.3 In addition to these workstreams the Service will be working on areas identified locally from BEIS COVID-19 Business Grant fraud risk assessments to investigate and conclude.
- 5.4 Corporate fraud investigations may fall within any of the following key areas but are not limited to areas identified by the National Fraud Initiative Report July 2020. Each area may have proactive and reactive exercises taking place:
- Coronavirus Pandemic related grant fraud
  - Cyber Crime – a method used to commit crime across any area of the Council
  - National Non-Domestic Rates – linked to grant fraud/business rates evasion
  - Tenancy/Housing fraud
  - Right to Buy (includes due diligence)
  - Council Tax Single Person Discount/Reduction Scheme
  - Procurement
  - Car Park Enforcement
  - Blue Badge Scheme (in partnership with Suffolk County Council)
  - National Fraud Initiative Matches (statutory national exercise)
  - Whistleblowing Investigation
  - Recruitment
  - Economic and Third Sector Support
  - Abuse of Position

- 5.5 To be instrumental and actively promote the re-instatement of the Council's Enforcement Officers Group and assist Legal with revising the Enforcement Officers Policy across the Council's Enforcement Teams within the next few months.
- 5.6 In support of the fraud awareness programme, we will continue to deliver fraud awareness training to relevant staff and all Council Members.
- 5.7 Due to the ongoing risks highlighted within Protecting the English Public Purse 2016, the Corporate Fraud Service continues to focus work within the Housing Service.
- 5.8 A new case management system is being implemented for 2022/23; this will further embed the "prevent" theme by creating more effective integrated processes for referral management and efficient management reporting.

## **6. POST PANDEMIC FRAUD RISK LANDSCAPE**

- 6.1 Whilst the administration of COVID-19 business support grants will cease on 31 March 2022, post-event assurance will remain an ongoing workstream. Fraud Risk Assessments have been completed as required by the Department for Business, Energy and Industrial Strategy.
- 6.2 The Corporate Fraud Service will work with partners in relation to COVID-19 Business Grants to combat cross border and nationally organised crime.
- 6.3 It has been highly publicised that the risk of fraud and error has heightened during the pandemic, with increased opportunities to commit fraud. With this in mind, the Council's Corporate Fraud Service will endeavour to promote fraud prevention training in all Council sections. We will seek to understand any skills or knowledge gaps and support focused development and training where necessary.

## **7. PERFORMANCE**

- 7.1 An annual report of outcomes from the previous financial year 2021-2022 are presented to the Audit and Governance Committee in a separate report usually in July each year.
- 7.2 Outputs are monitored on a monthly basis within the service by the Corporate Fraud Manager and reported to the Head of Internal Audit.
- 7.3 The Council reports upon the use of covert investigation powers. During 2021-22 to date the Council has not used the Regulation of Investigatory Powers Act 2000.

## 8. FIGHTING FRAUD AND CORRUPTION METHODOLOGY

<p><b>GOVERN</b></p> <p>Having robust arrangements with Members and Senior Management support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.</p>	<p><b>ACKNOWLEDGE</b></p> <p>Accessing and understanding fraud risks. Committing the right support and resource to tackle fraud and corruption. Communicating the risks to those charged with Governance.</p>	<p><b>PREVENT</b></p> <p>Enhance information and technology use. Enhance fraud controls and processes. Develop effective anti-fraud culture. Communicating our activities and successes.</p>		<p><b>PURSUE</b></p> <p>Prioritise fraud recovery and use of civil sanctions. Utilise Proceeds of Crime Act/Money Laundering regulations.</p>
<p>Adopt a robust Anti-Fraud and Corruption Strategy supported and approved by Audit &amp; Governance Committee.</p>	<p>Review and assess all Fraud policies to ensure a comprehensive response.</p>	<p>Conduct targeted reviews in conjunction with Internal Audit to design out fraud from the outset, which will enhance fraud controls and processes across the organisation.</p>	<p>Conduct fraud investigations in line with risk assessment in response to referrals from internal staff, members of the public and external agencies etc.</p>	<p>Utilise civil sanctions with the option of prosecution where a criminal offence is committed.</p>
<p>Provide E-Learning fraud awareness training across the Council to all staff, members, contractors, partnerships etc.</p>	<p>Conduct a formal fraud risk assessment which will be used to create a fraud risk mitigation plan.</p>	<p>Perform due diligence money laundering checks on all Right to Buy housing applications. Perform due diligence in respect of rent accounts in line with money laundering regulations 2017.</p>	<p>Conduct proactive exercises via data technology across all high fraud risk areas in the Council.  Improve the fraud awareness understanding across all Council Sections including Members. The fraud service to promote their services in many enforcement areas, for the seizure of assets of offenders to recoup financial losses.</p>	<p>Publicise successes to align with the Councils Strategic Plan and to increase public confidence over value for money and spending decisions.</p>
<p>Undertake specific fraud awareness training to Council Members and other relevant staff.</p>	<p>Attend Team meetings to provide support and guidance relating to anti-fraud measures.</p>	<p>Instrumental in re-instated the Enforcement Officers Group in respect of using Proceeds of Crime Act 2002 / Money Laundering Regulations across the difference service areas.</p>	<p>Provide fraud information to all relevant staff and if appropriate members of the Public.  Undertake NFI data matching activities and any local proactive fraud drives assessed as a priority by the Head of Internal Audit.</p>	<p>Collaborating enforcement across geographical and sectoral boundaries (within a legal gateway)</p>
<p>Provide an update anticipate /Organise the ESC Enforcement Officers Policy.</p>	<p>Survey Members and Senior Management in respect of any corporate fraud issues.</p>	<p>Publicising the work of the fraud service through internal promotion and to the public through the Press Office.</p>	<p>Continue to maintain and grow good working relationships with external government agencies, social landlords' cross borders etc.</p>	
<p style="text-align: center;"><b>PROTECTING THE COUNCIL AND ITS RESIDENTS</b></p> <p style="text-align: center;">Recognising the harm that fraud can cause in the community. Protecting itself and its' residents from fraud.</p>				





## AUDIT & GOVERNANCE COMMITTEE

Monday, 14 March 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>	Mrs 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 the Disabled Facilities Grant Certification 20/21 report be commented upon and noted.

## 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 checked="" type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input checked="" 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>			
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 audit report attached reviewed the management of the Council's investments, cash flows and banking.		

## Background and Justification for Recommendation

1 Background facts	
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 report attached has recently been issued to those listed on the report distribution list.

2 Current position	
2.1	The position as at the conclusion of each Audit is set out in each Internal Audit report.
2.2	Full copies of Internal Audit reports are forwarded to the Chief Executive and relevant senior officers, including the Section 151 Officer where appropriate. Full reports are also sent to the relevant Portfolio Holder and all Members of the Audit and Governance Committee once the reports are finalised.
2.3	All agreed recommendations are recorded on a database maintained by Internal Audit. This database provides the Head of Internal Audit with the mechanism to both track and follow up outstanding recommendations. Overdue recommendations which have poor governance implications are reported regularly to the Audit and Governance Committee.

3 How to address current situation	
3.1	Recommendations relating to the findings arising from each Internal Audit can be seen on the reports, for the consideration of relevant lead officers.

4 Reasons for recommendation	
4.1	To ensure that this report is considered within the overall control environment operated within the Council.
4.2	To enable the Audit and Governance Committee to assure itself that the coverage by Internal Audit as outlined in the Audit Plan is adequate, and to enable the

	Committee to comment upon the contents of the attached Internal Audit Report in support of effective corporate governance.
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## Appendices

Appendices:	
<b>Appendix A</b>	Disabled Facilities Grant Certification 20/21

Background reference papers:		
Date	Type	Available From
2017	Public Sector Internal Audit Standards	Head of Internal Audit <a href="mailto:siobhan.martin@eastsoffolk.gov.uk">siobhan.martin@eastsoffolk.gov.uk</a>
Nov 2020	Internal Audit Charter	Head of Internal Audit <a href="mailto:siobhan.martin@eastsoffolk.gov.uk">siobhan.martin@eastsoffolk.gov.uk</a>



# Internal Audit Report

## Disabled Facilities Grant Certification 2020/2021

Issued by the Head of Internal Audit, February 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>	<b>Some specific control weaknesses were noted and some improvement is needed; evaluated controls are generally adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.</b>
	<b>Limited</b>	Evaluated controls are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
	<b>Ineffective</b>	Evaluated controls are not adequate, appropriate, or effective. Internal Audit cannot provide reasonable assurance that risks are being managed.

<b>Distribution List</b>	<b>Accountable Officers:</b>	Head of Housing, H Tucker Principal Environmental Health Officer, Private Sector Housing, T Howarth
	<b>For Information:</b>	Strategic Management Team Cabinet Member with responsibility for Housing, R Kerry Audit and Governance Committee Chief Finance Officer and Section 151 Officer, B Mew Ernst & Young (External Auditor), T Poynton

## Grant Condition Compliance

Grant Condition Summary	Opinion
(1) Grants may only be used for capital expenditure.	Full compliance <sup>1</sup>
(2) Grants are required to be spent in accordance with the Better Care Fund spending plan.	No opinion provided <sup>2</sup>
(3) The amount paid by Suffolk County Council (£2,398,432) must be passed in full to East Suffolk Council no later than 28 <sup>th</sup> June 2020.	Partial compliance <sup>1</sup>
(4) Suffolk County Council may retain part of the grant allocation, with the express permission of East Suffolk Council.	Full compliance
(5) Grants must only be used for the purpose of providing adaptations for disabled people who qualify under the scheme.	Full compliance

<sup>1</sup> Findings have been raised in the action plan.

<sup>2</sup> Due to Covid-19, no Better Care Fund Policy Framework was completed for 2020/21.

### 1. Executive Summary

- 1.1 The objective of the audit was to verify that Disabled Facilities Grants (DFGs) paid in 2020/2021 were administered in accordance with the grant conditions set by the Ministry of Housing, Communities and Local Government. The overall assurance of Reasonable has been made on the basis of compliance with the grant conditions.
- 1.2 No High or Medium level corporate risks were identified during this audit. Low level corporate risks were identified, which have been included in the Service and Operational Risks action plan below.
- 1.3 East Suffolk Council received £2,398,432 from Suffolk County Council (SCC) for 2020/2021.
- 1.4 Suffolk County Council is required to provide an assurance declaration to the Ministry of Housing, Communities and Local Government that DFG grant conditions have been met. The Head of Internal Audit has used the results of the audit to provide assurance to SCC in support of their declaration.

## 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. COMPLIANCE WITH FUNDING CONDITIONS					
REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
1.1	Of the 25 applications reviewed, 8 were awarded to the internal ESC Maintenance Team without evidence of another supplier involved to demonstrate competitive price.	Reputational risk as it is good practice for the Council to obtain multiple quotes to demonstrate competitive price and to evidence the best value quote has been selected. Negative public perception that the Council has awarded itself contracts without demonstrating market value.	Guidance will be produced detailing when multiple quotes are and are not required.  Where multiple quotes are not required or obtained, the decision-making process will be documented on the case file.	<b>3</b>	<b>Responsibility:</b> Principal Environmental Health Officer, Private Sector Housing  <b>Target Date:</b> 30 April 2022
1.2	Discrepancies exist between Navision and Uniform for three works and three fees funded by DFG monies.	Financial errors may occur, that could result in the Council misreporting or overspending DFG money available.	The Principal Environmental Health Officer and Business Support Officer will monitor DFG payments quarterly to identify any differences between Navision and Uniform.	<b>3</b>	<b>Responsibility:</b> Principal Environmental Health Officer, Private Sector Housing  <b>Target Date:</b> 30 April 2022
1.3	The eligibility of including removal costs for equipment (once the equipment is no longer needed by the individual) within the DFG funds of £30,000 has not been confirmed.	If ineligible, then the Council may have attributed costs to the DFG fund that should not have been claimed. This could result in financial loss.	In future an alternative budget, generated from repaid DFGs, will be used for removal costs.	<b>3</b>	<b>Responsibility:</b> Principal Environmental Health Officer, Private Sector Housing  <b>Target Date:</b> 30 April 2022

## 2. RECEIPT OF FUNDS

REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
2.1	The grant to ESC was received from SCC 4 months after the expected due date (28 <sup>th</sup> June 2020) as specified in the grant conditions. No legitimate reason was provided by SCC for the delay.	If the grant is received late, this could affect payments to contractors who need to complete the adaptations. This then affects the applicants as their required works may be delayed.	<p>This should not be an issue going forward as SCC no longer retain a portion of the grant for the equipment fund.</p> <p>Ensure that the grant is received no later than the date specified in the grant conditions, and satisfactory reasons are provided by SCC for any delay in payments.</p>	3	<p><b>Responsibility:</b> Principal Environmental Health Officer, Private Sector Housing</p> <p><b>Target Date:</b> 30 April 2022</p>

## 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 administer Disabled Facilities Grants in accordance with the grant conditions.
- East Suffolk Business Plan – Enabling Communities, Growing Our Economy, and Remaining Financially Sustainable.
- Corporate Risk Register – Failure to deliver Housing Development Programme.

### 2.2 Scope of Internal Audit Activity

Internal Audit assessed the following control areas during the course of the audit:

- Compliance with finding conditions
- Receipt of funds

This audit assessed systems and records in place from 1 April 2020 to 31 March 2021.

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 2020/21, approved by the East Suffolk Council Audit and Governance Committee on 22 September 2020.

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:

- All sampled cases were, in all significant respects, for the use of capital expenditure and to provide adaptations for qualifying disabled people.
- Payments were authorised by officers with sufficient authorisation limits.
- East Suffolk Council received the correct amount of grant funding (£2,398,432) from Suffolk County Council.

## 2.5 Audit Team

The audit team for this review comprised

Audit Manager	L Fuller
Senior Auditor	S Potter
Apprentice Auditor	L Maton

## 2.6 Acknowledgements

We would like to thank the management and staff of Private Sector Housing contacted for their co-operation and time during the course of this audit.



This audit has been undertaken in accordance with the Internal Audit Partnership arrangements between East Suffolk Council and Ipswich Borough Council.



## AUDIT & GOVERNANCE COMMITTEE

Monday, 14 March 2022

<b>Subject</b>	INTERNAL AUDIT CHARTER
<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>	Mrs Siobhan Martin Head of Internal Audit 01394 444254 <a href="mailto:siobhan.martin@eastsoffolk.gov.uk">siobhan.martin@eastsoffolk.gov.uk</a>

Is the report Open or Exempt?	OPEN
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Category of Exempt Information and reason why it is <b>NOT</b> in the public interest to disclose the exempt information.	Not applicable
<b>Wards Affected:</b>	None

## Purpose and high-level overview

**Purpose of Report:**

The existing Internal Audit Charter last reviewed in December 2020 has been reviewed to ensure it remains compliant with the Public Sector Internal Auditor Standards (PSIAS) 2017 and local requirements.

This report is presented to the Audit and Governance Committee to enable it to fulfil its terms of reference: 'To review and approve the Internal Audit Charter to ensure that it is appropriate to the needs of the organisation'.

**Options:**

There are no options to be considered in relation to this report.

**Recommendation/s:**

That the refreshed Internal Audit Charter, attached at Appendix A, is approved.

## Corporate Impact Assessment

**Governance:**

The governance implications relate to the statutory necessity to maintain an adequate and effective Internal Audit Service. In order to achieve effectiveness, the Service must be compliant with the latest best practice. Regular review of the Internal Audit Charter enables adherence to best practice.

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

The Internal Audit Charter facilitates the good governance arrangements and practices which underpin the Council's strategic and operational workings, including the East Suffolk Business Plan.

**Environmental:**

There are no environmental implications.

**Equalities and Diversity:**

There are no equalities and diversity implications.

**Financial:**

There are no 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:**

The fundamental purpose, nature and scope of internal auditing is to bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal Audit is considered the “third line of defence” in risk management, providing independent assurance on its effectiveness in every area included in the annual Internal Audit Plan.

The failure to have an up-to-date effective Internal Audit Charter could result in the Charter not being appropriate to the needs of the organisation.

**External Consultees:**

No external parties were consulted in the preparation of this report.

## Strategic Plan Priorities

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

P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education and influence	<input type="checkbox"/>	<input type="checkbox"/>
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>The Internal Audit function is a requirement of Regulation 5 of the Accounts and Audit (England) Regulations 2015, which requires local authorities to undertake “effective internal audit to evaluate the effectiveness of its risk management, control and governance processes”. This supplements Section 151 of the Local Government Act 1972, which requires that authorities make arrangements for the proper administration of their financial affairs.</p>			

## Background and Justification for Recommendation

<b>1 Background facts</b>	
1.1	<p>The work of the Internal Audit Service is to provide independent assurance and report upon the effective and efficient application of internal controls, governance arrangements and value for money at the Council.</p> <p>This Internal Audit Charter defines the purpose, authority and responsibility of the Internal Audit Service across East Suffolk Council.</p>
<b>2 Current position</b>	
2.1	<p>The Internal Audit Charter was last reviewed and presented to Audit &amp; Governance Committee in December 2020. The Internal Audit Charter has been reviewed to ensure it remains compliant with the Public Sector Internal Auditor Standards (PSIAS) 2017 and local requirements.</p>
<b>3 How to address current situation</b>	
3.1	<p>The Head of Internal Audit will periodically review this Charter and present it to the Audit and Governance Committee and senior management at least every two years.</p>
<b>4 Reason/s for recommendation</b>	
4.1	<p>The existing Internal Audit Charter has been reviewed to ensure it remains compliant with the Public Sector Internal Auditor Standards (PSIAS) 2017 and local requirements.</p> <p>This report is presented to the Audit and Governance Committee to enable it to fulfil its terms of reference: ‘To review and approve the Internal Audit Charter to ensure that it is appropriate to the needs of the organisation’.</p>

## Appendices

### Appendices:

<b>Appendix A</b>	Internal Audit Charter
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### Background reference papers:

<b>Date</b>	<b>Type</b>	<b>Available From</b>
2017	Public Sector Internal Auditor Standards	Head of Internal Audit Siobhan.martin@eastsoffolk.gov.uk



**East Suffolk Council**

**INTERNAL AUDIT CHARTER**

**January 2022**

**1. INTRODUCTION**

- 1.1 This Internal Audit Charter defines the purpose, authority and responsibility of the Internal Audit Service across East Suffolk Council.
- 1.2 The Internal Audit function is a requirement of Regulation 5 of the Accounts and Audit (England) Regulations 2015, which requires local authorities to undertake “effective internal audit to evaluate the effectiveness of its risk management, control and governance processes”. This supplements Section 151 of the Local Government Act 1972, which requires that authorities make arrangements for the proper administration of their financial affairs.
- 1.3 The Audit and Governance Committee has overall responsibility for providing independent assurance as to the adequacy of the risk management framework and the Council’s internal controls. All auditing activity within the Council is accountable to the Audit and Governance Committee.
- 1.4 The Head of Internal Audit will periodically review this Charter and present it to the Audit and Governance Committee and senior management at least every two years.

**2. THE MISSION OF INTERNAL AUDIT**

- 2.1 The Mission of Internal Audit articulates what internal audit aspires to accomplish within the Council. All audit activity is designed to support and achieve the Mission:

**To enhance and protect organisational value by providing risk-based independent and objective assurance, advice and insight.**

- 2.2 To deliver the Mission, Internal Audit is further defined as providing:

“... an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

### **3. GOVERNANCE OF INTERNAL AUDIT**

3.1 Internal Audit within the public sector has a statutory duty to take into account public sector internal auditing standards or guidance. These are CIPFA's Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN).

3.2 A public sector requirement of the PSIAS is for this Charter to define the terms 'board' and 'senior management' for the purpose of internal activity.

#### 3.2.1 The Board

In accordance with CIPFA guidance, the Council's Audit and Governance Committee will perform the function of the Board. The Audit and Governance Committee's role and responsibilities, including those for overseeing Internal Audit activity, are set out in the Council's Constitution.

#### 3.2.2 Senior Management

At East Suffolk Council, the Corporate Management Team (CMT) will perform the function of senior management.

3.3 In addition, there are a number of key roles within the Internal Audit function:

#### 3.3.1 Head of Internal Audit

The Head of Internal Audit (HOIA) is responsible for establishing and effectively managing the provision of Internal Audit. Details of the HOIA's responsibilities and authority are set out in the Council's Constitution and this Audit Charter.

#### 3.3.2 Internal Auditor Officers

The Internal Audit team is responsible for delivering internal audit services under the direction of the HOIA.

3.4 Where there is a conflict of standards, the PSIAS set out above within this Charter will take precedent.

### **4. SCOPE OF INTERNAL AUDIT**

4.1 Internal Audit is a valuable asset, contributing to the Council's achievement of corporate objectives by promoting the identification and management of risk, strengthening the control environment, and fostering good governance practices.

4.2 In line with the Council's Constitution, Internal Audit has unrestricted scope in order to fulfil its Mission. Internal Audit's remit includes the whole of the organisation's control environment and activities. This includes access to delegated or contracted out services where the Council remains accountable.

4.3 Internal Audit may rely on assurance from other providers, where professional standards allow, and the assurance is relevant to the activities of the Council.

- 4.4 Internal Audit supports the Council's counter fraud activities by providing resources where required. The Corporate Fraud Team retains responsibility for directing fraud-related activities, such as investigation of irregularities or pro-active exercises.
- 4.5 Internal Audit provides assurance in accordance with the Annual Plan approved by the Audit and Governance Committee. It may also provide consultancy services, giving advice and guidance to management, subject to there being no impact on the core assurance work and the availability of skills and resources.
- 4.6 Internal Audit services may also be provided to organisations beyond this Council, where agreed in writing and subject to there being no impact on the core assurance work.

## **5. RESPONSIBILITIES AND OBJECTIVES OF INTERNAL AUDIT**

5.1 To meet its mission, responsibilities and objectives Internal Audit will:

- Review and assess the soundness, adequacy and reliability of financial and non-financial management and performance systems, and quality of data that support the controls (including those for risk management, corporate governance and ethical framework) established for the proper administration of the Council's activities.
- Review and assess the effectiveness of internal controls and agree actions to improve where appropriate.
- Review and assess procedures to check the Council's assets and interests are properly accounted for, adequately protected and risks are identified and effectively managed.
- Check for the extent of compliance with legislation, council policies, plans and procedures to ensure that good standards of management are maintained and that decisions taken by the Council, its committees and management are correctly applied.
- Examine, review, appraise and report upon the application of proper authorisation within the delegated authorities given by the various levels of management.
- Promote and assist the Council in the economic, efficient and effective use of resources to in the achievement of the Council's corporate objectives. This includes the provision of any consultancy (advice, facilitation, training etc) work as well as assurance services.
- Undertake independent investigations into allegations of fraud and irregularity in accordance with the Council's policies and procedures and relevant legislation.
- Maintain effective relationships with the managers. Regular meetings will be held with key stakeholders and management will be consulted during the audit planning process. Timing of audit work will be in conjunction with management.

- Take account of the results and reports from any inspections when planning and undertaking Internal Audit work. Where appropriate the Head of Internal Audit will establish a dialogue with representatives of the appropriate inspection agencies.
- Maintain an established working relationship with the External Auditor where internal and external audit can rely on each other's work, subject to the limits determined by their responsibilities, enabling them to evaluate, review and only re-perform where necessary. Regular meetings will be held and plans, and reports shared.

## 5.2 The Head of Internal Audit will

- establish a working relationship with members, in particular with members of the Audit and Governance Committee. The Head of Internal Audit has the right to meet privately with the Chairman of the Audit and Governance Committee, if desired.
- maintain an effective working relationship with the Chief Financial Officer who leads and directs financial strategy and operations.

## 6. INDEPENDENCE AND OBJECTIVITY

6.1 Internal Audit must be independent of the organisation, so that it can provide objective, impartial and effective professional judgements at the individual auditor, engagement, functional and organisational levels.

6.2 At the functional and organisational levels:

- The Audit and Governance Committee receives reports directly from the HOIA, as set out in the Council's Constitution
- Internal Audit will have no direct operational responsibility or authority over any audited operational process where appropriate safeguards do not exist. Internal Audit will not develop, install systems and procedures, prepare records or engage in any other process that could be considered an auditable activity, without appropriate safeguards in place.
- The HOIA has a direct reporting line to the Audit and Governance Committee, with free and unfettered access to the Council's Chief Executive and Chair of Audit and Governance Committee.
- Line management and performance appraisal of the HOIA by the Chief Executive includes feedback from the Chair of the Audit and Governance Committee.
- Where Internal Audit is responsible for an activity that could be considered auditable (such as the administration of Data Protection tasks, or Counter Fraud), safeguards to limit impairments of independence and objectivity will be put in place. These may include:
  - Obtaining Audit and Governance Committee approval of additional activities, where they are of significant importance or impact
  - Informing the Audit and Governance Committee and/or senior management of additional activities, where they are of minor significance

- Clearly avoiding reference to independence or assurance in reports relating to additional activity, so that the additional activity is not confused with audit work
  - Periodic review to confirm the arrangement continues to be appropriate, to be considered by the Audit and Governance Committee
  - Requesting third parties to undertake independent assurance reviews of the additional activity on the Council's behalf.
- Internal Audit's Annual Plan is determined and approved by the Audit and Governance Committee, although input from senior management will be sought during the development of proposals.

### 6.3 At the individual auditor and engagement levels:

- Internal Audit officers must comply with the professional standards set out in Section 7
- Internal Audit officers must maintain an impartial and unbiased attitude, avoiding any conflict of interest. Internal Auditors will notify the HOIA immediately if they become aware of any conflict of interest or appearance of a conflict of interest.
- Where assurance is to be provided, any Internal Audit officer with a potential conflict of interest will not have responsibility for any part of the audit. Where Internal Audit is providing consultancy, the potential conflict of interest will be disclosed to senior management before work is commenced.
- Work shall not be allocated to Internal Audit officers who have had operational responsibility for the audited area within the last 12 months.
- Peer review of all assurance work will be undertaken before it is reported to management.
- Internal Audit officers will declare any offers any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties, which may be accepted only on the express authorisation of the HOIA, having taken into account Council policies, conflicts of interest, and the appearance of bias.

## 7. PROFESSIONAL STANDARDS

### 7.1 All members of the Internal Audit team will comply with the professional standards as set out in the PSIAS:

- Definition of Internal Auditing
- Code of Ethics, including the four principles of:
  - integrity
  - objectivity
  - confidentiality
  - competency
- The Seven Principles of Public Life and
- The Public Sector Internal Audit Standards themselves

7.2 Internal Audit will safeguard information received in carrying out its duties. Any information gained during the course of the audit work will remain confidential, without limiting or preventing Internal Audit from reporting within the Council as appropriate. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information will not be used for personal benefit.

## **8. INTERNAL AUDIT RESOURCES**

8.1 Internal Audit must have appropriate, sufficient, and effectively deployed resources in order to achieve the approved plan.

8.2 If the HOIA concludes that resources are insufficient, for example due to lack of staff or funding, this will be reported to the Chief Executive. If the position is not resolved and the level of resources will adversely impact on the provision of the annual audit opinion, the HOIA must report this to the Audit and Governance Committee, who have ultimate power to report this to Full Council.

8.3 The Head of Internal Audit is responsible for appointing the staff for the Internal Audit Service and will ensure that appointments are made in order to achieve the appropriate mix of knowledge, qualifications, experience, audit skills and other competencies.

8.4 The HOIA will ensure that Internal Audit officers complete Continuing Professional Development to develop and maintain the required mix of knowledge, skills and competencies. Internal Auditors training and personal development needs are established through an appraisal process.

## **9. INTERNAL AUDIT ACTIVITY AND DELIVERY**

9.1 The HOIA will undertake and document an annual risk assessment, taking into account:

- The need to provide an annual audit opinion
- The Council's risk management framework
- Input and feedback from senior management
- The Council's strategies, key objectives, and risks

9.2 The HOIA will use the risk assessment, taking account of available resources and opportunities to add value, to develop an annual risk-based internal audit plan for the Audit and Governance Committee to review and approve prior to the commencement of each financial year.

9.3 The approved annual risk-based internal audit plan shall be kept under review during the year, and the HOIA may make adjustments to the plan in response the changes within the Council's business, risks, operations, programmes, systems, or control environment. Significant adjustments to the approved annual risk-based internal audit plan will be agreed with the Audit and Governance Committee.

9.4 Formal audit reports will be issued at the completion of each individual audit assignment included in the approved annual risk-based internal audit plan. The report provides management with an assurance opinion on the adequacy of the reviewed internal control system to manage risks effectively, and details significant audit findings,

conclusions and agreed management actions. Senior management and relevant Portfolio Holders receive copies of all audit reports.

- 9.5 Formal audit reports issued to management will also be provided to the Audit and Governance Committee as they are completed throughout the year.
- 9.6 Where a need to make improvements is identified in a formal audit report, the relevant Head of Service are responsible for ensuring actions are considered and agreed promptly.
- 9.7 The relevant Head of Service is responsible for ensuring that any agreed actions address and correct the identified weakness and are completed promptly. Internal Audit monitors management's progress in completing action plans. Reports of progress against agreed actions will be provided to the Audit and Governance Committee throughout the year.
- 9.8 The HOIA will provide an annual summary of activity and an overall audit opinion to the Audit and Governance Committee. The report includes:
- The HOIA's annual audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control
  - information on the performance of the Internal Audit Service
  - significant issues related to the processes for controlling the activities of the Council.

The issue of this report is timed to support the annual review of the Council's Corporate Governance and production of the Council's Annual Governance Statement.

- 9.9 The HOIA, where appropriate and resources allow, may provide audit services for organisations other than East Suffolk Council. All work for external organisations shall be agreed in writing prior to commencement, and the authority for Internal Audit to operate within the external organisation agreed.

## **10. AUTHORITY OF INTERNAL AUDIT**

- 10.1 The Audit and Governance Committee, via approval of this Audit Charter and in line with the expectations of the Council's Constitution, endorses the authority of Internal Audit officers acting in proper pursuit of their duties.
- 10.2 The Head of Internal Audit has rights of:
- an unrestricted ability to plan and undertake audit assignments
  - direct access to the Chair of the Audit and Governance Committee
  - reporting directly and direct access to the Chief Executive
  - direct access to all Councillors
  - direct access to the Chief Finance Officer
  - direct access to the Monitoring Officer
- 10.3 The Head of Internal Audit and Internal Audit officers are authorised to have:
- Unrestricted access to all functions, records, property, and personnel

- The necessary assistance of any officer within the Council to provide information or explanations as required
- The assistance of partner organisations and third-party suppliers where contract terms include internal audit access rights.

## **11. QUALITY OF INTERNAL AUDIT**

11.1 The Internal Audit team operates a Quality Assurance and Improvement Programme, with periodic assessments to confirm the service operates effectively. Results of internal and external assessments are shared with the Chair of the Audit and Governance Committee.

## **12. FRAUD AND CORRUPTION**

12.1 The HOIA is also responsible for counter fraud activities, which are delivered by through a separate counter-fraud specialist team.

12.2 Responsibility for the prevention and detection of fraud and corruption is a matter for all employees. The Anti-Fraud and Corruption Strategy and other supporting counter fraud policies set out the Council's approach.

12.3 This Charter supports the approaches for reporting suspected or detected fraud, corruption, maladministration, irregularity, misappropriation or impropriety to the HOIA set out in the Anti-Fraud and Corruption Strategy and Whistleblowing Policy. Where there is a conflict in approach, the Anti-Fraud and Corruption Strategy and Whistleblowing Policy will take precedent.

12.4 The HOIA will decide, based on the specific circumstances of an allegation or case, whether reports of fraud or irregularity are to be investigated by either Internal Audit, Corporate Fraud, jointly, or with the support of external agencies such as the Police.

12.5 Where the routine work of Internal Audit highlights a risk of fraud, this shall be included in the resulting audit report and an appropriate action agreed with management.

# AUDIT AND GOVERNANCE COMMITTEE

## WORK PROGRAMME 2022/23

### 25 July 2022

**Open:**

Minutes (AS)  
Annual Audit Letter 2020/21 (EY)  
Draft Statement of Accounts 2021/22 (BM)  
Treasury Management 2022/23 Quarter 1 Report (BM)  
Annual Internal Audit Report 2021/22 (SM)  
Fraud and Corruption Strategy – refresh (SM)  
Code of Corporate Governance (SM)  
Corporate Fraud Annual Report 2021/22 (SM)  
Internal Audit Reports Recently Issued (Open) (SM)  
Whistleblowing Policy – Refresh (SM)  
Committee Work Programme – Update (AS)

**Confidential:**

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

### 12 September 2022

**Open:**

Minutes (AS)  
External Audit Plan 2021/22 (BM)  
Treasury Management Outturn 2021/22 and Mid Year Report 2022/23 (BM)  
Annual Governance Statement 2021/22 - Draft (BM/SM)  
Anti-Money Laundering Policy – refresh (SM)  
Annual Senior Information Risk Owner (SIRO) Report (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)

## **12 December 2022**

### **Open:**

Minutes (AS)  
2021/22 Audit Results Report (BM)  
2021/22 Annual Governance Statement (BM/SM)  
Capital Strategy (BM)  
Treasury Management and Investment Strategy (Annual) 2023/24 (BM)  
Corporate Risk Management (BM)  
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)  
Internal Audit: Status of Actions (SM)  
Internal Audit Reports Recently Issued (Exempt) (SM)

## **13 March 2023**

### **Open:**

Minutes (AS)  
2021/22 Audited Statement of Accounts (BM)  
Treasury Management 2022/23 Quarter 3 Report (BM)  
Internal Audit Plan 2023-24 (SM)  
Corporate Anti-Fraud Plan 2023-24 (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**

None at this time.