



Riverside, 4 Canning Road, Lowestoft, Suffolk,
NR33 0EQ

Audit and Governance Committee

Members:

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

Members are invited to a **Meeting of the Audit and Governance Committee**
to be held in the Conference Room, Riverside,
on **Monday, 25 July 2022 at 6:30pm**

This meeting will be broadcast to the public via the East Suffolk YouTube
Channel at <https://youtu.be/gpQNoXa8FIE>

An Agenda is set out below.

Part One – Open to the Public

Pages

1 **Apologies for Absence and Substitutions**

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| 2 | Declarations of Interest Members and Officers are invited to make any declarations of interests, and the nature of that interest, that they may have in relation to items on the Agenda and are also reminded to make any declarations at any stage during the Meeting if it becomes apparent that this may be required when a particular item or issue is considered. | |
| 3 | Minutes - 14 March 2022 To confirm as a correct record the minutes of the meeting held on 14 March 2022. | 1 - 12 |
| 4 | Minutes - 16 May 2022 To confirm as a correct record the minutes of the meeting held on 16 May 2022. | 13 - 16 |
| 5 | Draft Statement of Accounts 2021/22 ES/1238 Report of the Cabinet Member with responsibility for Resources. | 17 - 151 |
| 6 | Draft Annual Governance Statement 2021/22 ES/1240 Report of the Cabinet Member with responsibility for Resources. | 152 - 182 |
| 7 | Treasury Management 2022/23 Quarter 1 Report ES/1239 Report of the Assistant Cabinet Member for Resources. | 183 - 192 |
| 8 | Annual Internal Audit Opinion 2021/22 ES/1225 Report of the Cabinet Member with responsibility for Resources and Assistant Cabinet Member for Resources. | 193 - 209 |
| 9 | Corporate Fraud Annual Report 2021/22 ES/1237 Report of the Cabinet Member with responsibility for Resources, Cabinet Member with responsibility for Housing and Assistant Cabinet Member for Resources. | 210 - 226 |
| 10 | Internal Audit Reports Recently Issued ES/1226 Report of the Cabinet Member with responsibility for Resources and Assistant Cabinet Member for Resources. | 227 - 235 |
| 11 | Audit and Governance Committee's Forward Work Programme To consider the Audit and Governance Committee's Forward Work Programme. | 236 - 237 |
| 12 | 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. | |

13 Exempt minutes - 14 March 2022

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

14 Data Protection Status Update

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

15 Internal Audit: Status of Actions

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

16 Internal Audit Reports Recently Issued (Exempt)

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

Close



Stephen Baker, Chief Executive

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Minutes of a Meeting of the **Audit and Governance Committee** held in the Deben Conference Room, East Suffolk House, on **Monday, 14 March 2022 at 6:30 PM**

Members of the Committee present:

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

Other Members present:

Councillor Edward Back, Councillor Peter Byatt

Officers present: Stephen Baker (Chief Executive), Damilola Bastos (Finance Planning Manager), Chris Bing (Head of Legal and Democratic Services), Kerry Blair (Head of Operations), Laura Fuller (Audit Manager), Andrew Jarvis (Strategic Director), Matt Makin (Democratic Services Officer), Siobhan Martin (Head of Internal Audit Services), Brian Mew (Chief Finance Officer & Section 151 Officer), Shelia Mills-James (Corporate Fraud Manager), Lorraine Rogers (Deputy Chief Finance Officer), Alli Stone (Democratic Services Officer)

Others present: Debbie Hanson (Ernst & Young LLP)

1 Apologies for Absence

Apologies for Absence were received from Councillor Tess Gandy, Councillor Peter Byatt attended as substitute.

2 Declarations of Interest

There were no Declarations of Interest.

3 Minutes

RESOLVED

That the Minutes of the Meeting held on 13 December 2021 be agreed as a correct record and signed by the Chairman.

4 Provisional Audit Results Report 2020/21 and Updated Statement of Accounts 2020/21

The Committee received report **ES/1086** of Councillor Edward Back, the Assistant Cabinet Member for Resources, who explained that the Comptroller and Auditor General's Code of Audit Practice required Ernst and Young LLP (EY) to report to this Committee on the work they had carried out in respect of East Suffolk Council to discharge their statutory audit responsibilities together with any governance issues identified.

It was noted that at this time the audit of East Suffolk Council's Statement of Accounts for 2020/21 was ongoing, pending Engagement Partner review. It was noted that to date no corrected or uncorrected differences had been identified, there were a small number of minor disclosure differences which management had agreed to amend in the final set of accounts. Councillor Back invited Ms Debbie Hanson, Associate Partner at Ernst & Young LLP to provide further detail.

Ms Hanson confirmed that the audit work was largely complete. There was one area of concern relating to potential non-compliance with the rent standard which would impact on the timetable for the completion of the audit. The impact of this area on the annual audit report which replaces the value for money assessment was now being considered. Ms Hanson confirmed that EY would need to consider whether the current disclosure in the Statement of Accounts as a contingent liability was appropriate or whether the Council had the necessary information to include provision for the potential liability in relation to this item.

Ms Hanson confirmed that the matter had been discussed with officers, and EY were of the view that in 2021 there were weaknesses in the governance arrangements in this area and therefore EY would need to report by exception in the final audit report. It was noted that Ms Hanson's team were engaging with the forensic team at EY to assess this issue, and there would be a delay to conclusion of the audit whilst the Council and EY undertook reviews into this matter.

In regard to the rest of the audit, Ms Hanson confirmed that EY would not be in the position to release the audit certificate at the same time as the audit opinion as the National Audit Office had not yet issued instructions. Although the Council was expected to be under the threshold for any further procedures to be taken, until the instructions were issued this could not be confirmed. Ms Hanson stated that every local authority was currently in this position and instructions were expected in July.

Ms Hanson drew the Committee's attention to Appendix D which highlighted outstanding matters and summarised the risk areas, which included an area related to Covid grants. Overall key risk areas were in a positive position.

Ms Hanson confirmed that going concern work was still to be completed, and this would be done when the final sign off date was clear.

Ms Hanson confirmed that the additional costs relating to issues around the rent standard and value for money conclusion had not been included in this report.

The Chairman invited questions.

The Chairman asked whether there would be an extension for the completion of the accounts as in previous years. Ms Hanson confirmed that a timetable for completion would need to be agreed and that the conclusion was expected for late April or early May.

Following a question on the provisional costs associated with the additional work required around the rent standard, Ms Hanson confirmed that costs were not clear at this stage as the scope of work still needed confirming. As soon as an estimate could be produced it would be shared with management.

There being no further questions, on the proposal of Councillor Cloke and seconded by Councillor Coulam it was by a unanimous vote

RESOLVED

That the Committee:

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

5 Annual Governance Statement 2020/21

The Committee received report ES/1087 of Councillor Maurice Cook, Cabinet Member with responsibility for Resources. The Assistant Cabinet Member for Resources, Councillor Back, introduced the report which had originally been received in June 2021 but had been updated in respect of a significant governance issue relating to housing regulation.

The Chief Finance Officer explained that the Committee would not normally receive the Annual Governance Statement for a second time, but it was felt necessary to bring back to the Committee due to the governance issue that had been identified. The actions taken concerning the issue would also have an impact on EY's Annual Audit Report.

The Chairman invited questions.

Councillor Coulam asked whether the issue would be resolved before the Committee's next meeting and whether an extraordinary meeting of the Committee might be needed to resolve the issue. The Chief Finance Officer stated that the timeline for the outcomes of this work would be confirmed when EY had produced their Annual Audit Report. The timescale was currently envisioned to be around two months, and an extraordinary meeting might be appropriate.

In response to a question from Councillor Byatt on whistleblowing cases, the Head of Internal Audit confirmed that there had been no cases in 2019/2020 or 2020/2021.

The Chairman asked how the changes with regards to housing regulation would impact the work of officers and whether there were enough resources in place. The Strategic Director confirmed that the main implications were within the housing service. External consultants had been engaged to provide extra resource in the short term, and they were well underway with the work required.

RESOLVED

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.

6 Measures to improve local audit delays

The Committee received report **ES/1079** of Councillor Edward Back, the Assistant Cabinet Member for Resources.

Councillor Back introduced the report which was to update members on national measures to reduce delays in external audit work. Although the Council had met all publication deadlines for its draft Statement of Accounts, the deadline for final audited accounts had not been met for either 2019/2020 or 2020/21. This was an issue for the majority of local authorities, and as a result an independent review of local audit had been carried out by Central Government. The 'Redmond Review' was published in September 2020 and outlined three key issues with the current system. Following this review, all Local Government Chief Executives and Section 151 Officers had received two letters from the Department for Levelling Up, Housing and Communities, the first had asked Local Authorities to assist in getting outstanding audits cleared and the second had provided an update on the action the government wished to take to tackle future delays.

The Chief Finance Officer confirmed that the Council had also responded to a further consultation and that work was also being carried out by the East of England Local Government Association on this and other improvements to local government audit.

Ms Debbie Hanson confirmed that Ernst & Young had also responded to further consultation stating that the measures the government were proposing should be introduced over a two year period. EY felt that it was appropriate to pause the requirement for two years rather to help reduce workload and audit timeframes. There was a need to ensure consistency, and to ensure that already commissioned work was not wasted.

The Chairman asked whether the Committee could do anything to lobby around these delays. The Chief Finance Officer confirmed that the consultation had closed, and the Council had submitted its response. Decisions would need to be taken quickly on the standards for future audits. The Chairman asked that information on any changes proposed be reported back to the Committee.

Councillor Byatt referred to the letter dated 18 January 2022 which mentioned additional funding and asked when the Council would receive this and what would it be for. The Chief Financial Officer confirmed that the Council had received no further detail on this funding at present.

There being no further questions, on the proposal of Councillor Coulam and seconded by Councillor Richardson, it was by a unanimous vote

RESOLVED

1. That the key measures committed to by the Department of Levelling up, Communities and Housing to reduce future audit delays be 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), be noted.

7 Changes to the Financial Procedure Rules

The Committee received report **ES/1088** of Councillor Maurice Cook, Cabinet Member with responsibility for Resources and Councillor Edward Back, Assistant Cabinet Member for Resources, who introduced the report. The financial procedure rules had been reviewed on the creation of the Council in 2019. Since this review the CIPFA Financial Management Code had been published and the Councils level of activity across a variety of areas had increased. It was therefore considered appropriate to review the Financial Procedure Rules in light of these changes.

The Chief Finance Officer summarised the three main areas in need of change which were Revenue Budget Monitoring, Capital Programme Monitoring and the principals for monitoring and transacting with the Council's companies. The proposed changes would also be considered by Cabinet and Full Council. It was also noted that the Constitution contained rules around procurement, and if changes were needed in this area an additional report would be bought to the Committee.

The Chairman invited questions.

In relation to a question from the Vice Chairman concerning cyber-attacks, the Chief Executive confirmed that this was a high priority for the Council, and that reviews of IT infrastructure had recently taken place as recommended by Central Government and the LGA.

Councillor Byatt referred to the threshold for key decisions by the Cabinet, which was currently £250,000 and asked whether this should be increased due to inflation. He also asked if any further reports would be received by the Committee following the creation of the LATCo. The Chief Finance Officer confirmed that spending with the LATCo would be considered as part of the set-up process for the company. With regards to the key decision threshold, there had been considerable debate on this when the Council had been set up and if changes were required it would be discussed by Full Council and Cabinet.

The Chairman highlighted points on budget holder responsibilities and purchase order controls. A report on these issues was due to be received by the Committee.

There being no further questions, on the proposal of Councillor Cooper, seconded by Councillor Richardson and by a unanimous vote it was

RESOLVED

That having reviewed and commented upon the proposed changes to the Financial Procedure Rules, the Committee recommended them to Full Council for approval.

8 Proposed Changes to The Council Procedure Rules in the Constitution

The Committee received report **ES/1089** of the Leader of the Council. The Head of Legal and Democratic Services introduced the report which aimed to address a number of procedural issues which had arisen at Full Council and provide additional detail on areas which Democratic Services were frequently asked about. In order to ensure consistency on how motions and questions were received and managed, it was proposed that templates and word limits be introduced for both questions and motions. This would also ensure that the purpose of questions and motions were clear, and debate could be followed by the public.

The Head of Legal and Democratic Services confirmed that the Constitution required a procedural debate ahead of the substantive debate in order to determine the most appropriate place for a motion to be heard. The Constitution stated that group leaders should meet ahead of Full Council to discuss this matter, but this had not happened thus far. It was felt that if this meeting could be introduced and group leaders could come to a consensus on where motions should be debated this would ensure better use of time at Full Council meetings.

It was also proposed that flow charts be introduced into the Constitution to make the process for motions clearer for members, officers and the public, and that the reading aloud of questions and motions be introduced into the procedure rules. This had been introduced during the Covid pandemic and was felt to aid openness and transparency.

Lastly it was proposed that the Committee Procedure Rules concerning the recording of votes be amended to bring them in line with the Council Procedure Rules.

The Chairman invited questions.

Councillor Byatt stated that there had often been confusion around motions and asked if appendices containing the background information for motions could be introduced to ensure all information was available whilst keeping the main motion shorter. The Head of Legal and Democratic Services responded that motions should be calls to action and if appendices were added in there was a danger that motions would become reports which had not been scoped by officers.

The Chairman commented that all members should be able to ask questions, and that members had adapted well to changes which had been made necessary due to Covid. He felt that the suggested amendments were a good starting point for confirming some of these changes, and asked that this be reviewed in a years' time, at the end of this Council's term, as changes to the format of meetings were still ongoing.

It was agreed that an additional recommendation be added to ensure that the Council Procedure Rules would be reviewed in 2023 at the start of the new Council term.

There being no further questions, on the proposal of Councillor Cloke and seconded by Councillor Richardson it was by a unanimous vote

RESOLVED

1. That the Audit and Governance Committee recommend that Full Council 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. That the Audit and Governance Committee recommend that Full Council 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. That the Audit and Governance Committee recommend that Full Council instruct the Monitoring Officer to incorporate the motions and report flowcharts (Appendices C and D) into the Council Procedure Rules in the Constitution.
4. That the Audit and Governance Committee recommend that Full Council 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. That the Audit and Governance Committee recommend that Full Council 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.
6. That the Audit and Governance Committee review the changes to the Council Procedure Rules at the start of the new Council term in 2023.

9 Adoption of LGA Model Code of Conduct for Councillors

The Committee received report **ES/1085** of the Leader of the Council. The Head of Legal and Democratic Services introduced the report which sought to adopt the Local Government Association's (LGA's) new model Code of Conduct for Councillors, replacing the existing code which had been in place for ten years.

The Head of Legal and Democratic Services stated that the new code provided more guidance and direction for members and would assist Monitoring Officers in

determining complaints made against members. All monitoring officers in Suffolk were in the process of considering this code, and the same code would be used at all levels of local government providing consistency for members who were double- or triple-hatters.

The Head of Legal and Democratic Services summarised the main changes. The code did not change sanctions available, as this would require a change in legislation, but would help provide clarity around use of social media, and expanded on acceptable behaviour toward elected representatives and officers including issues around equality. Non-pecuniary interests would be divided into two categories of 'other registerable interests' and 'non-registerable interests' to provide further clarity for members, officers and the public on interests and to capture a wider range of interests which directly related to a councillor's 'financial interest or wellbeing'.

The Chairman invited questions.

The Vice Chairman stated that more thought was needed from Central Government on sanctions and punishments as it was felt that the current sanctions did not carry enough weight.

Councillor Byatt stated that it was helpful for councillors to have more guidance in all areas, and asked that members encourage parish and town councils to adopt the code.

The Chairman asked for clarification on what pressure town and parish councils would be under to adopt the code. The Head of Legal and Democratic Services confirmed that the Suffolk Association of Local Councils were recommending the adoption of the code, as were Monitoring Officers across Suffolk. However, it was ultimately a decision for parish and town councils to take.

The Vice Chairman asked what would happen where a complaint was received about a parish councillor whose parish had not adopted the new code. The Head of Legal and Democratic Services confirmed that parish and town councils could either continue with the current code or adopt the new code, and any complaints would be determined against the code they had adopted.

Following a question from Councillor Coulam on whether the code could be made mandatory for parish and town councils, the Head of Legal and Democratic Services confirmed that it could not.

The Chairman asked that a copy of the code be sent to all members, and for all councillors to encourage town and parish councils within their ward to consider adopting the new code.

There being no further questions, on the proposal of Councillor Cooper seconded by Councillor Coulam, it was by a majority vote

RESOLVED

That the LGA Model Code of Conduct is adopted with effect from 1 May 2022.

The Committee received report **ES/1079** of Councillor Maurice Cook, Cabinet Member with responsibility for Resources and Councillor Edward Back, Assistant Cabinet Member for Resources.

The Head of Internal Audit introduced the report and reminded the Committee that this was a living document and that resources were diverted as appropriate, as had been done in the last few years due to concerns around fraud arising from the Covid pandemic. A dedicated resource was also available as part of the audit service to consider issues which had been raised by the Committee.

The Head of Internal Audit highlighted the diagram detailing the current structure of the Internal Audit Service in appendix A and confirmed that additional resource would be recruited to the audit team, and that the vacancy for an IT Auditor would also be recruited shortly and solely employed by East Suffolk Council.

Going forward, emphasis would be placed on housing services following the issues which had been raised under items four and five of the meeting.

The Chairman commented that he was pleased an additional staff member was being employed and that the team's capacity was being increased in light of more Council services being bought in house. If the internal audit was correct, overall costs to the Council could be brought down. The Chairman thanked the internal audit team for their hard work.

There being no further questions, on the proposal of Councillor Coulam and seconded by Councillor Cooper it was by a unanimous vote

RESOLVED

That the Annual Internal Audit Plan 2022/23 be reviewed and approved.

11 Corporate Anti-Fraud Business Plan 2022/23

The Committee received report **ES/1083** of Councillor Maurice Cook, Cabinet Member with responsibility for Resources and Councillor Edward Back, Assistant Cabinet Member for Resources who introduced the report which provided a strategic overview of the planned corporate anti-fraud work to be undertaken by the Council during 2022/23 and ensured that the Members of the Committee discharged their duties and responsibilities in accordance with the Committee's terms of reference.

The Head of Internal Audit reminded the Committee that the Council had a fraud and whistleblowing hotline, and a dedicated in-house fraud service which worked with other agencies. Another position would be introduced into this team in due course.

The Head of Internal Audit highlighted the principals of the anti-fraud business plan and the areas covered by the fraud team, including cyber, housing and tenancy fraud. The report also covered the fraud landscape post pandemic and how the fraud teams activities had training had been adapted.

The Chairman invited questions.

The Vice Chairman referred to point 2.3 of Appendix A, and asked if the rise in fraud in these areas was peculiar to this Council. The Head of Internal Audit confirmed that this was a national issue, and that the fraud and audit teams would be considering these areas in the next year as part of their work to ensure the Council was prepared.

In response to a question from the Vice Chairman regarding blue badge fraud, the Head of Internal Audit confirmed that badges were issued by Suffolk County Council but that this Council was impacted as it managed car parks. This area was due to be investigated later in the year.

Councillor Byatt asked whether the fraud team had enough resource, especially in light of the rise in fraud around Covid. The Head of Internal Audit confirmed that the staffing resource for this team would be scoped out and reported to the Committee in due course. Whilst staff numbers were important, skill set was also important and needed to be taken into consideration.

In response to a question from Councillor Cloke on fraud relating to right to buy, the Head of Internal Audit confirmed that there had been a national rise in invalid and inaccurate application since the law change. The Council did have checks in place to ensure that all the relevant evidence included in applications was present and accurate. There were occasions where information was not genuine, and a report would be received by the Committee later in the year detailing where suspicious applications had been withdrawn. The Council would prosecute in the case of fraud relating to right to buy or tenancies.

The Chairman thanked the team for their work and suggested that an apprentice position might be appropriate for this team. The Head of Internal Audit confirmed that this was being considered.

There being no further questions, on the proposal of Councillor Cloke, seconded by Councillor Richardson and by a unanimous vote it was

RESOLVED

That the Corporate Anti-Fraud Business Plan 2022-23, having been commented upon, be endorsed by the Committee.

12 Internal Audit Reports Recently Issued

The Committee received report **ES/1080** of Councillor Maurice Cook, Cabinet Member with responsibility for Resources and Councillor Edward Back, Assistant Cabinet Member for Resources. The Head of Internal Audit introduced the report. One internal audit report was attached and a reasonable audit opinion had been issued.

Councillor Byatt asked why grants in this area from Suffolk County Council had been delayed. The Head of Internal Audit confirmed that no explanation had been given so far, but as soon as more information was available it would be shared with the Committee.

There being no further questions, on the proposal of Councillor Coulam, seconded by Councillor Cloke and on a unanimous vote it was

RESOLVED

That the Disabled Facilities Grant Certification 20/21 report, having been commented upon, be noted.

13 Internal Audit Charter

The Committee received report **ES/1084** of Councillor Maurice Cook, Cabinet Member with responsibility for Resources and Councillor Edward Back, Assistant Cabinet Member for Resources. Councillor Back introduced the report and stated that the existing Internal Audit Charter had last been reviewed in 2020 and had now been reviewed to ensure it remained compliant with the Public Sector Internal Auditor Standards (PSIAS) 2017, local requirements and the needs of the organisation.

The Head of Internal Audit confirmed that there had been no amendments to the Charter and reminded the Committee of the headings of the Charter including the need for independence and the code of standards and ethics.

The Chairman commented that the lack of changes demonstrated the good work of the internal audit team and thanked them for their work.

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

RESOLVED

That the refreshed Internal Audit Charter, attached at Appendix A, is approved.

14 Audit and Governance Committee's Draft Work Programme 2022-23

The Chairman introduced the draft work programme for 2022/2023.

In addition to the items already detailed on the work programme, Councillor Gandy had submitted a motion to Full Council in January 2022 which the Committee had been asked to examine.

Councillor Byatt summarised the motion which had asked the Council to support the 'Councils for Fair Tax' declaration which would require the Council to communicate expectations of good practise in tax conduct across its activities and support calls for reform of UK law to enable local authorities to penalise poor tax conduct and reward good tax conduct through the procurement process.

It was agreed that this item would be considered at the Committee's September meeting.

The Chairman informed the Committee that it might be necessary to have an extraordinary Committee meeting to address the housing regulation issues discussed earlier in the meeting.

The Chairman reminded the Committee members that they could bring any matters forward for discussion by the Committee.

15 Exempt/Confidential Items

On the proposition of Councillor Cooper and, seconded by Councillor Coulam it was

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.

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).

The meeting concluded at 9.18pm.

.....
Chairman

Unconfirmed



Minutes of a Meeting of the **Audit and Governance Committee** held in the Deben Conference Room, East Suffolk House, on **Monday, 16 May 2022 at 6:30 PM**

Members of the Cabinet present:

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

Other Members present:

Councillor Louise Gooch

Officers present: Chris Bing (Head of Legal and Democratic Services), Matt Makin (Democratic Services Officer), Alli Stone (Democratic Services Officer)

1 Apologies for Absence and Substitutions

There were no apologies for absence.

2 Declarations of Interest

There were no declarations of interest.

3 Creation of a Second Vice-Chairman position for East Suffolk Council

The Committee received report **ES-1152** of the Leader of the Council. The Head of Legal and Democratic Services introduced the report which asked the Committee to consider a proposal to create a second Vice Chairman post for East Suffolk Council for the municipal year 2022/23 and continuing thereafter.

The Head of Legal and Democratic Services summarised the report. The East Suffolk Council District was a large area covering around 487 square miles, and the Chairman had a busy civic role. The Chairman received over 100 invites for events on evenings and weekends throughout the year, and due to the scale of the role it was proposed to create an additional Vice Chairman role to allow for more flexibility and coverage. This would also allow for a wider range of Councillors to take on the role, including those with caring responsibilities and other jobs.

The Chairman invited questions from the Committee.

Councillor Coulam asked how many functions the Chairman and Vice Chairman had attended in the previous year. The Head of Legal and Democratic Services stated that Covid restrictions and lockdowns meant that there had been fewer civic engagements and so there was not an accurate figure. The Civic Secretary had confirmed that the Chairman received around a hundred invitations a year. Councillor Coulam asked if figures on the number of events attended could be provided following the meeting.

Following a question from Councillor Gandy on voting powers at Full Council, the Head of Legal and Democratic Services confirmed that there was only one Chairman at a meeting, and whoever was in the Chair for a meeting would have the casting vote.

Councillor Gandy queried whether there would be an additional allowance for the new post of outgoing Vice Chairman as well as Vice Chairman elect. The Head of Legal and Democratic Services confirmed that there would be an additional allowance for the outgoing Vice Chairman. Councillor Gandy stated that this was perhaps not appropriate considering the cost of living crisis and the financial pressures people were facing.

Councillor Thompson asked why the Chairman needed additional training and support and why this could not be provided by officers. The Head of Legal and Democratic Services confirmed that officers did provide support to the Chairman, but the majority of the Chairman's role was civic and the outgoing Chairman was best placed to provide this support. Councillor Lynch added that the Chairman had more obligations in the larger East Suffolk Council than in the predecessor Councils and required more support. When Waveney and Suffolk Coastal District Councils had combined, the civic team for the area had reduced from four to two. It was therefore reasonable to add a third person back into the team.

Councillor Thompson asked whether a Conservative Vice Chairman elected this year would be Chairman of the new Council in 2023 following elections which may change the political make up of the Council. The Head of Legal and Democratic Services confirmed that Full Council voted to elect the Chairman each year and there was no rule to state that it had to be the Vice Chairman that was elected.

Councillor Coulam stated that the Vice Chairman should be learning from the current Chairman rather than the Council having to spend more money on another Vice Chairman. Councillor Coulam asked whether the Vice Chairman had to become Chairman. The Head of Legal and Democratic Services confirmed that it was only custom that the Vice Chairman became Chairman, and it was for Full Council to nominate and determine the Chairman. The Head of Legal and Democratic Services reminded the Committee that the report proposed a change to the structure of the civic team going forward to provide the necessary coverage for the area.

Councillor Gandy stated that this set up should not have to be formalised as support should be provided by an informal arrangement with the outgoing Chairman providing mentoring support without the need for additional money. This arrangement had not been previously necessary and there were not sufficient reasons for it to be necessary now.

Councillor Cooper referred to point 3.3 in the report and asked if the order of who would take the Chair for a meeting if the Chairman was absent could be swapped to

prioritise the Vice Chairman elect. The Committee agreed that this was a preferable order to allow for the Vice Chairman elect to have more experience.

A proposal was made to add a recommendation to the report that in the absence of the Chairman, if both Vice Chairmen were present, the Vice Chairman elect would preside at the meeting. The amendment was proposed by Councillor Cloke, seconded by Councillor Coulam and agreed.

Councillor Gandy asked how the Chairman had coped with the civic side of the role in 2019 prior to lockdown. Councillor Lynch confirmed that the current Chairman and Vice Chairman of the Council felt there was too much work to cope with already which had prompted this report. The Council was formed in April 2019 and as such there was not a 'normal' year of work to compare too. Councillor Lynch reminded the Committee that the focus of this report was on the Chairman's role outside of the Council chamber in visiting towns, villages and events across the area.

The Committee considered when it would be appropriate for this change to be reviewed. The Democratic Services Officer confirmed that the Committee were due to review other Constitution changes in June following the elections in May. Councillor Coulam felt this was too long a period and asked if there could be a review in six months. Councillor Lynch proposed that the changes be reviewed in March 2023 with information included on the split of work between the civic team.

Councillor Lynch asked if there could be a mechanism to ensure that the Chairman and Vice Chairmen would be geographically spread to ensure that one area of the District was not overrepresented. Councillor Coulam disagreed and argued that it would be a backwards step to introduce a north/south split. The Committee discussed that although it was not desirable to reintroduce a split in the District, if the Chairman and Vice Chairmen could cover the whole area and reduce travel costs and the environmental impact of long journeys. Councillor Lynch proposed amending the recommendation to state that Audit and Governance Committee recommend to Full Council to create a second Vice Chairman post for East Suffolk Council to have the Chairman supported by two Vice-Chairmen, and that there be geographic balance between the Chairman and Vice Chairmen to ensure one area of the district was not overrepresented.

On the proposal of Councillor Cloke, seconded by Councillor Coulam it was

RESOLVED

That Audit and Governance Committee recommend to Full Council to create a second Vice Chairman post for East Suffolk Council to have the Chairman supported by two Vice-Chairmen, and to amend East Suffolk Council's Constitution accordingly.

That Audit and Governance Committee recommend to Full Council that a mechanism be introduced in this role to ensure that there would not be a geographic balance between the Chairman and two Vice Chairmen to ensure one area of the District would not be overrepresented.

That Audit and Governance Committee recommend to Full Council to amend point 3.3 of the report to state that in the absence of the Chairman, if both Vice Chairman were present, the Vice Chairman elect would preside at the meeting.

Exempt/Confidential Items (LGA)

There were no Exempt of Confidential items.

The meeting concluded at 7.28pm

.....
Chairman



AUDIT & GOVERNANCE COMMITTEE

Monday, 25 July 2022

| | |
|---------------------------|--|
| Subject | Draft Statement of Accounts 2021/22 |
| Report by | Councillor Maurice Cook Cabinet Member with responsibility for Resources |
| Supporting Officer | Brian Mew Chief Finance Officer and Section 151 Officer Brian.Mew@eastsoffolk.gov.uk 01394 444571 |

| | |
|-------------------------------|------|
| Is the report Open or Exempt? | OPEN |
|-------------------------------|------|

| | |
|---|----------------|
| Category of Exempt Information and reason why it is NOT in the public interest to disclose the exempt information. | Not applicable |
| Wards Affected: | All Wards |

Purpose and high-level overview

Purpose of Report:

To present the 2021/22 Draft Statement of Accounts to the Committee for approval.

Options:

There is no requirement for the draft Statement of Accounts to be presented to the Committee, but this is a useful opportunity for the Committee to review and comment prior to publication on the Councils website.

Recommendation/s:

That having reviewed the Draft Statement of Accounts for 2021/22, the Committee note the report.

Corporate Impact Assessment

Governance:

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

ESC policies and strategies that directly apply to the proposal:

East Suffolk Council Strategic Plan

Environmental:

No impacts.

Equalities and Diversity:

No impacts.

Financial:

The financial impacts of the Council's outturn position for 2021/22 are detailed in the Statement of Accounts attached as Appendix A. Particular attention is drawn to the Narrative Report in the Statement which provides a commentary on the Council's financial and non-financial performance in 2021/22.

On 5th July 2022 Cabinet received the 2021/22 Outturn Report, providing an overview of the Council's financial performance for the past year in respect of the General Fund, the Housing Revenue Account (HRA), Reserves, the Capital Programme and the Collection Fund. At the same meeting, the Q1 budget monitoring report was presented showing progress to date against budget in 2022/23.

Human Resources:

No impacts.

ICT:

| | |
|--|-------|
| No impacts. | |
| Legal: As referred to under Governance impact. | |
| Risk: No risks identified specifically in respect of this report, but a high-level summary of the Council's Corporate Risk Register is included in the Narrative Report, and key financial risks are referred to in the Statement of Accounts. | |
| External Consultees: | None. |

Strategic Plan Priorities

| Select the priorities of the Strategic Plan which are supported by this proposal: <i>(Select only one primary and as many secondary as appropriate)</i> | | Primary priority | Secondary priorities |
|--|--|--------------------------|-------------------------------------|
| T01 | Growing our Economy | | |
| P01 | Build the right environment for East Suffolk | <input type="checkbox"/> | <input type="checkbox"/> |
| P02 | Attract and stimulate inward investment | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| P03 | Maximise and grow the unique selling points of East Suffolk | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| P04 | Business partnerships | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| P05 | Support and deliver infrastructure | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| T02 | Enabling our Communities | | |
| 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"/> |
| T03 | Maintaining Financial Sustainability | | |
| P10 | Organisational design and streamlining services | <input type="checkbox"/> | <input type="checkbox"/> |
| P11 | Making best use of and investing in our assets | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| P12 | Being commercially astute | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| P13 | Optimising our financial investments and grant opportunities | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| P14 | Review service delivery with partners | <input type="checkbox"/> | <input type="checkbox"/> |
| T04 | Delivering Digital Transformation | | |
| 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"/> |
| T05 | Caring for our Environment | | |

| | | | |
|------------|---|-------------------------------------|--------------------------|
| 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 | Governance | | |
| XXX | How ESC governs itself as an authority | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

How does this proposal support the priorities selected?

Production and publication of the Statement of Accounts is a statutory requirement demonstrating the Council's governance and value for money and helping to achieve the critical success factors and planned actions set out in the Strategic Plan. Providing an opportunity for the Committee to review the draft Statement enhances effective governance.

Background and Justification for Recommendation

1 Background facts

| | |
|-----|--|
| 1.1 | The publication of the Statement of Accounts is a statutory requirement under the Accounts and Audit Regulations 2015 and the Local Audit and Accountability Act 2014. The Council has a duty to ensure that public money is safeguarded and properly accounted for, and is used economically, efficiently, and effectively. |
|-----|--|

2 Current position

| | |
|-----|--|
| 2.1 | The Council's Statement of Accounts (the Accounts) for the financial year ended 31 March 2022, are written in accordance with The Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice. The Accounts inform readers as to the financial performance of the Council during the financial year and are an important element of demonstrating sound financial stewardship of taxpayers' money. |
| 2.2 | The Accounts and Audit (Amendment) Regulations 2021 have amended the Accounts and Audit Regulations 2015 meaning the deadlines for publishing the Accounts have once again been delayed for 2021/22. The draft Accounts must now be published and available for inspection on or before 1 August 2022. The Government and key partners have also agreed to extend the deadline for publishing audited local authority accounts to 30 November 2022 for 21/22 accounts, then 30 September for 6 years, beginning with the 22/23 accounts. |

3 How to address current situation

| | |
|-----|---|
| 3.1 | The Council's Draft Statement of Accounts for 2021/22 are attached as Appendix A for review by the Committee. These Accounts are subject to a single period of 30 working days for the exercise of public rights, where any objection, inspection and |
|-----|---|

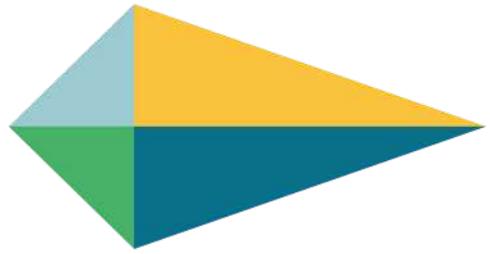
| | |
|--|---|
| | questioning of the local auditor must be undertaken. Following this meeting, the intention is for the unaudited Accounts to be available to the public on the Council's website from 27th July 2022, so the inspection period will commence on 1st August 2022 and finish on 13 September 2022. Following this, the audit of the Accounts by Ernst & Young is currently scheduled to commence week beginning 5 th December 2022. |
|--|---|

| | |
|--------------------------------------|--|
| 4 Reason/s for recommendation | |
| 4.1 | To provide an opportunity for the Committee to review and comment on the draft Statement of Accounts prior to publication. |

Appendices

| | |
|--------------------|--|
| Appendices: | |
| Appendix A | East Suffolk Council Draft Statement of Accounts 2021/22 |

| | |
|-------------------------------------|--|
| Background reference papers: | |
| None | |



EASTSUFFOLK
COUNCIL

Statement of Accounts 2021/22



| | | | |
|--|----|--|-----|
| INTRODUCTION TO THE 2021/22 STATEMENT OF ACCOUNTS | 1 | 24. Unusable Reserves | 86 |
| FOREWORD BY THE CHIEF FINANCE OFFICER | 2 | 25. Members Allowances | 90 |
| NARRATIVE REPORT | 3 | 26. External Audit costs | 91 |
| STATEMENT OF RESPONSIBILITIES | 22 | 27. Related Parties | 91 |
| COMPREHENSIVE INCOME & EXPENDITURE STATEMENT | 23 | 28. Officer's remuneration and exit packages | 93 |
| MOVEMENT IN RESERVES STATEMENT (MIRS) | 24 | 29. Capital expenditure and capital financing | 96 |
| BALANCE SHEET | 26 | 30. Leases | 97 |
| | 26 | 31. Pensions | 99 |
| | 26 | 32. Contingent Assets & Liabilities | 106 |
| CASH FLOW STATEMENT | 28 | 33. Interests in companies and other entities | 106 |
| NOTES TO THE CORE FINANCIAL STATEMENTS | 30 | 34. Long term investments | 112 |
| 1. Accounting Policies | 30 | 35. Prior period adjustments | 112 |
| 2. Accounting Standards that have been issued but not yet been adopted | 45 | HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT | 113 |
| 3. Critical judgements in applying accounting policies | 45 | 36. Movement on the Housing Revenue Account Statement | 115 |
| 4. Assumptions made about the future and other major sources of estimation uncertainty | 47 | NOTES TO THE HOUSING REVENUE ACCOUNT | 116 |
| 5. Material items of income and expenditure | 50 | 1. Dwelling Rents and Charges for Services and Facilities | 116 |
| 6. Events after the Balance Sheet date | 50 | 2. Major Repairs Reserve (MRR) | 116 |
| 7. Expenditure and Funding Analysis | 51 | 3. Capital Receipts – Disposal of Council Dwellings | 117 |
| 8. Expenditure and Income analysed by nature | 53 | 4. Capital Related Charges | 117 |
| 9. Adjustments between accounting & funding basis under regulation | 54 | 5. Housing Stock | 118 |
| 10. Transfers to/ from Earmarked Reserves | 59 | 6. Capital Expenditure | 118 |
| 11. CIES - Other operating expenditure | 63 | 7. Non-Current Assets | 119 |
| 12. CIES - Financing and investment income | 63 | 8. Depreciation | 120 |
| 13. CIES - Taxation and non-specific grants | 64 | 9. Revaluation and Impairment Charges | 120 |
| 14. Property, Plant & Equipment | 65 | COLLECTION FUND INCOME & EXPENDITURE STATEMENT | 121 |
| 15. Assets held for sale | 69 | NOTES TO THE COLLECTION FUND | 122 |
| 16. Heritage Assets | 69 | 1. Income from council tax | 122 |
| 17. Intangible Assets | 70 | 2. Business Rates | 123 |
| 18. Investment Properties | 71 | 3. Collection Fund Balances | 124 |
| 19. Financial Instruments | 72 | INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF EAST SUFFOLK COUNCIL | 125 |
| 20. Debtors | 81 | GLOSSARY OF FINANCIAL TERMS | 126 |
| 21. Creditors | 82 | | |
| 22. Provisions | 83 | | |
| 23. Grant Income | 85 | | |

Introduction to the 2021/22 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 2022. These Accounts reflect the third year of East Suffolk Council, following the merger in 2019 of Suffolk Coastal District Council and Waveney District Council.

Recovering from Covid-19

The financial year of 2021/22 continued to be challenging as we emerged from the Covid 19 pandemic in its various strains. Through many false dawns, restrictions remained in place well into 2022.

East Suffolk Council adapted its working procedures and practices to make sure that services were maintained and, despite also suffering from staff sickness and shortage from time to time, largely achieved that.

Since the start of the pandemic the Council has administered a range of business grant schemes to support our local businesses. During that period, just over £135 million was distributed to businesses across the East Suffolk district via some 30,000 payment transactions. This gives an indication of the scale and complexity involved in delivering the schemes. Nevertheless, the outcome has been the survival of the vast majority of local businesses.

Additional Business rate reliefs were also distributed and support for the individual Council-Tax payer was provided in the form of the £150 Energy Rebate scheme.

Strategic Plan

The East Suffolk Strategic Plan continues to be driven by five key themes:

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

All these objectives depend on the Council ensuring that it maintains a robust financial position. In February, I was, once again, pleased to announce to Full Council, a balanced budget for the 2022/23 financial year. The impact on our Council-Tax payers will always be at the heart of all decisions taken by this administration. For 2022/23 the increase in our portion of Council-Tax has risen by only 2.89%. Working with my colleagues in Economic Development and my own Finance team, we are constantly looking for alternative sources of income to protect our residents from unnecessarily larger increases.

The Council has a very ambitious forward General Fund and Housing Capital Investment Plan of over £330m. Many of these projects will produce additional income in the coming years to help address any future budget gaps.

Throughout the year, our internal and external auditors have ensured the Council is compliant with the principles and standards of the Financial Management Code. This further demonstrates the financial sustainability of the Council.

In conclusion....

My grateful thanks, and those of my colleagues, go to our talented, capable and professional Finance Team whose work in exceptionally difficult circumstances has resulted in the Council's continued robust but prudent management of its finances on behalf of all of our residents. I am confident that the Council is in a strong position to face all future challenges including the current cost-of-living crisis.



Councillor Maurice Cook

Cabinet Member for Resources

Foreword by the Chief Finance Officer

Enclosed are the Council's Statement of Accounts (the Accounts) for the financial year ended 31 March 2022. These Accounts inform readers as to the financial performance of the Council during the financial year and are an important element of demonstrating sound financial stewardship of taxpayers' money.

The deadlines for the preparation of the Accounts have once again been extended with publication due on or before 1 August 2022 and the timeline for the conclusion of the audit is now 30 November 2022.

Prior to approval, the draft Accounts are subject to a single period of 30 working days for the exercise of public rights, where any objection, inspection and questioning of the local auditor must be undertaken. The unaudited Accounts will be available to the public on the Council's website from 26 July 2022, so the inspection period will commence on 1 August 2022 and finish on 12 September 2022.

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

1. Introduction

This document presents the statutory financial statements (the “Statement of Accounts”) for East Suffolk Council for the period 1 April 2021 to 31 March 2022 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 2021/22 (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 250,373 (ONS, 2020) and covers an area of 125,979 hectares (1,260km²), 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 2021/22 was:

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

Executive Leadership

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



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 2022, there were 842 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 is available on the Council’s website. To support this the Council published its Performance

Report capturing how the Council performed in 2021/22 against priorities within the East Suffolk Strategic Plan, Key Performance Indicators (KPIs), corporate risks and performance of partners. Achievements in 2021/22 to highlight include:

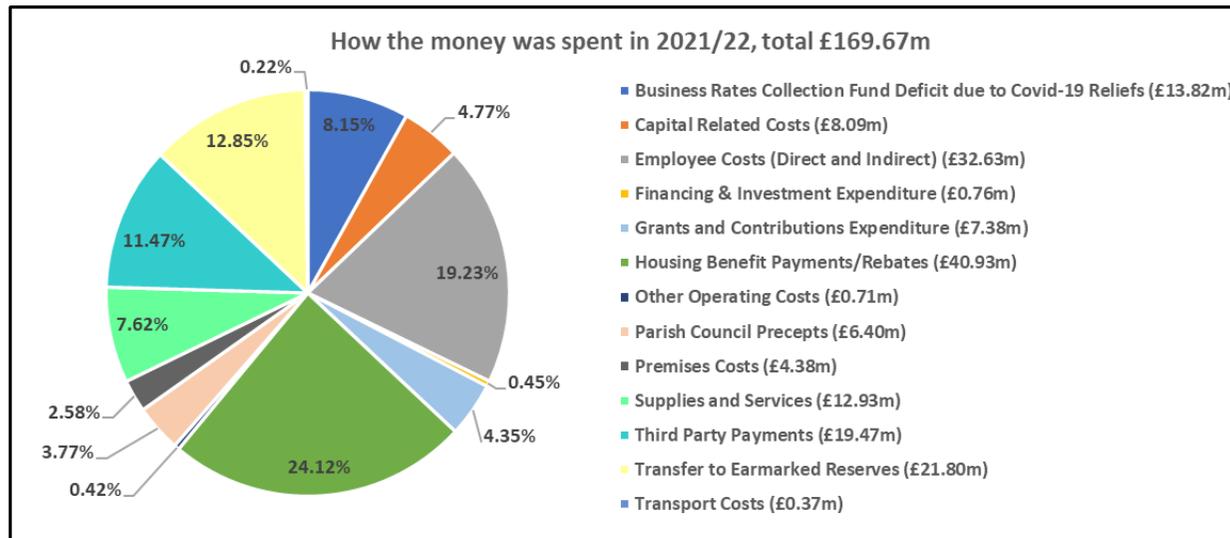
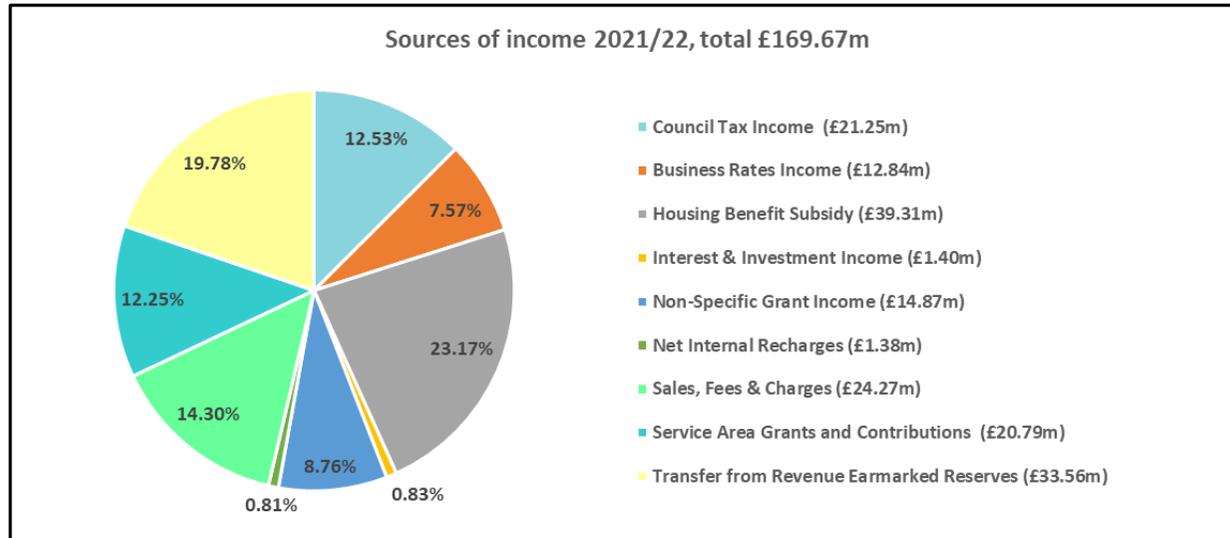
- **Housing**

- Rent arrears as a percentage of the debit was 3.07% for 2021/22 exceeding its target of 3.72%. 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 five years.
 - 812 net dwellings were completed for the year including 223 affordable homes. There are also 1110 dwellings under construction as at the end of the year, indicating that the housing market has picked up and good delivery is likely to continue well into 2022/23. There are, however, still issues around the cost and supply of building materials and some brownfield sites continue to face delivery challenges, particularly in Lowestoft.
 - 150 homeless preventions were achieved under the Preventions Duty for the year. 83 applications were in temporary accommodation at the end of Quarter 4 and 221 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 98% for the year.
 - **Housing Benefit** new claims and changes continued to exceed targets throughout the year with overall performance at 5.25 days, and the number of local authority overpayments was better than the target of 0.35% at 0.20%.
 - **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 40.52% for 2020/21, below its target of 44.62%. This figure has been impacted by the bulk loads rejected due to levels of contamination. This also impacted on residential waste per household performance which was below target at 512.42kg.
 - **Economic Development** – engaged with 3,334 (target 1,700) businesses during 2021/22. Of the businesses engaged 142 also received business support. It was the first time the East Suffolk Business Festival was held digitally, with 53 events equating to over 20 hours of content. Additionally, the Lowestoft Creative Hub held six workshops covering funding, turning empty places into meanwhile spaces and e-commerce, as well as three networking events which has seen creative collaborations.
 - **Planning** - Performance for all planning applications determined consistency exceeded targets through 2021/22 with overall performance at:
 - Minor planning applications – 65.88% determined in 8 weeks.
 - Major planning applications – 78.18% determined in 13 weeks.

5. Financial Performance

5.1. General Fund Revenue Income and Expenditure

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



5.2 General Fund Revenue Outturn

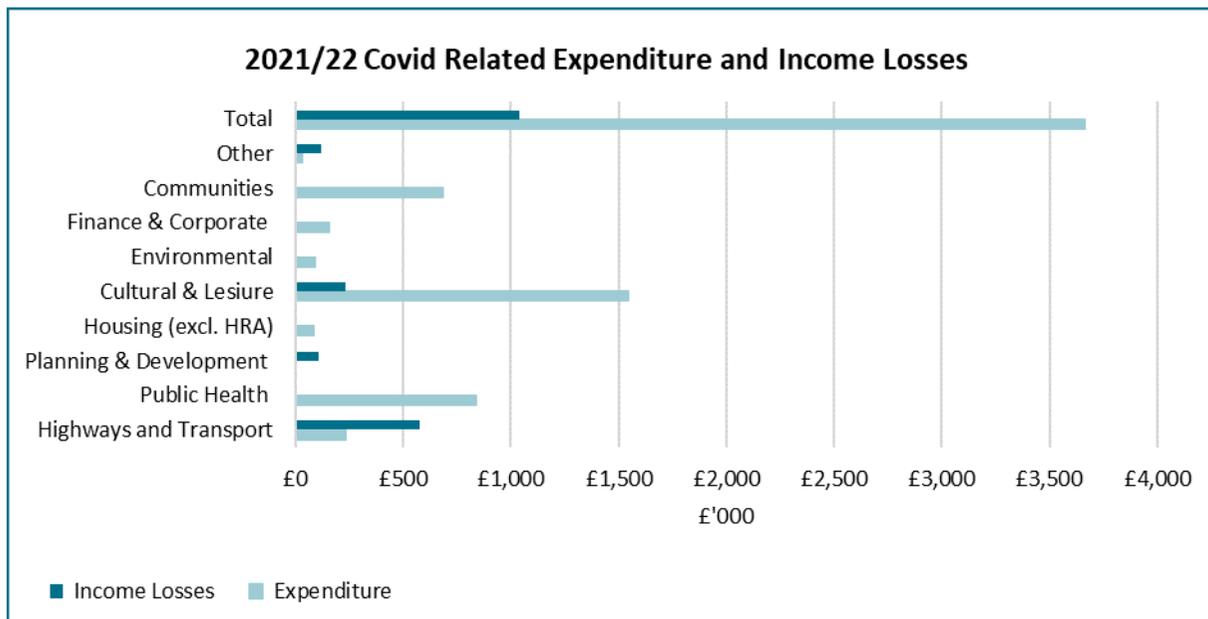
Within the Net Cost of Service, the total by Service Area will differ to those shown in the EFA in Note 7 of the Financial Statement. This is due to The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which defines proper accounting practices for local authorities, and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

For the 2021/22 revised budget, reserve use of £1.382m was anticipated to balance the General Fund budget for the year. However, at the 2021/22 year end, the Council achieved a surplus outturn position of £1.17m. The Council made more efficient use of its existing assets, resulting in increased income from fees, rents, and charges. Building control income benefited from the boom in the property market and housing development in the area. Staffing costs were underspent and contributed significantly to the surplus position for the year due. This was due to unfilled vacancies arising from recruitment difficulties, particularly in specialist areas. Further analysis of the outturn position has been reported in the Outturn Report to Cabinet on 5 July 2022.

The favourable year end position placed the Council in a stronger than expected position going into 2022/23. It was therefore considered an opportunity to set aside funds in reserves for projects and initiatives to support the delivery of the Strategic Plan. The outturn surplus has been transferred equally between the Short Life Asset Reserve and the Transformation Reserve.

5.3 Impact of COVID-19 on Revenue

COVID-19 related costs and income pressures during 2021/22 were met from external funding and existing budget provisions. The impact was not at the level of the previous year and following the relaxing of restrictions, activities returned to near pre-pandemic levels. Two areas most affected was indoor leisure and car parking income, with the latter also impacted by changes to consumer behaviour and the decrease in footfall on the high street. The Council applied its allocated Local Authority Covid grant towards alleviating the continued cost pressures due to Covid. Other external funding received by the Council has been used to deliver compliance and enforcement activities and supporting the community in the post pandemic recovery phase. The financial impact of Covid on the Council's costs and income has been monitored and reported to central Government via monthly returns and information sharing with other Suffolk Local Authorities. The Covid-19 costs pressures and income losses reported by the Council to the Department for Levelling Up, Housing and Communities (DLUHC) is as follows:



During the year the Council received Government Core funding of £1.77m towards the above. Other Central Government funding used in the year for Covid expenditure incurred by the Council for its own purposes is set out below. This is included in the Council’s Comprehensive Income and Expenditure Statement (CIES).

| Government Funding | £'000 |
|---|--------------|
| Test and Trace Self Isolation Scheme - Administration | 104 |
| Test and Trace Self Isolation Scheme – Discretionary Payments | 96 |
| New Burdens funding - Administration of Covid grant schemes | 271 |
| Additional Restrictions Grant Funding (Discretionary Scheme) | 2591 |
| Reopening High Street Safely/Welcome Back Fund | 304 |
| Contain Outbreak Management Fund | 225 |
| Total | 3,591 |

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 Council’s Comprehensive Income and

Expenditure Statement (CIES). Following the closure of grant schemes where the Council has functioned 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 Government will compensate the Council. During 2021/22, the Council paid out over £26m in Covid support grants to businesses and over £0.40m Test and Trace Self Isolation Payments (main scheme) to individuals on behalf of the Government. All schemes closed by 31 March 2022 with some end of reconciliation schemes to be completed in 2022/23.

5.4 Housing Revenue Account (HRA)

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

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

As shown in Note 35 of the Statement of Accounts, the in-year movement on the HRA working balance was a surplus position of £2.413m, increasing the HRA working balance to £8.43m as of 31 March 2022. The main areas of underspend was in relation to the revenue contribution to capital expenditure due to slippage on the capital programme and a reduction in planned transfers to earmarked reserves. The 2021/22 revenue budget for repairs and maintenance was increased to £6m in anticipation of increased material and labour costs due to a shortage of materials and a backlog of work following the impact of Covid. However, not all of the contingency was required and actual spend in this area was £0.794m under budget by the end of the year.

Following a HRA compliance review it was identified that there may be an issue with some of East Suffolk Council's rents and services charges where some tenants appeared to have been overcharged. A forensic audit is currently being carried out and every tenancy dating back to 2010 (the earliest data held) is being reviewed. A provision of £1.24m has been made against the rental income for the year, based on the forensic auditor's initial findings of potential repayments that may be required. This provision offsets approximately one third of the underspends previously mentioned.

Total Rent arrears as of 31 March 2022 was £1.17m (£1.16m as of 31 March 2021) and represented 5.8% of the HRA's gross collectable income, unchanged from last year. Income to the HRA from rents and service charges remains stable at around £20m per annum.

The HRA also holds Earmarked Reserves which are set out in Note 10 to the Statement of Accounts. As of 31 March 2022, the total balance on the HRA Earmarked Reserves was £20.12m, which included £13.0m in the HRA Debt Repayment Reserve. This reserve is to provide funding for future liabilities for repaying the self-financing debt.

The Council's housing stock totalled 4,451 dwellings as of 31 March 2022 (4,459 as of 31 March 2021). During 2021/22 the Council added 20 properties to its housing stock and sold 28 properties through the Right to Buy Scheme.

The HRA capital programme consists of capital budgets for housing repairs, project development and new build programme. In 2021/22 the HRA capital spend totalled £4.23m, which consisted of £1.57m for the new build programme, £0.72m on housing project development and £1.95m for housing repairs and improvements. The shortage of building materials faced across the country has impacted on the delivery of HRA development works. Much of the development programme has seen delays due to the pandemic as well as material shortages. For 2021/22 the HRA capital programme overall was £2.60m less than the revised budget. The HRA spending plans, including its capital investment programme, are currently fully funded from existing resources, with no requirement for additional borrowing during 2021/22.

| HRA Capital Programme | 2021/22 Original Budget £'000 | 2021/22 Revised Budget £'000 | 2021/22 Outturn £'000 | 2021/22 Variance £'000 |
|--------------------------------------|--|---------------------------------------|-----------------------------|------------------------------|
| Housing Repairs | 5,781 | 2,007 | 1,946 | (61) |
| Housing Project Development | 1,915 | 1,787 | 721 | (1,066) |
| New Build Programme | 15,016 | 3,042 | 1,566 | (1,476) |
| Total HRA Capital Expenditure | 22,712 | 6,836 | 4,233 | (2,603) |
| Financed By:- | | | | |
| HRA DRF | | | | |
| Capital Receipt | 5,369 | 2,237 | 930 | (1,307) |
| Contributions | 5,329 | 1,438 | 1,155 | (283) |
| Grants | 205 | 205 | 205 | 0 |
| Reserves | 848 | 4 | 4 | 0 |
| Total Financing | 10,961 | 2,952 | 1,939 | (1,013) |

The Outturn Report to Cabinet on 5 July 2022 provides more information on the HRA performance for the year.

5.5 General Fund Capital Programme

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

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

The revised General Fund Capital Programme for 2021/22 was £16.82m compared to an original budget of £54.78m. The revision was primarily due to programme slippage and projects being rephased to 2022/23. Some projects have faced delays resulting from complexity, such as the Lowestoft Flood Risk Management project, and other projects due to Covid pressures. Covid has also posed a risk to project budgets as material cost pressures have been observed in supplier tenders. At the end of the year the total spend on the capital programme was £15.65m, an underspend of £1.17m against the revised budget. This is illustrated in the table below.

| General Fund Capital Programme Service Area | 2021/22 Original Budget £'000 | 2021/22 Revised Budget £'000 | 2021/22 Outturn £'000 | 2021/22 Variance £'000 |
|--|--------------------------------------|-------------------------------------|------------------------------|-------------------------------|
| Economic Development & Regeneration | 1,456 | 956 | 715 | (241) |
| Environmental Services & Port Health | 150 | 400 | 343 | (57) |
| Financial Services | 3,873 | 100 | 106 | 6 |
| ICT Services | 804 | 327 | 517 | 190 |
| Operations | 17,750 | 9,765 | 4,366 | (5,399) |
| Planning & Coastal Management | 19,344 | 4,169 | 8,560 | 4,391 |
| Housing Improvement | 1,399 | 1,100 | 1,042 | (58) |
| Long Term Debtors | 10,000 | 0 | 0 | 0 |
| Total General Fund Capital Expenditure | 54,776 | 16,817 | 15,649 | (1,168) |
| Financed By:- | | | | |
| Borrowing | 25,470 | 5,435 | 6,996 | 1,561 |
| Capital Receipt | 0 | 0 | 112 | 112 |
| Contributions | 0 | 400 | 400 | 0 |
| Grants | 21,413 | 5,357 | 3,210 | (2,147) |
| Reserves | 7,893 | 5,625 | 4,931 | (694) |
| Total Financing | 54,776 | 16,817 | 15,649 | (1,168) |

The outturn report to Cabinet on 5 July 2022 provides further information on the Capital Programme performance in 2021/22.

5.6 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 2022, the total balance on the General Fund Earmarked Reserves stood at £61.88m. This is a decrease of £11.76m on the 31 March 2021 position. This is due to the release of Covid funding held in the Covid reserve at March 2021, in particular to fund the Covid-19 related Business Rate Reliefs, and use of the Capital Reserve to fund the capital programme. The General Fund balance as at 31 March 2022 is £6m and remains unchanged from the previous year end. Reserve balances are summarised below and set out in detail in Note 10 to the Statement of Accounts.

| General Fund Earmarked Reserves | 31 March 2022 £'000 |
|--|------------------------|
| Grants/Funding Carried Forward | 6,861 |
| Planned Future Capital Spending | 5,453 |
| Planned Future Revenue Spending | 22,144 |
| Risk Based | 16,618 |
| Port Health | 4,315 |
| Covid Reserve | 5,882 |
| Other | 608 |
| Total General Fund Earmarked Reserves | 61,881 |

Earmarked Reserves to highlight include:

- **COVID-19 Response Reserve (£5.88m)** – 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 further in 2022/23 to deal with accounting timing differences related to the pandemic in respect of Business Rates Reliefs, to fund Covid recovery initiatives and to support Council services in areas where 'business as usual' had been affected and backlogs need to be addressed.
- **Business Rates Equalisation Reserve (£15.24m)** – 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. The contribution to the

reserve this year has been assisted by the further delay to the reform of the Business Rate system. An additional £1.86m has been added to the reserve in 2021/22, which arises from the Council participating in the Suffolk Business Rates Pool.

- **In-Year Savings Reserve (£3.57m)** – This is in-year savings set-aside to support future year budget pressures. The revised budget included £1.38m use of the reserve to balance the budget for 2021/22, however, this was not required due to the surplus position at the end of the year.
- **Business Rate Pilot Reserve (£1.38m)** – 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 £0.81m was drawn down in 2021/22. Examples include, the Post office redevelopment in Lowestoft, supporting studies for future installations of fibre network and the Felixstowe south beach & Martello Café project.
- **Capital Reserve (£3.24m)** – This reserve provides a source of funding for capital investment projects. £3.47m was used from this reserve in 2021/22.
- **New Homes Bonus Reserve (£5.58m)** – This reserve established from New Homes Bonus(NHB) income is used to support community initiatives, which are detailed in the February 2022 budget report. The Council received £1.18m of NHB income in the year and £1.66m was used to fund projects.
- **Port Health (£4.32m)** – 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 (£3.57m)** – This reserve has been established to support the delivery of the Council’s Strategic Plan, with £0.88m used during the year to fund projects. £1.23m was added to the reserve to provide the financial support for the Strategic Plan going forward. This included a share of the surplus outturn position for the year £0.58m.

5.7 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 £8.22m in 2021/22 (£8.18m in 2020/21).

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 £9.80m in 2021/22 (£9.79m in 2020/21).

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 continued to be dormant in 2021/22.

East Suffolk Services Limited is wholly owned by the Council and was incorporated on 25 March 2022. Three Council employees, Stephen Baker (Chief Executive), Andrew Jarvis (Strategic Director) and Nicholas Khan (Strategic Director) are named as Directors of East Suffolk Services Limited. The company is intended to take over the operations of the East Suffolk Norse Joint Venture in July 2023.

5.8 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 £45.934m in 2021/22 (£84.267m for 2020/21). 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.

5.9 Provisions and Contingencies

5.9.1 National Non-Domestic Rates

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

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

As at 31 March 2022, the Council had one contingent asset:

In June 2022, the Valuation Office added a large distribution assessment to the Non-Domestic Rating list with a completion date of 27th August 2021. Potentially this means increased rates income to the Council, however, at present there is a proposed S44a relief claim outstanding stating that some of the property is unoccupied. This has meant that presently the income relating to 2021/22 cannot be quantified. It is hoped this amount will be known in time for the final NNDR3.

5.9.2 Housing Revenue Account (HRA) Provision

As mentioned in Section 5.3 above, a provision of £1.24m has been in the HRA. Following a HRA compliance review it was identified that there may be an issue with some of East Suffolk Council’s rents and services charges where some tenants appeared to have been overcharged. This provision is based on the forensic auditor’s initial findings of potential repayments that may be required for tenancies dating back to 2010 (the earliest data held).

6. Risks and Opportunities

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

| Corporate Risk | Current rating | Target rating | Trend |
|--|----------------|---------------|----------------|
| Flood risk | Red | Amber | → |
| Coastal erosion | Red | Amber | ↑ |
| Delivery of East Suffolk Strategic Plan | Red | Green | ↑ |
| Cost of living crisis - Communities | Red | Amber | New risk added |
| Cost of living crisis – Council Resources | Red | Amber | New risk added |
| Cyber-attacks including failure of ICT (cyber security/resilience) | Amber | Amber | ↑ |
| Flood /tidal surges (Lowestoft) | Amber | Green | → |

| Corporate Risk | Current rating | Target rating | Trend |
|--|----------------|---------------|-------|
| Impact of Sizewell C | Amber | Green | ↑ |
| Increases in inflation | Amber | Green | → |
| Oil deposits on Gunton Beach | Amber | Green | → |
| Corporate health and safety | Amber | Green | → |
| Recruitment of staff to key positions | Amber | Green | ↑ |
| LATCOs | Amber | Green | → |
| Medium Term Overview | Amber | Green | → |
| Safeguarding the vulnerable | Amber | Green | → |
| Brexit | Amber | Green | ↑ |
| St Peter's Court Tower Block, Lowestoft | Amber | Green | ↑ |
| Capital Programme | Amber | Green | ↑ |
| Carbon Neutral target | Amber | Green | → |
| Contracts/partnerships | Green | Green | → |
| Ethical Standards (maintain and promote) | Green | Green | ↑ |
| Mental wellbeing/ill health (internally) | Green | Green | ↑ |
| Covid-19 - impact on Council | Green | Green | ↑ |
| Reduction of Covid-19 business grants and EU grant funding changes | Green | Green | ↑ |

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. Forward Look

5.1. General Fund Revenue

The financial impact of Covid-19 was taken into consideration for updating the MTFs and 2022/23 budgets approved by Full Council in February 2022 respectively. The Business Rate Retention and Fair Funding reforms have now been delayed further until 2023/24 at the earliest. East Suffolk is in an advantageous position under the current Business Rates Retention system and deferral of the reforms will enable the Council to benefit from another year of the current regime. This is estimated to constitute an annual financial benefit of over £3m to the Council.

The Council has an underlying budget gap in the region of £5.5m that needs to be addressed and is now faced with pressures and uncertainties from soaring inflation and staff pay which did not exist at the time of updating the MTFs and the budget for 2022/23. The Government's announcement that Councils will receive a two-year funding settlement from 2023/24, will assist with providing some certainty, but it is important that the Council's policy towards its reserves and balances seeks to provide some contingency against these pressures beyond 2022/23, whilst continuing valuable community programmes and initiatives - particularly those currently funded from NHB.

The ambitions of the Council's Strategic Plan, involves projects that go beyond the usual medium term financial planning, so longer term planning will become an increasingly important tool for the Council to balance the delivery of its Strategic Plan and Council services, and to maintain financial

sustainability. The table below shows the MTFS projected budget gap as at February 2022. However, it should be noted that the Council achieved an improved year end position for 2021/22, enabling the Council to sustain a robust reserve position going forward.

| MTFS Budget Gap | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|------------------------|----------------|----------------|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 |
| As at February 2022 | 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. As referred to previously, Covid-19 related funding held at 31 March 2022, has been earmarked to a separate reserve. 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, and
- provide support to communities.

| | MTFS | MTFS | MTFS | MTFS |
|--|-------------------|-------------------|-------------------|-------------------|
| | April 2023 | April 2024 | April 2025 | April 2026 |
| | £'000 | £'000 | £'000 | £'000 |
| General Fund | 6,000 | 6,000 | 6,000 | 6,000 |
| General Fund Earmarked Reserves | | | | |
| General Fund Earmarked Reserves | 40,817 | 41,801 | 44,431 | 46,512 |
| General Fund Earmarked Reserve (Covid) | 2,696 | 1,908 | 1,908 | 1,908 |
| Total Earmarked Reserves | 43,513 | 43,709 | 46,339 | 48,420 |

5.2. General Fund Capital Programme

The Covid-19 pandemic had some impact on the delivery of the Council’s Capital Programme in 2021/22, with projects being delayed to 2022/23 and costs increases beginning to be observed. Project teams reviewed commitments, rephased projects bringing some forward and delaying others to reflect circumstances across our communities.

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

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

In January 2022, a General Fund capital programme of £245.2m was approved for East Suffolk Council for the period 2022/23 to 2025/26. The key capital projects in 2022/23 are:

- **Lowestoft Flood Risk Management, Tidal Wall, and Gate (£13.9m)** - a vital project to future proof Lowestoft Sea front and town centre. The project has also benefited from significant external grant funding.
- **Thorpeness, Coastal Defences (£3.3m)** - strengthening of soft bag defences that were damaged by unusually high erosion in 2013.
- **Towns Funds Grant Investment, Project Investments in Lowestoft (£4.60m)** - key projects in the Cultural, Station and Historic Quarters to regenerate the town, driving economic growth and acting as a catalyst for future investment.
- **Former Deben High School Felixstowe (£2.35m)** - development of sustainable housing in the old school premises.
- **Newcombe Road Lowestoft (£2.80m)** – Redevelopment of site to provide start up units.
- **Southwold Caravan Site Redevelopment (£1.64m)** – Refurbishment of existing site.
- **Felixstowe North, Garden Neighbourhood Regeneration Project (Infrastructure) (£2.00m)** – Infrastructure development to enable housing development.

The HRA capital programme totals £70.96m over the period 2022/23 to 2025/26 and includes £43.82m allocated to the new build programme.

Statement of Responsibilities

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 2021/22 (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 2022 and its income and expenditure for the year ending on that date.

Brian Mew

(CPFA) Chief Finance Officer and S151 Officer, East Suffolk Council – [date here](#)

Comprehensive Income & Expenditure Statement

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 | |
|--|----------------------|--------------------------|-----------------------------|-------------------------------|--------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2021/22 | | Net Expenditure £'000 | 2020/21 | | Net Expenditure £'000 | 2021/22 | 2020/21 |
| | Gross Expenditure | Gross Income £'000 | | Gross Expenditure £'000 | Gross Income £'000 | | Net Expenditure £'000 | Net Expenditure £'000 |
| Cost of Services | | | | | | | | |
| Communities | 4,473 | (1,489) | 2,984 | 3,667 | (5,413) | (1,746) | 2,984 | (1,746) |
| Customer Services | 2,013 | (5) | 2,008 | 1,551 | (8) | 1,543 | 2,008 | 1,543 |
| Economic Development and Regeneration | 6,473 | (3,748) | 2,725 | 13,079 | (12,293) | 786 | 2,725 | 786 |
| Environmental Services and Port Health | 11,138 | (8,406) | 2,732 | 7,173 | (6,444) | 729 | 2,732 | 729 |
| Financial Services, Corporate Performance and Risk Management | 1,914 | (912) | 1,002 | 1,051 | (783) | 268 | 1,002 | 268 |
| Housing Operations and Landlord Services | 6,879 | (7,415) | (536) | 4,838 | (4,820) | 18 | (536) | 18 |
| Housing Revenue Account | 12,928 | (19,947) | (7,019) | 12,055 | (21,113) | (9,058) | (7,019) | (9,058) |
| ICT Services | 3,685 | (155) | 3,530 | 2,743 | (5) | 2,738 | 3,530 | 2,738 |
| Internal Audit | 653 | (154) | 499 | 518 | (127) | 391 | 499 | 391 |
| Legal and Democratic Services | 2,946 | (571) | 2,375 | 2,523 | (549) | 1,974 | 2,375 | 1,974 |
| Operations | 30,279 | (12,870) | 17,409 | 35,832 | (12,593) | 23,239 | 17,409 | 23,239 |
| Planning and Coastal Management | 12,920 | (6,346) | 6,574 | 9,941 | (4,517) | 5,424 | 6,574 | 5,424 |
| Revenue and Benefits | 45,852 | (43,328) | 2,524 | 49,064 | (48,206) | 858 | 2,524 | 858 |
| Senior and Corporate Management | 4,699 | (1,368) | 3,331 | 3,680 | (664) | 3,016 | 3,331 | 3,016 |
| Total Cost of Services | 146,852 | (106,714) | 40,138 | 147,715 | (117,535) | 30,180 | 40,138 | 30,180 |
| Other Operating Expenditure (note 11) | | | 7,198 | | | 7,866 | 7,198 | 7,866 |
| Financing and Investment Income and Expenditure (note 12) | | | 1,145 | | | 3,792 | 1,145 | 3,792 |
| Taxation and Non-Specific Grant Income (note 13) | | | (49,805) | | | (58,764) | (49,805) | (58,764) |
| (Surplus) or Deficit on Provision of Services | | | (1,324) | | | (16,926) | (1,324) | (16,926) |
| Share of (Surplus)/Deficit on the Provision of services by Associate (note 31) | | | - | | | - | (40) | (179) |
| Tax expenses of Associate (note 31) | | | - | | | - | 14 | 29 |
| (Surplus)/Deficit | | | (1,324) | | | (16,926) | (1,350) | (17,076) |
| Surplus or deficit on revaluation of non-current assets (note 22) | | | (13,439) | | | (11,753) | (13,439) | (11,753) |
| Remeasurement of the net defined benefit liability / (asset) (note 22) | | | (45,552) | | | 31,529 | (45,552) | 31,529 |
| Other Comprehensive Income and Expenditure | | | (58,991) | | | 19,776) | (58,991) | 19,776) |
| Total Comprehensive Income and Expenditure | | | (60,315) | | | 2,850) | (60,341) | 2,700) |

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 |
| Balance at 1st April 2021 | (6,000) | (73,645) | (6,021) | (19,615) | (22,444) | (6,419) | (29,585) | (163,729) | (161,374) | (325,103) | 78 | (325,025) |
| <u>Movement in reserves during 2021/22</u> | | | | | | | | | | | | |
| (Surplus) or deficit on provision of services | 3,899 | - | (5,223) | - | - | - | - | (1,324) | - | (1,324) | - | (1,324) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | - | - | (58,991) | (58,991) | - | (58,991) |
| Total Comprehensive Income and Expenditure | 3,899 | - | (5,223) | - | - | - | - | (1,324) | (58,991) | (60,315) | - | (60,315) |
| Adjustment between Group and Authority Accounts: | | | | | | | | | | | | |
| - Purchase of Goods and Services from Associate (note 31) | | | | | | | | | | | (26) | (26) |
| - Share of Actuarial (Gains)/Losses (note 29) | - | - | - | - | - | - | - | - | - | - | (509) | (509) |
| Net (Increase) / Decrease before Transfers | 3,899 | - | (5,223) | - | - | - | - | (1,324) | (58,991) | (60,315) | (535) | (60,850) |
| Adjustments between accounting basis and funding basis under regulations (note 9) | 7,864 | - | 2,309 | - | 8,690 | (1,122) | (1,049) | 16,692 | (16,692) | - | - | - |
| Net (Increase) / Decrease before Transfers to Earmarked Reserves | 11,763 | - | (2,914) | - | 8,690 | (1,122) | (1,049) | 15,368 | (75,683) | (60,315) | (535) | (60,850) |
| Transfer to / from Earmarked Reserves (note 10) | (11,763) | 11,763 | 501 | (501) | - | - | - | - | - | - | - | - |
| (Increase) / Decrease in Year | - | 11,763 | (2,413) | (501) | 8,690 | (1,122) | (1,049) | 15,368 | (75,683) | (60,315) | (535) | (60,850) |
| Balance at 31 March 2022 carried forward | (6,000) | (61,882) | (8,434) | (20,116) | (13,754) | (7,541) | (30,634) | (148,361) | (237,057) | (385,418) | (457) | (385,875) |

Movement in Reserves (Continued)

| | General Fund Balance | Earmarked General Fund Reserves | Earmarked Housing Revenue Account | Earmarked Housing Revenue Reserves | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants Unapplied Account | 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 |
| Balance at 1st April 2020 | (5,999) | (46,516) | (5,234) | (16,315) | (20,802) | (6,283) | (23,910) | (125,059) | (202,894) | (327,953) | (329) | (328,282) |
| <u>Movement in reserves during 2020/21</u> | | | | | | | | | | | | |
| (Surplus) or deficit on provision of services | (9,014) | - | (7,912) | - | - | - | - | (16,926) | - | (16,926) | - | (16,926) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | - | - | 19,776 | 19,776 | - | 19,776 |
| Total Comprehensive Income and Expenditure | (9,014) | - | (7,912) | - | - | - | - | (16,926) | 19,776 | 2,850 | - | 2,850 |
| 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 |
| Net (Increase) / Decrease before Transfers | (9,014) | - | (7,912) | - | - | - | - | (16,926) | 19,776 | 2,850 | 407 | 2,700 |
| Adjustments between accounting basis and funding basis under regulations (note 9) | (18,116) | - | 3,825 | - | (1,642) | (136) | (5,675) | (21,744) | 21,744 | - | - | - |
| Net (Increase) / Decrease before Transfers to Earmarked Reserves | (27,130) | - | (4,087) | - | (1,642) | (136) | (5,675) | (38,670) | 41,520 | 2,850 | 407 | 2,700 |
| Transfer to / from Earmarked Reserves (note 10) | 27,129 | (27,129) | 3,300 | (3,300) | - | - | - | - | - | - | - | - |
| (Increase) / Decrease in Year | (1) | (27,129) | (787) | (3,300) | (1,642) | (136) | (5,675) | (38,670) | 41,520 | 2,850 | 407 | 3,257 |
| Balance at 31 March 2021 carry forward | (6,000) | (73,645) | (6,021) | (19,615) | (22,444) | (6,419) | (29,585) | (163,729) | (161,374) | (325,103) | 78 | (325,025) |
| Balance at 1st April 2021 | (6,000) | (73,645) | (6,021) | (19,615) | (22,444) | (6,419) | (29,585) | (163,729) | (161,374) | (325,103) | 78 | (325,025) |

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 | |
|---|-----------|------------------|------------------|------------------|------------------|
| | | 2021/22 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2020/21 £'000 |
| Property, Plant and Equipment | 14 | 395,141 | 376,400 | 395,141 | 376,400 |
| Investment Property | 16 | 5,289 | 5,000 | 5,289 | 5,000 |
| Heritage Assets | | 1,081 | 588 | 1,081 | 588 |
| Intangible Assets | | 633 | 133 | 633 | 133 |
| Long Term Investments | 17 + 32 | 40,781 | 34,031 | 40,781 | 34,031 |
| Investment in Associate | 31 | - | - | 457 | (78) |
| Long Term Debtors | 18 | 1,984 | 2,015 | 1,984 | 2,015 |
| Long Term Assets | | 444,909 | 418,167 | 445,366 | 418,089 |
| Short Term Investments | 17 | 87,575 | 71,102 | 87,575 | 71,102 |
| Current Assets held for sale | | 5,004 | 4 | 5,004 | 4 |
| Inventories | | 119 | 111 | 119 | 111 |
| Short Term Debtors | 18 | 21,894 | 42,257 | 21,894 | 42,257 |
| Cash and Cash Equivalents | Cash Flow | 17,271 | 25,453 | 17,271 | 25,453 |
| Current Assets | | 131,863 | 138,927 | 131,863 | 138,927 |
| Short Term Borrowing | 17 | - | (11,286) | - | (11,286) |
| Short Term Creditors | 19 | (63,710) | (56,831) | (63,710) | (56,831) |
| Short Term Capital Grants Receipts in Advance | 21 | (91) | (66) | (91) | (66) |
| Current Liabilities | | (63,801) | (68,183) | (63,801) | (68,183) |
| Long Term Creditors | 19 | (6,538) | (6,903) | (6,538) | (6,903) |
| Long Term Provisions | 20 | (4,661) | (2,668) | (4,661) | (2,668) |
| Long Term Borrowing | 17 | (65,806) | (65,967) | (65,806) | (65,967) |
| Long Term Capital Grants Receipts in Advance | 21 | (4,615) | (4,004) | (4,615) | (4,004) |
| Other Long Term Liabilities - Pension Liability | 29 | (45,934) | (84,267) | (45,934) | (84,267) |
| Long Term Liabilities | | (127,554) | (163,809) | (127,554) | (163,809) |
| Net Assets | | 385,417 | 325,102 | 385,874 | 325,024 |

Balance Sheet (Continued)

| | Note | Authority | | Group | |
|--------------------------------|------|------------------|------------------|------------------|------------------|
| | | 2021/22 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2020/21 £'000 |
| <u>Capital Reserves</u> | | | | | |
| Capital Receipts Reserve | | (7,541) | (6,419) | (7,541) | (6,419) |
| Capital Grants Unapplied | | (30,634) | (29,585) | (30,634) | (29,585) |
| Major Repairs Reserve | | (13,754) | (22,444) | (13,754) | (22,444) |
| Share of Reserves of Associate | 31 | - | - | (457) | 78 |
| <u>Revenue Reserves</u> | | | | | |
| General Fund | | | | | |
| - Fund Balance | | (6,000) | (6,000) | (6,000) | (6,000) |
| - Earmarked Reserves | | (61,882) | (73,645) | (61,882) | (73,645) |
| Housing Revenue Account | | | | | |
| - Fund Balance | | (8,433) | (6,020) | (8,433) | (6,020) |
| - Earmarked Reserves | | (20,116) | (19,615) | (20,116) | (19,615) |
| Usable reserves | | (148,360) | (163,728) | (148,817) | (163,650) |
| Unusable reserves | 22 | (237,057) | (161,374) | (237,057) | (161,374) |
| Total Reserves | | (385,417) | (325,102) | (385,874) | (325,024) |

Brian Mew (CPFA) Chief Finance Officer and Section 151 Officer **Date before published**

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.

| | 2021/22 £'000 | 2020/21 £'000 |
|--|------------------|------------------|
| Net (surplus) or deficit on the provision of services | (1,324) | (16,926) |
| Adjust net surplus or deficit on the provision of services for non cash movements: | | |
| - Depreciation and Amortisation of Non Current Assets | (9,732) | (8,622) |
| - Impairment and Downward valuations | 2,726 | (3,327) |
| Impairment for Bad Debts | 275 | (304) |
| - Change in Creditors | (11,822) | (18,227) |
| - Change in Debtors | (457) | 902 |
| - Change in Inventory | 9 | 5 |
| - Pension Liability | (7,219) | 161 |
| - Other non-cash items charged to Surplus / Deficit on Provision of Services | (452) | 949 |
| - Carrying value of Non-Current Assets disposed | (2,568) | (2,564) |
| - Movement in Investment Property Values | 289 | (1,106) |
| | (28,951) | (32,133) |
| Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 9,845 | 10,213 |
| Net cash flows from Operating Activities | (20,430) | (38,846) |

Cash Flow (Continued)

| | 2021/22 £'000 | 2020/21 £'000 |
|--|------------------|------------------|
| Investing Activities: | | |
| - Purchase of property, plant and equipment, investment property and intangible assets | 19,065 | 20,331 |
| - Purchase of short-term and long-term investments | 117,000 | 208,100 |
| - Other payments for investing activities | 141 | - |
| - Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (2,480) | (1,604) |
| - Proceeds from short-term and long-term investments | (95,500) | (201,100) |
| - Other receipts from investing activities | (11,796) | (7,099) |
| | 26,430 | 18,628 |
| Financing Activities: | | |
| - Other receipts from financing activities | (9,545) | (2) |
| - Cash payments for the reduction of the outstanding liabilities relating to finance leases | 280 | 280 |
| - Repayments of short- and long-term borrowing | 11,447 | 160 |
| - Other payments for financing activities | - | 14,045 |
| | 2,182 | 14,483 |
| Net increase or decrease in cash and cash equivalents | 8,182 | (5,735) |
| Cash and cash equivalents at the beginning of the reporting period | (25,453) | (19,718) |
| Cash and cash equivalents at the end of the reporting period | (17,271) | (25,453) |
| - Cash held by officers | 1 | 1 |
| - Short-term deposits | 37 | 15,002 |
| - Bank current account | 17,233 | 10,450 |
| Sub-Total - Cash and Cash Equivalents | 17,271 | 25,453 |
| - Other bank balances (overdrafts) | - | - |
| Cash and cash equivalents at the end of the reporting period | 17,271 | 25,453 |
| The cashflows for operating activities include the following items: | | |
| - Interest received | (344) | (861) |
| - Interest paid | 2,914 | 2,933 |
| - Dividends received | (664) | (589) |

Notes to the Core Financial Statements

1. Accounting Policies

a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at 31 March 2022. The Council is required to prepare an annual Statement of Accounts, as determined by the Accounts and Audit Regulations 2015, which are prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, 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 £2.390m 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), the Covid-19 pandemic has had limited impact on East Suffolk Council in 2021/22, with costs and income pressures being predominately met from external funding. Any Covid-19 impacts beyond 2021/22 are forecast to be manageable within existing budgets and reserves. The Medium-Term Financial Strategy shows that from 2023/24 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, prolonged and sustained high levels of inflation and a recession, combined with the

need to close the already forecast budget gap could put pressure on other earmarked reserves and Council projects and services.

The 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)

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 2021/22 accounts is 2.70% 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 pension's 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.

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

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

The Group Accounting information for Waveney Norse Limited and Suffolk Coastal Norse Limited is based on their financial results at their accounting date of 1 April 2022.

Note 1 Accounting Policies (Continued)

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

East Suffolk Services Limited, is wholly owned by the Council and was incorporated on 27th March 2022. It is intended that this company will take over the work of Waveney Norse and East Suffolk Norse in July 2023 when the current contracts come to an end.

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

j) Investment Properties

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

delivery of services or production of goods or is held for sale.

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

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

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

k) Leases

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

The Council as Lessee – Finance leases

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

Note 1 Accounting Policies (Continued)

Lease payments are apportioned between:

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

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

Note 1 Accounting Policies (Continued)

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

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

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

Note 1 Accounting Policies (Continued)

historical cost basis is used as a proxy for current value.

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

years. The effective date of revaluation of those assets revalued in 2021/22 is:

- 31 December 2021 for assets measured at current value;
- 31 December 2021 for assets measured at fair value and those assets at risk of material movements in their valuation during the year; and
- 31 March 2022 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

Note 1 Accounting Policies (Continued)

assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

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

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

Note 1 Accounting Policies (Continued)

the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement).

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

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

o) Provisions, Contingent Liabilities and Contingent Assets

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.

Note 1 Accounting Policies (Continued)

Contingent assets

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

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

p) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance or Housing Revenue Account in the 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 allowed local government to defer implementation of IFRS16 1 April 2023, in light of previous Covid-19 pressures, if they so choose. East Suffolk Council has decided to defer implementation until 1st April 2023.
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
 - IFRS 1 (First-time adoption) – amendment relates to foreign operations of
 - acquired subsidiaries transitioning to IFRS
 - IAS 37 (Onerous contracts) – clarifies the intention of the standard
 - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
 - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code and the Council does not envisage them having a significant/ if any effect on their financial statements.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16. Note that this is based on the current position as agreed by CIPFA/LASAAC but the Code has not yet been subject to full due process so this might be subject to change. Further updates are to be provided by CIPFA in due course.

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.

Note 3 Critical judgements in applying accounting policies (Continued)

- 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 2021/22. East Suffolk Holdings Limited is wholly owned by the Council and was incorporated on 24 October 2019. East Suffolk Holdings is the sole shareholder of East Suffolk Construction Services Limited, East Suffolk Property Developments Limited, and East Suffolk Property Investments Limited, all of which were incorporated on 26 November 2019. 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. On 25th March 2022, East Suffolk Services Limited, wholly owned by the Council, was incorporated. Three Council employees, Stephen Baker (Chief Executive), Andrew Jarvis (Strategic Director) and Nicholas Khan (Strategic Director) are named as Directors of East Suffolk Services Limited. The company is intended to take over the operations of the East Suffolk Norse Joint Venture in July 2023. The position will be reviewed annually and other areas potentially requiring Group Accounts will be kept under review.
- The nature of the accounting treatment in respect of the use of the Council's assets by Waveney Norse Limited has not been considered an embedded lease under IFRIC 4 as the Council retains ultimate control over those assets.
- Any potential legal claims by or against the Council are not adjusted in the accounts but are disclosed as part of Contingent Liabilities or Assets as required under the CIPFA Code.
- As part of the National Non-Domestic Rates (NNDR1) return in January 2021, the Council had to estimate the business rates income expected to be received in 2021/22 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 one of two large hereditaments within the Council's valuation list and then for the remaining liabilities, this has been based on all remaining unchallenged assessments. The other large hereditament had an outstanding appeal which was agreed in early 2022/23 and so the provision was adjusted to reflect this appeal. 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 9.01% of the value as the provision based on the number of challenges lodged to date. This percentage has increased slightly from 8.78% in 2020/21. Covid Material Change in Circumstances (MCC) appeals have been removed from the outstanding appeals relating to the 2017 valuation list in 2021/22. The government stated that Covid MMC appeals would not be allowed and will compensate businesses through a Covid Additional Relief Fund rate relief scheme instead. Relief has partly been granted in 2021/22 with the remainder to be granted in the first six months of 2022/23.

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

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

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|---|---|---|
| Property, plant & equipment | <p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.</p> <p>Uncertainty regarding public finances and local government finances makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, potentially bringing into doubt the useful lives assigned to assets.</p> | <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £1,155k for non-housing properties and £78k for council dwellings for every year that useful lives had to be reduced.</p> <p>Whilst this risk is inherent in the valuation process, any change to the useful lives of assets and the subsequent depreciation charge will not impact on the Council's usable reserve balances, as depreciation charges do not fall on the taxpayer and are removed in the Movement in Reserves Statement.</p> |
| Pension's 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 current post covid economic climate, the impairment allowances for doubtful debts have been reviewed. Provisions for doubtful debts have been reduced in line with post covid-19 assumptions 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.</p> <p>Monitoring of the Council's debt will be intensified in the light of the current economic climate.</p> |

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

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|-------------------------|--|---|
| Housing benefit subsidy | <p>In preparing the accounts for the year the Council has submitted a grant claim to the Department for Work and Pensions in relation to Housing Benefit paid in the year to the value of £39.3 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). 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. |
| Economic Uncertainty | Assumptions in the MTFS are based on the current assessment of the current economic uncertainties, notably high inflation rates and rising interest rates. At the time of writing, inflation currently stands at 9.1%, the highest rate for 40 years. Interest rates are also rising month on month, with the current Bank of England base rate standing at 1.25%. | This could have potential further adverse or positive impact on the Council's income streams depending on how the economy recovers. |

5. Material items of income and expenditure

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance. For 2021/22, there is one item to disclose:

Active Suffolk

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

| Active Suffolk | 2021/22 | 2020/21 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Income: | | |
| Educational Courses | (9) | (4) |
| Leisure Activity Fees | (13) | (4) |
| Contributions from Local Authorities | (28) | (100) |
| Contributions from NHS | (34) | (6) |
| Contributions from other entities | (915) | (813) |
| | (999) | (927) |
| Expenditure: | | |
| Employee expenses | 668 | 803 |
| Supplies and services | 103 | 84 |
| Grants and subscriptions | 240 | 116 |
| | 1,011 | 1,003 |
| (Surplus) transferred to earmarked reserves | 12 | 76 |

6. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 28 July 2022. Events taking place after this date are not reflected in the financial statements or notes. There are no Post Balance Sheet Events in 2021/22.

7. Expenditure and Funding Analysis

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

| Net Expenditure in the Comprehensive Income & Expenditure Statement £'000 | 2021/22 (Note 9) | | | | Net Expenditure Chargeable to GF & HRA Balances £'000 | | Net Expenditure in the Comprehensive Income & Expenditure Statement £'000 | 2020/21 (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 | |
| 2,984 | - | (215) | - | (215) | 2,769 | Communities | (1,746) | - | (7) | - | (7) | (1,753) |
| 2,008 | - | (282) | - | (282) | 1,726 | Customer Services | 1,543 | - | (9) | - | (9) | 1,534 |
| 2,725 | (1,672) | (201) | - | (1,873) | 852 | Economic Development and Regeneration | 786 | (50) | (6) | - | (56) | 730 |
| 2,732 | (150) | (1,020) | - | (1,170) | 1,562 | Environmental Services and Port Health | 729 | (76) | (27) | - | (103) | 626 |
| 1,002 | - | (116) | - | (116) | 886 | Financial Services, Corporate Performance and Risk Management | 268 | (10) | 1,540 | - | 1,530 | 1,798 |
| (536) | 1,384 | (325) | - | 1,059 | 523 | Housing Operations and Landlord Services | 18 | 1,495 | (11) | - | 1,484 | 1,502 |
| (7,019) | 2,139 | (915) | - | 1,224 | (5,795) | Housing Revenue Account | (9,058) | 1,582 | (33) | - | 1,549 | (7,509) |
| 3,530 | (318) | (236) | - | (554) | 2,976 | ICT Services | 2,738 | (256) | (9) | - | (265) | 2,473 |
| 499 | - | (88) | - | (88) | 411 | Internal Audit | 391 | - | (3) | - | (3) | 388 |
| 2,375 | (3) | (180) | - | (183) | 2,192 | Legal and Democratic Services | 1,974 | (3) | (7) | - | (10) | 1,964 |
| 17,409 | (4,155) | (248) | - | (4,403) | 13,006 | Operations | 23,239 | (9,156) | (9) | - | (9,165) | 14,074 |
| 6,574 | (4,925) | (776) | - | (5,701) | 873 | Planning and Coastal Management | 5,424 | (4,089) | (25) | - | (4,114) | 1,310 |
| 2,524 | - | (480) | - | (480) | 2,044 | Revenue and Benefits | 858 | - | (17) | - | (17) | 841 |
| 3,331 | - | (397) | - | (397) | 2,934 | Senior and Corporate Management | 3,016 | - | (16) | - | (16) | 3,000 |
| 40,138 | (7,700) | (5,479) | - | (13,179) | 26,959 | Cost of Services | 30,180 | (10,563) | 1,361 | - | (9,202) | 20,978 |
| 7,198 | (88) | - | - | (88) | 7,110 | Other Operating Expenditure | 7,866 | (963) | - | - | (963) | 6,903 |
| 1,145 | 8,884 | (1,739) | 1,610 | 8,755 | 9,900 | Financing and Investment Income and Expenditure | 3,792 | 5,366 | (1,200) | 281 | 4,447 | 8,239 |
| (49,805) | 4,927 | - | 9,758 | 14,685 | (35,120) | Taxation and Non-Specific Grant Income | (58,764) | 11,703 | - | (20,276) | (8,573) | (67,337) |
| (1,324) | 6,023 | (7,218) | 11,368 | 10,173 | 8,849 | (Surplus) or Deficit on Provision of Services | (16,926) | 5,543 | 161 | (19,995) | (14,291) | (31,217) |
| | | | | | (105,281) | Opening General Fund and HRA Balance | | | | | | (74,064) |
| | | | | | 8,849 | Less/Plus Surplus of (Deficit) on General Fund and HRA Balance in Year | | | | | | (31,217) |
| | | | | | (96,432) | Closing General Fund and HRA Balance at 31 March* | | | | | | (105,281) |

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

Note 7 Expenditure and Funding Analysis (Continued)

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

Adjustments for capital purposes

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

Net change for the pension's adjustments

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

Other Differences

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

8. Expenditure and Income analysed by nature

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

| | 2021/22 £'000 | 2020/21 £'000 |
|--|------------------|------------------|
| Expenditure | | |
| Employee benefits expenses | 42,150 | 32,564 |
| Other service expenses | 97,715 | 103,201 |
| Dereciation, amortisation, impairment | 6,717 | 13,055 |
| Interest payments | 4,721 | 4,178 |
| Net (gains)/losses on financial assets at fair value through profit and loss | (1,610) | (281) |
| Impairment Losses including Reversals of Impairment Losses or Impairment Gains | (275) | 304 |
| Precepts and levies | 6,659 | 6,633 |
| Council tax support grant to parish councils | 110 | - |
| Payments to Government in respect of the Housing Capital Receipts Pool | 349 | 288 |
| Business rates tariff payment and levy | 27,709 | 27,640 |
| Gain or loss on the disposal of assets | 80 | 945 |
| Total expenditure | 184,325 | 188,527 |
| Income | | |
| Fees, Charges and other service income | (107,043) | (117,899) |
| Interest and investment income | (1,075) | (1,151) |
| Income from council tax, non-domestic rates, district rate income | (57,735) | (48,076) |
| Government grants and contributions | (19,796) | (38,327) |
| Total income | (185,649) | (205,453) |
| Surplus or deficit on the provision of services | (1,324) | (16,926) |

9. Adjustments between accounting & funding basis under regulation

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

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied Account

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

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

| 2021/22 | 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 | |
| Adjustments Involving the Capital Adjustment Account: | | | | | | | |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u> | | | | | | | |
| - Charges for depreciation and impairment of non current assets | (6,123) | - | (3,528) | - | - | (9,651) | 9,651 |
| - Revaluation losses on Property, Plant and Equipment | 587 | 2,139 | - | - | - | 2,726 | (2,726) |
| - Movements in the market value of Investment Properties | 289 | - | - | - | - | 289 | (289) |
| - Amortisation of intangible assets | (74) | - | (7) | - | - | (81) | 81 |
| Finance Lease capital payments | - | - | - | - | - | - | - |
| <u>Expenditure capitalised under Approvals:</u> | | | | | | | |
| - Capital grants and contributions that have been applied to capital financing | 102 | - | - | - | - | 102 | (102) |
| - Revenue expenditure funded from capital under statute | (3,768) | - | - | - | - | (3,768) | 3,768 |
| - Revenue expenditure funded from community infrastructure levies | (2,660) | - | - | - | - | (2,660) | 2,660 |
| - Revenue expenditure funded from section 106 receipts | (237) | - | - | - | - | (237) | 237 |
| - Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (443) | (2,125) | - | - | - | (2,568) | 2,568 |
| Other Movements | (1) | - | - | - | - | (1) | 1 |
| <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u> | | | | | | | |
| - Statutory provision for the financing of capital investment | 1,058 | - | - | - | - | 1,058 | (1,058) |
| - Capital expenditure charged against the General Fund and HRA balances | 7,010 | 854 | - | - | - | 7,864 | (7,864) |
| Adjustment involving the Capital Grants Unapplied Account: | | | | | | | |
| - Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement | 7,259 | 4 | - | - | (7,263) | - | - |
| - Application of grants to capital financing transferred to the Capital Adjustment Account | - | - | - | - | 6,214 | 6,214 | (6,214) |

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

| 2021/22 | 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 |
| Adjustments involving the Capital Receipts Reserve: | | | | | | | |
| - Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 128 | 2,352 | - | (2,480) | - | - | - |
| - Use of the Capital Receipts Reserve to finance new capital expenditure | - | - | - | 1,009 | - | 1,009 | (1,009) |
| - Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts | (349) | - | - | 349 | - | - | - |
| Adjustments involving the Major Repairs Reserve | | | | | | | |
| Use of the Major Repairs Reserve to fund new capital expenditure and repayment of debt | - | - | 12,225 | - | - | 12,225 | (12,225) |
| Adjustments involving the Financial Instruments Adjustment Account: | | | | | | | |
| - 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) |
| Adjustments involving the Pooled Investments Adjustment Account: | | | | | | | |
| - Amount by which Financial Instruments held under Fair Value through Profit and Loss are subject to MHCLG statutory over-ride Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 1,610 | - | - | - | - | 1,610 | (1,610) |
| Adjustments involving the Pensions Reserve: | | | | | | | |
| - Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | (13,318) | (2,275) | - | - | - | (15,593) | 15,593 |
| - Employer's pensions contributions and direct payments to pensioners payable in the year | 7,014 | 1,360 | - | - | - | 8,374 | (8,374) |
| Adjustments involving the Collection Fund Adjustment Account: | | | | | | | |
| - 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. | 9,759 | - | - | - | - | 9,759 | (9,759) |
| Total Adjustments | 7,864 | 2,309 | 8,690 | (1,122) | (1,049) | 16,692 | (16,692) |

Note 9 Adjustments between accounting & 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 | |
| Adjustments Involving the Capital Adjustment Account: | | | | | | | |
| <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) |
| Adjustment involving the Capital Grants Unapplied Account: | | | | | | | |
| - 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 & 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 | |
| Adjustments involving the Capital Receipts Reserve: | | | | | | | |
| - 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 towards administrative costs of non current asset disposals | - | - | - | - | - | - | - |
| - Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts | (287) | - | - | 287 | - | - | - |
| Adjustments involving the Major Repairs Reserve | | | | | | | |
| Use of the Major Repairs Reserve to fund new capital expenditure | - | - | 1,798 | - | - | 1,798 | (1,798) |
| Adjustments involving the Financial Instruments Adjustment Account: | | | | | | | |
| - 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) |
| Adjustments involving the Pooled Investments Adjustment Account: | | | | | | | |
| - 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) |
| Adjustments involving the Pensions Reserve: | | | | | | | |
| - 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) |
| Adjustments involving the Collection Fund Adjustment Account: | | | | | | | |
| - 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 | (20,277) | - | - | - | - | (20,277) | 20,277 |
| Total Adjustments | (18,116) | 3,825 | (1,642) | (136) | (5,675) | (21,744) | 21,744 |

10. Transfers to/ from Earmarked Reserves

| | Balance 31 March 2020 | Transfers Out 2020/21 | Transfers In 2020/21 | Balance 31 March 2021 | Transfers Out 2021/22 | Transfers In 2021/22 | Balance 31 March 2022 | Purpose of the Earmarked Reserve |
|--|--------------------------|--------------------------|-------------------------|--------------------------|--------------------------|-------------------------|--------------------------|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| General Fund: | | | | | | | | |
| Actuarial Contributions | 1,500 | (1,500) | - | - | - | 200 | 200 | Financing pension strain budget pressures. |
| Additional Disabled Facilities Grant(DFG) funding (Non-Ringfenced) | 29 | (17) | - | 12 | (2) | - | 10 | External funding supporting additional Disabled Facilities Grant works above standard DFG. |
| Air Quality | 86 | (2) | - | 84 | (4) | - | 80 | Funding for Air Quality Management Areas by DEFRA. |
| Better Broadband | 12 | (5) | 500 | 507 | (500) | - | 7 | External funding received to support Broadband delivery. |
| Brexit | 55 | (61) | 150 | 144 | - | - | 144 | External funding received to finance Brexit cost pressures. |
| Budget Carry Forwards | 203 | (114) | 109 | 198 | (204) | 272 | 266 | Unspent revenue budgets carried forward to fund approved requests. |
| Building Control | 515 | - | - | 515 | - | - | 515 | Statutory fund to smooth Building Control expenditure and income over a rolling annual period. |
| Business Incentive | 2 | - | - | 2 | - | - | 2 | External Funding to support economic development. |
| Business Rates Equalisation | 5,881 | (14) | 7,522 | 13,389 | (10) | 1,862 | 15,241 | Business rates income set aside to equalise business rate income fluctuations and accounting timing differences. |
| Business Rates Pilot | 2,673 | (479) | - | 2,194 | (809) | - | 1,385 | Business rate retention pilot scheme income (2018/19) set aside to fund agreed projects. |
| Business Rates- Suffolk Public Sector Leaders (SPSL) | - | - | - | - | (190) | 1,506 | 1,316 | SPSL share of business rates pooling benefit forgone in 2021/22, earmarked for economic & community projects. |
| Capital Reserve | 7,950 | (2,543) | 605 | 6,012 | (3,467) | 700 | 3,245 | Source of finance for capital investment plans. |
| Climate Change (includes Suffolk Energy Link) | 78 | (1) | 3 | 80 | (9) | 4 | 75 | Additional source of finance for initiatives to reduce climate change. |
| Coastal Management - Revenue Works | 166 | - | 144 | 310 | - | 70 | 380 | Funding of coastal defence revenue expenditure. |
| Coastal Protection - Capital Works | 176 | - | - | 176 | - | - | 176 | Funding of coastal defence capital expenditure. |
| Communities | 182 | (52) | 3,025 | 3,155 | (925) | 254 | 2,484 | External Funding for community initiatives. |
| Community Health | - | - | - | - | - | - | - | - Delivery of Community Health projects. |
| Community Housing Fund | 2,134 | (53) | - | 2,081 | (13) | - | 2,068 | Enabling local community groups to deliver affordable housing units. |
| Contractual Liability | - | - | 500 | 500 | (87) | - | 413 | Supporting any third party contractual issues. |
| County Sports Partnership | 865 | (152) | 76 | 789 | (124) | 112 | 777 | Delivery of the County Sports Partnership. |
| COVID19 Response | 99 | (2,368) | 18,002 | 15,733 | (17,276) | 7,425 | 5,882 | Government funding received in response to the COVID19 pandemic to fund ongoing response & recovery work. |
| Customer Services | 156 | - | 90 | 246 | - | 80 | 326 | Funding project support and implementation costs. |

Note 10 Transfers to/ from Earmarked Reserves (Continued)

| | Balance 31 March 2020 | Transfers Out 2020/21 | Transfers In 2020/21 | Balance 31 March 2021 | Transfers Out 2021/22 | Transfers In 2021/22 | Balance 31 March 2022 | Purpose of the Earmarked Reserve |
|--|--------------------------|--------------------------|-------------------------|--------------------------|--------------------------|-------------------------|--------------------------|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| Deployment of Flood Barrier | 88 | - | - | 88 | - | - | 88 | Meeting Lowestoft flood barrier deployment costs. |
| District Elections | 80 | - | 60 | 140 | - | 60 | 200 | Supporting costs of future elections. |
| Domestic Violence Support Funding | 146 | (83) | - | 63 | - | 156 | 219 | Funding domestic violence support schemes. |
| Economic Development | 655 | (55) | 521 | 1,121 | (124) | 27 | 1,024 | Funding to support Economic Development projects. |
| Economic Regeneration | 269 | (148) | 60 | 181 | (100) | - | 81 | Post 2013 flooding Lowestoft Seafront recovery activity. |
| Empty Properties & Houses in Disrepair | 133 | - | 2 | 135 | - | 101 | 236 | Assisting bringing empty properties back into use. |
| Enterprise Zone | 640 | (474) | 381 | 547 | (424) | 438 | 561 | Enterprise Zone retained business rates income pending distribution. |
| Environmental Protection | - | - | 151 | 151 | (83) | - | 68 | Sizewell funding for Environmental Protection staffing. |
| Felixstowe Forwards | 33 | (3) | 1 | 31 | (12) | - | 19 | External funding received to fund projects in Felixstowe. |
| Food Safety | - | - | - | - | - | 195 | 195 | Funding received in relation to staff time spent on Covid. To provide additional support for addressing the Food Safety |
| Flood Prevention | 6 | - | - | 6 | - | - | 6 | Funding for flood prevention assistance. |
| Green Homes Funding | - | - | 18 | 18 | (18) | 195 | 195 | External funding received to facilitate greener home initiatives. |
| Growth Programme | 140 | (72) | - | 68 | (5) | - | 63 | External funding received to fund work on Suffolk Design Concepts. |
| Gypsy & Traveller | 25 | - | 29 | 54 | (28) | - | 26 | Fund for macerator at Kessingland site and external funding to find a new suitable site. |
| Heritage Action Zone North | 30 | (2) | 1 | 29 | (28) | 9 | 10 | Funding received to deliver the North Heritage Action Zone project. |
| Homelessness Prevention | 438 | (151) | 284 | 571 | (442) | 857 | 986 | Homelessness prevention revenue grants received in advance to be matched with expenditure in subsequent years. |
| Homes & Communities Agency (HCA) - Area Action Plan (AAP) Land | 162 | - | - | 162 | - | - | 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 Advisory | - | - | - | - | - | 25 | 25 | External funding to support an external review of the Council's running of temporary accommodation. |

Note 10 Transfers to/ from Earmarked Reserves (Continued)

| | Balance 31 March 2020 | Transfers Out 2020/21 | Transfers In 2020/21 | Balance 31 March 2021 | Transfers Out 2021/22 | Transfers In 2021/22 | Balance 31 March 2022 | Purpose of the Earmarked Reserve |
|---|--------------------------|--------------------------|-------------------------|--------------------------|--------------------------|-------------------------|--------------------------|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| Housing Benefit (HB) Subsidy | 300 | - | - | 300 | - | - | 300 | Meeting budget pressures due to fluctuations with HB subsidy and implementation/changes due to Government legislation. |
| Housing Condition Survey & Improvements | 91 | (46) | - | 45 | (45) | - | - | To meet the cost of the periodic survey of Private Sector Housing within the district. |
| Human Resources | - | - | - | - | - | 10 | 10 | E-Learning - process and provision review from 2022/23 |
| Individual Electoral Registration | 378 | - | 140 | 518 | (60) | - | 458 | To meet the additional cost for administration of Individual Electoral Registration. |
| Indoor Leisure | 50 | - | - | 50 | - | - | 50 | Providing a source of finance to support the closure cost of Deben Leisure Centre during refurbishment. |
| Insurance | 166 | - | 5 | 171 | - | - | 171 | To provide a source of finance for any uninsured losses. |
| In-Year Savings | 4,920 | (600) | - | 4,320 | (748) | - | 3,572 | In-Year savings set aside to support future year budget gaps. |
| Key Capital Programme | 182 | - | - | 182 | - | - | 182 | To provide a source of finance to support the revenue costs associated with the delivery of key capital projects. |
| Land Charges | 150 | - | - | 150 | - | - | 150 | To support the General Fund from losses in future Land Charges income. |
| Landguard | 16 | (6) | 8 | 18 | (10) | 78 | 86 | Funding for the Landguard Governance review. |
| Local Development Framework | 5 | - | - | 5 | - | - | 5 | To meet the costs arising from the periodic preparation and adoption of the Local Development Framework. |
| Lowestoft Rising | 101 | (44) | 1 | 58 | (11) | 40 | 87 | Funding received to deliver earmarked work under the Lowestoft Rising project. |
| Modular Ramps - DFG | - | - | - | - | - | 2 | 2 | DFG funding for the removal of temporary ramps when no longer required. |
| New Homes Bonus | 5,442 | (1,681) | 2,303 | 6,064 | (1,661) | 1,177 | 5,580 | Supporting community initiatives across East Suffolk. |
| Next Step Accommodation Programme | - | - | 36 | 36 | (14) | - | 22 | External funding to help Rough Sleepers get off the streets and into accommodation. |
| Planning | 400 | - | - | 400 | - | - | 400 | To provide a source of finance for planning appeals, local plans and planning challenges. |
| Planning Legal | 200 | - | 200 | 400 | - | - | 400 | To provide for legal costs in respect of planning appeals. |
| Port Health | 5,181 | (789) | 1,205 | 5,597 | (4,133) | 2,852 | 4,316 | Supporting the future investment and development of the Authority's infrastructure at the Port of Felixstowe. |

Note 10 Transfers to/ from Earmarked Reserves (Continued)

| | Balance 31 March 2020 | Transfers Out 2020/21 | Transfers In 2020/21 | Balance 31 March 2021 | Transfers Out 2021/22 | Transfers In 2021/22 | Balance 31 March 2022 | Purpose of the Earmarked Reserve |
|--|--------------------------|--------------------------|-------------------------|--------------------------|--------------------------|-------------------------|--------------------------|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| Private Sector Housing | 54 | - | 18 | 72 | (43) | 182 | 211 | Grants repaid to be set aside for empty property/home improvement initiatives. |
| Private Sector Housing Renovation Grants | 810 | (67) | - | 743 | (108) | - | 635 | Grants repaid set aside to fund future renovation works. |
| Protect and Vaccinate | - | - | - | - | - | 69 | 69 | DLUHC funding received via the Protect and Vaccinate programme. The funding is ringfenced for the purposes of protecting and vaccinating rough sleepers in response to the COVID-19 Omicron variant. |
| Recreation Areas Mitigation Strategy Staffing | - | - | - | - | - | 103 | 103 | Funding set aside to cover initial costs. |
| Rent Guarantee Scheme | 15 | - | - | 15 | - | - | 15 | To provide a source of finance for landlord claims. |
| Revenue & Benefits Administration | 243 | - | - | 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 | 400 | (144) | 618 | 874 | (653) | 1,286 | 1,507 | 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 | 62 | (47) | 1 | 16 | (5) | 81 | 92 | External funding received to support hospital patients to return home (Stepping Home project). |
| Strategic Plan Delivery | 250 | - | - | 250 | (250) | - | - | Facilitating the delivery of the Council's Strategic Plan, including any emerging priorities. |
| Transformation | 1,137 | (1,683) | 3,763 | 3,217 | (877) | 1,226 | 3,566 | To provide funding for efficiency (invest to save) initiatives and to support the delivery of the Strategic Plan. |
| Warmer Homes Healthy People | 65 | (26) | 80 | 119 | (63) | 147 | 203 | 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. |
| Total General Fund | 46,515 | (13,482) | 40,612 | 73,645 | (33,565) | 21,801 | 61,881 | |
| Housing Revenue Account: | | | | | | | | |
| Hardship Reserve | 500 | - | - | 500 | - | - | 500 | Providing financial help to tenants who find themselves in financial hardship. |
| Debt Repayment Reserve | 11,000 | - | 1,500 | 12,500 | - | 500 | 13,000 | 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 | 60 | - | - | 60 | - | - | 60 | To provide for potential liabilities relating to Municipal Mutual Insurance Limited (MMI). |
| Acquisition & Development Reserve | 4,500 | - | 1,800 | 6,300 | - | 1 | 6,301 | Funding for the Housing development programme. |
| Total Housing Revenue Account | 16,315 | - | 3,300 | 19,615 | - | 501 | 20,116 | |
| Total | 62,830 | (13,482) | 43,912 | 93,260 | (33,565) | 22,302 | 81,997 | |

11. CIES - Other operating expenditure

| | 2021/22 £'000 | 2020/21 £'000 |
|--|------------------|------------------|
| Parish Council precepts | 6,398 | 6,381 |
| Payments to the Government Housing Capital Receipts Pool | 349 | 288 |
| Gains/losses on the disposal of non current assets | 80 | 945 |
| Levies | 261 | 252 |
| Total | 7,198 | 7,866 |

12. CIES - Financing and investment income

| | 2021/22 £'000 | 2020/21 £'000 |
|---|------------------|------------------|
| Interest payable and similar charges | 2,874 | 2,864 |
| Net interest on the net defined benefit liability | 1,739 | 1,200 |
| Interest receivable and similar income | (420) | (569) |
| Net (gains)/losses on financial assets at fair value through profit and loss | (1,610) | (281) |
| Impairment Losses including Reversals of Impairment Losses or Impairment Gains | (275) | 304 |
| Income and expenditure in relation to investment properties and changes in their fair value | (509) | 856 |
| Other Investment Income | (655) | (582) |
| Total | 1,144 | 3,792 |

13. CIES - Taxation and non-specific grants

| | 2021/22 | 2020/21 |
|--|-----------------|-----------------|
| | £'000 | £'000 |
| Council tax income | (21,808) | (21,307) |
| Non domestic rates | (37,079) | (37,819) |
| Tariff payment to Suffolk County Council | 22,193 | 22,193 |
| Share of (surplus)/deficit on collection fund | 4,559 | 12,800 |
| Share of pooling benefit with other Suffolk Councils | (3,407) | (1,750) |
| Levy payment to Suffolk Business Rates Pool | 5,516 | 5,447 |
| Share of Pilot Pooling Benefit with other Suffolk Councils | - | - |
| Non-ring fenced government grants | (14,851) | (26,625) |
| Capital grant and contributions | (4,927) | (11,703) |
| Total | (49,804) | (58,764) |

14. Property, Plant & Equipment

| Movements in 2021/22: | Council | Other Land | Vehicles, Plant | Infrastructure | Community | Surplus | Assets Under Construction | | Total PPE |
|--|----------------|----------------|-----------------|----------------|--------------|--------------|---------------------------|--------------|----------------|
| | Dwellings | and Buildings | & Equipment | Assets | Assets | Assets | Construction | Land | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| Cost or Valuation | | | | | | | | | |
| At 1 April 2021 | 222,560 | 99,705 | 16,302 | 57,942 | 1,674 | 6,546 | 10,281 | 3,641 | 418,651 |
| Additions | 2,421 | 1,825 | 678 | 866 | - | 393 | 13,608 | - | 19,791 |
| Donated Assets | - | - | - | - | - | - | - | - | - |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 8,625 | (60) | - | - | - | 253 | - | - | 8,818 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 1,451 | (471) | - | - | - | (11) | - | - | 969 |
| Derecognition - Disposals | (1,671) | (82) | (101) | - | - | - | - | - | (1,854) |
| Derecognition - Other | - | (387) | (714) | (198) | - | (397) | (1) | - | (1,697) |
| Assets reclassified (to)/from Held for Sale | - | - | - | - | - | (5,043) | - | - | (5,043) |
| Other movements in Cost or Valuation | 1,838 | 1,882 | - | 1,635 | (9) | 15 | (5,511) | 149 | (1) |
| At 31 March 2022 | 235,224 | 102,412 | 16,165 | 60,245 | 1,665 | 1,756 | 18,377 | 3,790 | 439,634 |
| Accumulated Depreciation and Impairment | | | | | | | | | |
| At 1 April 2021 | - | 2,789 | 11,400 | 28,036 | - | 21 | 5 | - | 42,251 |
| Depreciation charge | 3,377 | 3,516 | 1,206 | 1,509 | - | 38 | - | - | 9,646 |
| Depreciation written out to the Revaluation Reserve | (2,667) | (1,923) | - | - | - | (31) | - | - | (4,621) |
| Depreciation written out to the Surplus/Deficit on the Provision of | (695) | (1,054) | - | - | - | (8) | - | - | (1,757) |
| Derecognition - Disposals | (14) | (9) | (101) | - | - | - | - | - | (124) |
| Derecognition - Other | - | (127) | (691) | (83) | - | - | - | - | (901) |
| Other movements in Depreciation and Impairment | (1) | (5) | - | 1 | - | - | 4 | - | (1) |
| At 31 March 2022 | - | 3,187 | 11,814 | 29,463 | - | 20 | 9 | - | 44,493 |
| Net Book Value | | | | | | | | | |
| At 31 March 2022 | 235,224 | 99,225 | 4,351 | 30,782 | 1,665 | 1,736 | 18,368 | 3,790 | 395,141 |
| At 31 March 2021 | 222,560 | 96,916 | 4,902 | 29,906 | 1,674 | 6,525 | 10,276 | 3,641 | 376,400 |

Note 14 Property, Plant & Equipment (Continued)

| Comparative Movements in 2020/21 | | | | | | | | | |
|---|----------------|---------------|-----------------|----------------|--------------|--------------|---------------------------|--------------|----------------|
| | Council | Other Land | Vehicles, Plant | Infrastructure | Community | Surplus | Assets Under Construction | | Total PPE |
| | Dwellings | and Buildings | & Equipment | Assets | Assets | Assets | Construction | Land | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation | | | | | | | | | |
| At 1 April 2020 | 215,452 | 91,649 | 16,547 | 54,687 | 1,748 | 6,474 | 13,214 | 2,851 | 402,622 |
| Additions | 2,571 | 1,217 | 1,028 | 166 | 31 | 1 | 10,897 | 122 | 16,033 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 3,639 | 3,914 | - | - | - | 142 | - | - | 7,695 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on | 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 | 8,426 | - | 3,089 | 866 | (23) | (13,798) | 93 | - |
| At 31 March 2021 | 222,560 | 99,705 | 16,302 | 57,942 | 1,674 | 6,546 | 10,281 | 3,641 | 418,651 |
| Accumulated Depreciation and Impairment | | | | | | | | | |
| 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) |
| At 31 March 2021 | - | 2,789 | 11,400 | 28,036 | - | 21 | 5 | - | 42,251 |
| Net Book Value | | | | | | | | | |
| At 31 March 2021 | 222,560 | 96,916 | 4,902 | 29,906 | 1,674 | 6,525 | 10,276 | 3,641 | 376,400 |
| At 1 April 2020 | 215,452 | 89,411 | 5,255 | 27,980 | 1,748 | 6,454 | 13,198 | 2,851 | 362,349 |

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 2022. 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 2022 was £1.756 million (value as at 31 March 2021 was £6.546 million).

Capital commitments

At 31 March 2022, the Council had contractual commitments of £35 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 2021/22.

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 2021/22 was:

- 31 December 2021 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 2022 for assets measured at social housing discount.

| | Council Dwellings £'000 | Other Land and Buildings £'000 | Vehicles, Plant & £'000 | Infrastructure Assets £'000 | Community Assets £'000 | Surplus Assets £'000 | Assets Under Construction | | Total PPE £'000 |
|--------------------------------|------------------------------------|---|--|--|-----------------------------------|---------------------------------|----------------------------------|-----------------------|----------------------------|
| | | | | | | | Construction £'000 | Land £'000 | |
| Carried at historical cost | | 430 | 16,165 | 60,245 | 1,665 | - | 18,377 | 3,790 | 100,672 |
| Value at current value as at: | | | | | | | | | |
| 31 March 2022 | 235,224 | 43,343 | - | - | - | 1,756 | - | - | 280,323 |
| 31 March 2021 | | 17,169 | - | - | - | - | - | - | 17,169 |
| 31 March 2020 | | 11,712 | - | - | - | - | - | - | 11,712 |
| 31 March 2019 | | 11,352 | - | - | - | - | - | - | 11,352 |
| 31 March 2018 | | 18,406 | - | - | - | - | - | - | 18,406 |
| Total Cost or Valuation | 235,224 | 102,412 | 16,165 | 60,245 | 1,665 | 1,756 | 18,377 | 3,790 | 439,634 |

15. Assets held for sale

| | Current Assets | |
|---|----------------|----------|
| | 2021/22 | 2020/21 |
| | £'000 | £'000 |
| Balance outstanding at start of year | 4 | 4 |
| Assets newly classified as held for sale: | | |
| - Property, Plant and Equipment | 5,043 | - |
| Assets sold | (43) | - |
| Balance outstanding at year-end | 5,004 | 4 |

16. Heritage Assets

The Council holds a number of heritage assets to increase the knowledge, understanding and appreciation of the Council's history and local area. Heritage assets are recognised and measured in accordance with the Council's accounting policies on property, plant and equipment. In 2021/22 a new buildings heritage asset was included which was for the renovated façade at the old post office in Lowestoft.

| | Civic Regalia Portraits & Medals | Paintings, Prints & Photographs | Buildings | Roman Coins | Total Heritage Assets |
|----------------------|--|---------------------------------------|------------|----------------|-----------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| 1 April 2021 | 183 | 51 | 350 | 4 | 588 |
| Additions | | | 499 | | 499 |
| Depreciation | - | - | (6) | - | (6) |
| 31 March 2022 | 183 | 51 | 843 | 4 | 1,081 |

17. Intangible Assets

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

| | 2021/22 | 2020/21 |
|--------------------------------------|---------------------|---------------------|
| | Other Assets | Other Assets |
| | £'000 | £'000 |
| Balance at start of year: | | |
| • Gross carrying amount | 1,169 | 1,110 |
| • Accumulated amortisation | (1,035) | (961) |
| Net carrying amount at start of year | 134 | 149 |
| Additions: | | |
| • Internal development | 343 | - |
| • Purchases | 237 | 72 |
| • Gross carrying amount | (38) | (13) |
| • Accumulated amortisation | 38 | 13 |
| Amortisation for the period | (81) | (88) |
| Net carrying amount at end of year | 633 | 133 |
| Comprising | | |
| • Gross carrying amount | 1,711 | 1,169 |
| • Accumulated amortisation | (1,078) | (1,036) |
| | 633 | 133 |

18. Investment Properties

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

| | 2021/22 | 2020/21 |
|--|------------|------------|
| | £'000 | £'000 |
| Rental income from investment properties | 327 | 364 |
| Direct operating expenses arising from investment properties | (108) | (114) |
| Net gain/(loss) | 219 | 250 |

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:

| | 2021/22 | 2020/21 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Balance at 1 April | 5,000 | 2,900 |
| Additions: | | |
| - Purchases | - | 3,206 |
| Net gains/losses from fair value adjustments | 289 | (1,106) |
| Balance at 31 March | 5,289 | 5,000 |

Fair Value Measurement of Investment Properties

Fair Value Hierarchy - all the Council's investment properties have been assessed as having level 2 inputs as at 31 March 2022. 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.

19. Financial Instruments

Classifications

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

Financial Assets

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

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

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

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

Financial Liabilities

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

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

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

Note 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 |
|---|----------------|---------------|----------------|---------------|
| | 2021/22 | 2021/22 | 2020/21 | 2020/21 |
| | £'000 | £'000 | £'000 | £'000 |
| Loans at amortised cost: | | | | |
| Principle sum borrowed | 65,806 | - | 77,253 | - |
| Total Borrowing | 65,806 | - | 77,253 | - |
| Liabilities at amortised cost: | | | | |
| Creditors | 65 | 5,007 | 15 | 4,468 |
| Finance Leases | 5,457 | 322 | 5,779 | 300 |
| Financial Liabilities in Creditors | 5,522 | 5,329 | 5,794 | 4,768 |
| Non Financial Liabilities | 54,988 | 58,472 | 80,762 | 63,415 |
| Total Financial Liabilities | 126,316 | 63,801 | 163,809 | 68,183 |

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

| Financial Assets | Long-term | Short-term | Long-term | Short-term |
|--|---------------|----------------|---------------|----------------|
| | 2021/22 | 2021/22 | 2020/21 | 2020/21 |
| | £'000 | £'000 | £'000 | £'000 |
| At amortised cost: | | | | |
| Principle | - | 87,500 | - | 71,000 |
| Accrued Interest | - | 75 | - | 102 |
| At fair value through profit and loss: | | | | |
| Principle | 40,781 | - | 34,031 | - |
| Total Investments | 40,781 | 87,575 | 34,031 | 71,102 |
| At amortised cost: | | | | |
| Principle | - | 17,271 | - | 25,453 |
| Total Cash & Cash Equivalents | - | 17,271 | - | 25,453 |
| At amortised cost: | | | | |
| Debtors | 195 | 6,003 | 222 | 6,280 |
| Lease Receivables | 4 | - | 4 | - |
| Loss Allowance | | (794) | | (858) |
| Financial Assets in Debtors | 199 | 5,209 | 226 | 5,422 |
| Non Financial Assets | 1,785 | 21,808 | 1,789 | 36,950 |
| Total Assets | 42,765 | 131,863 | 36,046 | 138,927 |

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.

| | 31-Mar-22 | | | 31-Mar-21 | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| | Gross Assets | (Liabilities) | Net | Gross Assets | (Liabilities) | Net |
| | (Liabilities) | assets set | Position on | (Liabilities) | assets set | Position |
| | £'000 | off | Balance | £'000 | off | on Balance |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Bank accounts in credit | 36,172 | | 36,172 | 20,221 | | 20,221 |
| Bank overdrafts | | (18,939) | (18,939) | | (9,771) | (9,771) |
| Total Financial Assets (Liabilities) | | | 17,233 | | | 10,450 |

Gains and Losses

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

| | 2021/22 | | | 2020/21 | | |
|---|--------------|--------------------|--------------|--------------|--------------------|--------------|
| | Amortised | Fair Value through | Total | Amortised | Fair Value through | Total |
| | cost | Profit and Loss | | cost | Profit and Loss | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Interest expense | 2,874 | - | 2,874 | 2,864 | - | 2,864 |
| Losses from change in fair value | - | (1,610) | (1,610) | - | (281) | (281) |
| Impairment losses | (275) | - | (275) | 304 | - | 304 |
| Interest payable and similar charges | 2,599 | (1,610) | 989 | 3,168 | (281) | 2,887 |
| Interest income | (420) | - | (420) | (569) | - | (569) |
| Interest and investment income | (420) | - | (420) | (569) | - | (569) |
| Net gain / (loss) for the year | 2,179 | (1,610) | 569 | 2,599 | (281) | 2,318 |

Note 17 Financial Instruments (Continued)

Fair Values

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

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2022, using the following methods and assumptions:

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

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

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

| | 31-Mar-22 | | 31-Mar-21 | |
|-----------------------------|--------------------------|---------------------|--------------------------|---------------------|
| | Carrying Amount £000s | Fair Value £000s | Carrying Amount £000s | Fair Value £000s |
| PWLB Loans (Level 2) | 65,806 | 71,206 | 77,253 | 91,370 |

Note 17 Financial Instruments (Continued)

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

| Recurring Fair Value Measurement | Input level in Fair Value Hierachy | Valuation technique used to measure Fair Value | 31-Mar-22 Fair Value £000s | 31-Mar-21 Fair Value £000s |
|---|------------------------------------|---|----------------------------|----------------------------|
| Fair Value through Profit & Loss | | | | |
| CCLA Property Fund | 1 | Unadjusted quotes prices in active markets for identical shares | 10,819 | 9,203 |
| CCLA Diversified Income Fund | 1 | Unadjusted quotes prices in active markets for identical shares | 4,996 | 4,774 |
| Ninety One Diversified Income Fund | 1 | Unadjusted quotes prices in active markets for identical shares | 4,749 | 4,976 |

Risks

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

Note 17 Financial Instruments (Continued)

Credit Risk: Treasury Investments

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

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

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

| Credit Rating | 31-Mar-22 | | 31-Mar-21 | |
|--------------------------|--------------------|---------------------|--------------------|---------------------|
| | Long Term £000s | Short Term £000s | Long Term £000s | Short Term £000s |
| Local Authorities - AAA | 20,215 | 87,575 | 15,074 | 71,102 |
| Unrated Pooled Funds | 20,564 | | 18,957 | |
| Total Investments | 40,779 | 87,575 | 34,031 | 71,102 |

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.

| | 2021/22 £,000 | 2020/21 £,000 |
|------------------------|------------------|------------------|
| Less than three months | 3,514 | 3,924 |
| Three to six months | 185 | 203 |
| Six months to one year | 193 | 264 |
| More than one year | 827 | 732 |
| | 4,719 | 5,123 |

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:

| | Range of allowances set aside | Gross Receivables £'000 | Loss Allowance £'000 |
|------------------------------------|-------------------------------|-------------------------|----------------------|
| Trade Receivables 31-Mar-22 | 4%-100% | 3,363 | (750) |
| Trade Receivables 31-Mar-21 | 4%-100% | 3,578 | (774) |

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:

| | | 2021/22 £'000 | 2020/21 £'000 |
|--|-------------------------------|------------------|------------------|
| Analysis by Lender: | | | |
| | Public Works Loan Board | 65,806 | 77,253 |
| Analysis by Maturity: | | | |
| Repayable within: | | | |
| | Less than 1 year (short term) | - | 11,286 |
| | 2 to 5 years | 2,000 | 2,000 |
| | 5 to 10 years | 20,006 | 10,007 |
| | 10 to 20 years | 40,800 | 53,960 |
| | over 20 years | 3,000 | |
| | | 65,806 | 77,253 |
| Fair Value of PWLB Loans at the year-end | | 71,206 | 91,370 |

Note 17 Financial Instruments (Continued)

| Maturity of Fixed Rate Debt: | Upper Limit | Lower Limit | Actual 31-Mar-22 | Actual 31-Mar-21 |
|-------------------------------------|--------------------|--------------------|-----------------------------|-----------------------------|
| | % | % | % | % |
| Under 12 months (see note below) | 50% | 0% | 0% | 2% |
| 12 months and within 24 months | 50% | 0% | 0% | 0% |
| 24 months and within 5 years | 75% | 0% | 3% | 3% |
| 5 years and within 10 years | 75% | 0% | 30% | 15% |
| 10 years and within 20 years | 75% | 0% | 62% | 64% |
| 20 years and above | 100% | 0% | 5% | 16% |

Market Risks: Interest Rate Risk

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

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

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

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

Note 17 Financial Instruments (Continued)

| Market Risks: Interest Rate Risk | 31-Mar-22 | 31-Mar-21 |
|--|------------------|------------------|
| | £'000 | £'000 |
| Increase in interest payable on variable rate borrowings | 1 | 103 |
| Increase in interest receivable on variable rate investments | (7) | (6) |
| Increase in government grant receivable for financing costs | (63) | (86) |
| Impact on Surplus or Deficit on the Provision of Services | (69) | 11 |
| Share of overall impact debited to the HRA | (33) | 5 |

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 £10.82m. A 5% fall in commercial property prices at 31st March 2022 would result in a £0.541m 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 2022 would result in a £0.487m charge to Other Comprehensive Income and Expenditure / the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

20. Debtors

Short term Debtors:

| | 2021/22 | 2020/21 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Central Government bodies | 3,516 | 18,885 |
| Other Local Authorities | 5,810 | 6,577 |
| NHS bodies | 85 | 132 |
| Council Taxpayers | 2,378 | 2,407 |
| Other entities and individuals | 16,341 | 17,398 |
| Prepayments | 456 | 3,932 |
| Total | 28,586 | 49,331 |
| less Bad Debt Impairment Provisions: | | |
| Council Taxpayers | (1,213) | (1,208) |
| Other service debtors | (5,479) | (5,866) |
| Total | 21,894 | 42,257 |

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:

| | 2021/22 | 2020/21 |
|---------------------|--------------|--------------|
| | £'000 | £'000 |
| Less than 12 months | 1,393 | 1,639 |
| More than one year | 2,867 | 2,897 |
| | 4,260 | 4,536 |

Long term Debtors:

| | 2021/22 | 2020/21 |
|--------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Other Local Authorities | 177 | 196 |
| Finance Leases | 4 | 4 |
| Other entities and individuals | 1,803 | 1,815 |
| | 1,984 | 2,015 |

21. Creditors

Short term Creditors:

| | 2021/22 | 2020/21 |
|--------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Central Government bodies | 28,066 | 34,222 |
| Other Local Authorities | 12,209 | 8,443 |
| NHS bodies | 40 | - |
| Other entities and individuals | 8,179 | 8,580 |
| Receipts in Advance | 15,216 | 5,586 |
| Total | 63,710 | 56,831 |

Long term Creditors:

| | 2021/22 | 2020/21 |
|---------------------|--------------|--------------|
| | £'000 | £'000 |
| Creditors | 681 | 659 |
| Finance Leases | 5,477 | 5,779 |
| Receipts in Advance | 380 | 465 |
| Total | 6,538 | 6,903 |

22. Provisions

| | HRA Rents & Service Charges £'000 | Business Rates Appeals £'000 | Total £'000 |
|------------------------------------|--|---------------------------------------|----------------|
| <u>Long Term Provisions</u> | | | |
| Balance at 1 April 2021 | - | 2,668 | 2,668 |
| Movement in Provision in 2021/22 | 1,238 | 2,156 | 3,394 |
| Amounts used in 2021/22 | - | (1,005) | (1,005) |
| Unused amounts reversed in 2021/22 | - | (396) | (396) |
| Balance at 31 March 2022 | 1,238 | 3,423 | 4,661 |

The Council has the following Provisions within its Balance Sheet:

HRA Rents & Service charges

Following a HRA compliance review it was identified that there may be an issue with some of East Suffolk Council's rents and services charges where some tenants appeared to have been overcharged. A forensic audit is currently being carried out by external consultants, and every tenancy dating back to 2010 (the earliest data held) is being reviewed. This provision is based on the forensic auditor's initial findings of potential repayments that may be required.

National Non-Domestic Rates

As part of the National Non-Domestic Rates (NNDR1) return in January 2021, the Council had to estimate the business rates income expected to be received in 2021/22 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 one of two large hereditaments within the Council's valuation list and then for the remaining liabilities, this has been based on all remaining unchallenged assessments. The other large hereditament had an outstanding appeal which was agreed in early 2022/23 and so the provision was adjusted to reflect this appeal. 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

Note 20 Provisions (Continued)

9.01% of the value as the provision based on the number of challenges lodged to date. This percentage has increased slightly from 8.78% in 2020/21. Covid Material Change in Circumstances (MCC) appeals have been removed from the outstanding appeals relating to the 2017 valuation list in 2021/22. The government stated that Covid MMC appeals would not be allowed and will compensate businesses through a Covid Additional Relief Fund rate relief scheme instead. Relief has partly been granted in 2021/22 with the remainder to be granted in the first six months of 2022/23.

23. Grant Income

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

| | 2021/22 £'000 | 2020/21 £'000 |
|---|------------------|------------------|
| Credited to Taxation and Non Specific Grant Income | | |
| <u>Non-ringfenced grants:</u> | | |
| Revenue Support Grant | (330) | (328) |
| New Homes Bonus | (1,177) | (2,303) |
| Business Rates Reliefs | (10,497) | (17,144) |
| Covid19 Government Grant Schemes | (1,772) | (6,399) |
| Lower Tier Service Grants | (381) | - |
| Other Non-ringfenced grants | (693) | (451) |
| <u>Capital grants and contributions:</u> | | |
| Coastal Management/ Protection | 1,153 | (4,890) |
| HRA Developments | (4) | (579) |
| Community Infrastructure Levy | (4,701) | (5,519) |
| s106 contributions | (130) | (382) |
| Covid19 Government Grant Schemes | - | (74) |
| Leisure Development | - | (258) |
| Towns Fund | (1,245) | - |
| Other capital grants and contributions | - | (1) |
| Total | (19,778) | (38,328) |
| Credited to Services | | |
| Housing Benefits Subsidy | (39,310) | (42,222) |
| Benefits Administration Grant | (908) | (883) |
| Disabled Facilities Grants | (2,721) | (2,725) |
| Discretionary Housing Payments Grant | (354) | (441) |
| Homelessness Grants | (1,634) | (1,212) |
| Covid19 Government Grant Schemes | (3,591) | (13,736) |
| European Union Exit Grants | - | (1,124) |
| Regeneration of Coastal Communities | (1,430) | (1,605) |
| Port Health Transition Grant | (1,640) | - |
| Other Grants | (1,549) | (1,263) |
| Total | (53,137) | (63,605) |

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:

| | 2021/22 £'000 | 2020/21 £'000 |
|--|------------------|------------------|
| Revenue Grants Receipts in Advance (Short-Term) | | |
| Covid 19 Additional Relief Fund (CARF) | 7,764 | - |
| Energy Rebate Discretionary Scheme | 441 | - |
| Total | 7,764 | - |
| Capital Grants Receipts in Advance (Short-Term) | | |
| s106 Contributions | 91 | 66 |
| Total | 91 | 66 |
| Capital Grants Receipts in Advance (Long-Term) | | |
| Other grants | 26 | 25 |
| s106 Contributions | 4,589 | 3,979 |
| Total | 4,615 | 4,004 |

24. Unusable Reserves

| | 2021/22 | 2020/21 |
|--|------------------|------------------|
| | £'000 | £'000 |
| Revaluation Reserve | (82,925) | (71,570) |
| Capital Adjustment Account | (204,161) | (189,555) |
| Financial Instruments Adjustment Account | 661 | 682 |
| Pooled Investment Funds Adjustment Account | (582) | 1,028 |
| Deferred Capital Receipts Reserve | (4) | (4) |
| Pensions Reserve | 45,934 | 84,267 |
| Collection Fund Adjustment Account | 4,020 | 13,778 |
| Total Unusable Reserves | (237,057) | (161,374) |

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)

| Revaluation Reserve | 2021/22 | 2020/21 |
|--|-----------------|-----------------|
| | £'000 | £'000 |
| Balance at 1 April | (71,570) | (61,351) |
| Upward revaluation of assets | (15,364) | (14,729) |
| Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services | 1,925 | 2,976 |
| Surplus or deficit on revaluation of non-current assets posted to the Surplus or Deficit on the Provision of Services | (13,439) | (11,753) |
| Difference between fair value depreciation and historical cost depreciation | 1,784 | 1,344 |
| Accumulated gains on assets sold or scrapped | 300 | 190 |
| Amount written off to the Capital Adjustment Account | 2,084 | 1,534 |
| Balance at 31 March | (82,925) | (71,570) |

Pooled Investment Funds Adjustment Account

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

| Pooled Investment Funds Adjustment Account | 2021/22 | 2020/21 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Balance at 1 April | 1,028 | 1,309 |
| Financial Instruments held under Fair Value through Profit and Loss subject to MHCLG statutory over-ride | (1,610) | (281) |
| Balance at 31 March | (582) | 1,028 |

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.

| Capital Adjustment Account | 2021/22 £'000 | 2020/21 £'000 |
|--|------------------|------------------|
| Balance at 1 April | (189,555) | (189,951) |
| <u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure</u> | | |
| - Charges for depreciation and impairment of non current assets | 9,651 | 8,534 |
| - Revaluation losses on Property, Plant and Equipment | (2,726) | 3,327 |
| - Amortisation of intangible assets | 81 | 88 |
| - Revenue expenditure funded from capital under statute | 3,768 | 3,785 |
| - Revenue expenditure funded from section 106 receipts | 237 | 274 |
| - Revenue expenditure funded from community infrastructure levies | 2,660 | 607 |
| - 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 | 2,568 | 2,564 |
| <u>Adjusting amounts written out of the Revaluation Reserve:</u> | | |
| - Difference between fair value depreciation and historical cost depreciation in Revaluation Reserve | (1,784) | (1,344) |
| - Amounts written out on disposal of assets | (300) | (190) |
| Net written out amount of the cost of non current assets consumed in the year | 14,155 | 17,645 |
| <u>Capital financing applied in the year:</u> | | |
| - Use of Capital Receipts Reserve to finance new capital expenditure | (1,009) | (1,180) |
| - 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 | (6,214) | (7,816) |
| - Application of grants to capital financing from Receipts in Advance | (102) | (88) |
| - Statutory provision for the financing of capital investment charged against the General Fund and and HRA balances | (1,058) | (820) |
| - Use of Major Repairs Reserve to finance new capital expenditure | (1,939) | (1,798) |
| - Use of Major Repairs Reserve to finance repayment of debt | (10,286) | - |
| - Capital expenditure charged against the General Fund and HRA balances | (7,864) | (5,919) |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | (289) | 1,106 |
| Balance at 31 March | (204,161) | (189,555) |

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.

| Financial Instruments Adjustment Account | 2021/22 | 2020/21 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Balance at 1 April | 682 | 703 |
| 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) |
| Balance at 31 March | 661 | 682 |

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.

| Pensions Reserve | 2021/22 | 2020/21 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Balance at 1 April | 84,267 | 52,899 |
| Remeasurements of the net defined benefit liability / (asset) | (45,552) | 31,529 |
| 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 | 15,593 | 9,039 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (8,374) | (9,200) |
| Balance at 31 March | 45,934 | 84,267 |

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.

| Collection Fund Adjustment Account | 2021/22 | 2020/21 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Balance at 1 April | 13,779 | (6,499) |
| 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. | (9,759) | 20,277 |
| Balance at 31 March | 4,020 | 13,778 |

25. Members Allowances

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

| | 2021/22 | 2020/21 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Basic, Attendance and Special Responsibility Allowances | 621 | 621 |
| Subsistence and Expenses | 12 | 2 |
| Total | 633 | 623 |

26. External Audit costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors. The credits of -£34k and -£9k in the table below are due to over estimated accruals in previous years.

| | 2021/22 | 2020/21 |
|--|------------|------------|
| | £'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 | 100 | 70 |
| Additional fees payable to the Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the previous year | (34) | 24 |
| Fees payable to the Ernst and Young LLP for the certification of grant claims and returns for the year | 31 | 41 |
| Additional fees payable to the Ernst and Young LLP for the certification of grant claims and returns for the previous year | 31 | (9) |
| Total | 129 | 125 |

27. Related Parties

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

Central Government: Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties (e.g. council tax bills, business rates and housing benefits). Grants received from Government departments and grants receipts outstanding at 31 March 2022 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 £1.726m (2020/21 £1.845m) with a year-end debtor of £0.367m (2020/21 £0.206m).

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 2021/22 totalling £1.187m (2020/21 £0.715m) with a year-end creditor of £0.119m (2020/21 £0.000m) to other organisations in which Members had an interest. The Council also received income from other organisations totalling £0.054m (2020/21 £0.038m) with a year-end debtor of £0.003m (2020/21 £0.000m) 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 £0.261m (2020/21 £0.252m) 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.

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

East Suffolk Services Limited: East Suffolk Holdings Limited is wholly owned by the Council and was incorporated on 25 March 2022. Three Council employees, Stephen Baker (Chief Executive), Andrew Jarvis (Strategic Director) and Nicholas Khan (Strategic Director) are named as Directors of East Suffolk Services Limited.

28. Officer's remuneration and exit packages

The remuneration paid to senior employees is set out in the table below. No bonuses were paid in 2021/22. 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 | 2021/22 | 157,457 | 963 | 158,420 | 51,454 | 209,873 |
| | 2020/21 | 153,615 | 963 | 154,578 | 52,229 | 206,807 |
| Strategic Director | 2021/22 | 106,598 | - | 106,598 | 34,831 | 141,429 |
| | 2020/21 | 105,022 | - | 105,022 | 35,707 | 140,729 |
| Strategic Director | 2021/22 | 106,598 | - | 106,598 | 34,831 | 141,429 |
| | 2020/21 | 105,022 | - | 105,022 | 35,707 | 140,729 |
| Chief Finance Officer & S151 Officer | 2021/22 | 86,078 | - | 86,078 | 28,126 | 114,204 |
| | 2020/21 | 79,129 | - | 79,129 | 16,820 | 95,949 |
| Head of Communities | 2021/22 | 76,207 | - | 76,207 | 24,900 | 101,107 |
| | 2020/21 | 75,080 | - | 75,080 | 25,527 | 100,607 |
| Head of Customer Experience | 2021/22 | 73,385 | - | 73,385 | 23,978 | 97,363 |
| | 2020/21 | 71,090 | - | 71,090 | 23,636 | 94,726 |
| Head of Economic Development & Regeneration | 2021/22 | 76,207 | - | 76,207 | 24,900 | 101,107 |
| | 2020/21 | 75,080 | - | 75,080 | 25,527 | 100,607 |
| Head of Environmental Services & Port Health* | 2021/22 | 3,553 | - | 3,553 | 892 | 4,445 |
| | 2020/21 | 88,503 | - | 88,503 | 30,091 | 118,594 |
| Head of Environmental Services & Port Health | 2021/22 | 18,837 | - | 18,837 | 6,216 | 25,054 |
| Head of Housing | 2021/22 | 40,393 | - | 40,393 | 13,261 | 53,654 |
| Head of Digital & Programme Management | 2021/22 | 70,731 | - | 70,731 | 23,038 | 93,769 |
| | 2020/21 | 68,856 | - | 68,856 | 20,272 | 89,128 |
| Head of Internal Audit | 2021/22 | 76,207 | - | 76,207 | 24,900 | 101,107 |
| | 2020/21 | 75,080 | - | 75,080 | 25,527 | 100,607 |
| Head of Legal & Democratic Services** | 2021/22 | 17,166 | - | 17,166 | 4,868 | 22,034 |
| | 2020/21 | 88,773 | - | 88,773 | 30,091 | 118,864 |
| Head of Legal & Democratic Services | 2021/22 | 60,274 | - | 60,274 | 19,613 | 79,887 |
| | 2020/21 | 88,773 | - | 88,773 | 30,091 | 118,864 |
| Head of Operations | 2021/22 | 81,433 | - | 81,433 | 26,610 | 108,042 |
| | 2020/21 | 75,080 | - | 75,080 | 25,527 | 100,607 |
| Head of Planning & Coastal Management | 2021/22 | 89,831 | - | 89,831 | 29,352 | 119,183 |
| | 2020/21 | 88,503 | - | 88,503 | 30,091 | 118,594 |

* postholder - left Councils employment
** postholder - left Councils employment

Note 26 Officers Remuneration (Continued)

The table below shows employees remuneration by band over £50,000 in £5k increments. The numbers include officers who were made redundant voluntarily during the 2021/22 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 | 2021/22 | | 2020/21 | |
|---------------------|---------------------|--------------|---------------------|--------------|
| | Number of employees | | Number of employees | |
| | Total | Left in Year | Total | Left in Year |
| £50,000 - £54,999 | 6 | - | 11 | - |
| £55,000 - £59,999 | 8 | - | 3 | - |
| £60,000 - £64,999 | 1 | - | 1 | - |
| £65,000 - £69,999 | 2 | - | 4 | - |
| £70,000 - £74,999 | 4 | - | 3 | - |
| £75,000 - £79,999 | 4 | - | 5 | - |
| £80,000 - £84,999 | 1 | - | 1 | - |
| £85,000 - £89,999 | 2 | - | 3 | - |
| £105,000 - £109,999 | 2 | - | 2 | - |
| £150,000 - £154,999 | - | - | 1 | - |
| £155,000 - £159,999 | 1 | - | - | - |
| | 31 | - | 34 | - |

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 | |
|--|---|----------|--------------------------------------|----------|--|----------|--|---------------|
| | 2021/22 | 2020/21 | 2021/22 | 2020/21 | 2021/22 | 2020/21 | 2021/22 | 2020/21 |
| | £ | | | | | | £ | |
| 0 to 20,000 | 3 | 2 | 7 | - | 10 | - | 45,204 | 36,352 |
| 20,001 to 40,000 | 1 | - | - | 1 | 1 | - | 21,079 | 21,715 |
| 40,001 to 60,000 | - | - | 1 | - | 1 | - | 46,167 | - |
| 60,001 to 80,000 | 1 | - | - | - | 1 | - | 70,961 | - |
| 80,001 to 100,000 | - | - | 1 | - | 1 | - | 88,272 | - |
| Total | 5 | 2 | 9 | 1 | 14 | - | 271,684 | 58,067 |

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

29. Capital expenditure and capital financing

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

| | 2021/22 | 2020/21 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Opening Capital Financing Requirement | 124,261 | 114,737 |
| <i>Capital investment</i> | | |
| Property, Plant and Equipment* | 19,791 | 16,737 |
| Investment Properties* | - | 3,206 |
| Intangible Assets | 580 | 72 |
| Heritage Assets | 499 | - |
| Payment in advance | - | 4,147 |
| Revenue Expenditure Funded from Capital under Statute | 6,665 | 4,666 |
| Property, Plant and Equipment written out to Revenue | (1) | (14) |
| Total Capital Investment | 27,534 | 28,814 |
| <i>Sources of finance</i> | | |
| Capital receipts | 1,009 | 1,180 |
| Government grants and other contributions | 6,316 | 8,638 |
| Sums set aside from revenue: | | |
| Direct revenue contributions | 7,864 | 5,919 |
| Minimum Revenue Provision | 1,058 | 820 |
| Release of Payment in Advance | 3,411 | 935 |
| Major Repairs Reserve | 12,225 | 1,798 |
| Closing Capital Financing Requirement | 119,912 | 124,261 |
| <i>Explanation of movements in year</i> | | |
| Increase in underlying need to borrowing (unsupported by government financial | (4,349) | 9,524 |
| Increase/(decrease) in Capital Financing Requirement | (4,349) | 9,524 |

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

30. Leases

Disclosures as Lessee

Finance Leases

No assets under finance leases were acquired by the Council in the year. Assets acquired under finance leases prior to 1st April 2020 are carried as property, plant and equipment in the Balance Sheet at the net amount of £11.650m. 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:

| | 2021/22 | | 2020/21 | |
|--|------------------------|--------------|---------------------------|--------------|
| | £'000 | | £'000 | |
| Finance lease liabilities (net present value of minimum lease payments): | | | | |
| - current | | 322 | | 300 |
| - non current | | 5,457 | | 5,779 |
| Finance costs payable in future years | | 2,988 | | 3,419 |
| Minimum lease payments | | 8,767 | | 9,498 |
| The minimum lease payments will be payable over the following periods: | | | | |
| | Minimum Lease Payments | | Finance Lease Liabilities | |
| | 2021/22 | 2020/21 | 2021/22 | 2020/21 |
| | £'000 | £'000 | £'000 | £'000 |
| Not later than one year | 731 | 731 | 322 | 300 |
| Later than one year and not later than five years | 2,922 | 2,922 | 1,530 | 1,429 |
| Later than five years | 5,114 | 5,845 | 3,927 | 4,350 |
| | 8,767 | 9,498 | 5,779 | 6,079 |

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 2021/22. 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 | |
|---|--------------------------|------------|
| | 2021/22 | 2020/21 |
| | £'000 | £'000 |
| Not later than one year | 165 | 94 |
| Later than one year and not later than five years | 198 | 225 |
| Later than five years | 84 | 321 |
| | 447 | 640 |

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:

| | 2021/22 | 2020/21 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Not later than one year | 1,843 | 1,618 |
| Later than one year and not later than five years | 4,503 | 4,993 |
| Later than five years | 27,549 | 28,819 |
| | 33,895 | 35,430 |

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 2021/22. All assets provided under operating lease assets by the Council are shown within the movements included within Property, Plant and Equipment (Note 14).

31. Pensions

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

The 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 £45.934m in 2021/22. 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 2022/23 is 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 | |
|--|---------------------------------|----------|
| | 2021/22 | 2020/21 |
| | £'000 | £'000 |
| Comprehensive Income and Expenditure Statement | | |
| <i>Cost of Services:</i> | | |
| - Current service cost | 13,749 | 7,831 |
| - Past Service cost | 105 | 8 |
| <i>Financing and investment income and expenditure:</i> | | |
| - Net interest expense | 1,739 | 1,200 |
| <i>Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i> | 15,593 | 9,039 |
| <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) | (20,429) | (39,722) |
| - Actuarial gains and losses arising on changes in demographic assumptions | (2,046) | 4,111 |
| - Actuarial gains and losses arising on changes in financial assumptions | (23,788) | 70,232 |
| - Other | 711 | (3,119) |
| <i>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i> | (45,552) | 31,502 |
| <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 | (15,593) | (9,039) |
| <i>Actual amount charged against the General Fund Balance for pensions in the year:</i> | | |
| - Employers' contributions payable to scheme | 8,374 | 9,173 |

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 | |
|--|------------------------------------|------------------|
| | 2021/22 £'000 | 2020/21 £'000 |
| Present value of the defined benefit obligation | (339,994) | (351,891) |
| Fair value of plan assets | 294,060 | 267,624 |
| Net liability arising from defined benefit obligation | (45,934) | (84,267) |

Note 29 Pensions (Continued)

| | Local Government Pension Scheme | |
|--|--|----------------|
| | 2021/22 | 2020/21 |
| | £'000 | £'000 |
| Reconciliation of the movements in the fair value of the scheme (plan) assets: | | |
| Opening fair value of scheme assets | 267,624 | 221,326 |
| Interest Income | 5,355 | 5,104 |
| Effect of Settlements | | |
| Remeasurement gain / (loss): | | |
| - The return on plan assets, excluding the amount included in net interest expense | 20,429 | 39,722 |
| - Other | | |
| Contributions from employer | 8,374 | 9,173 |
| Contributions by employees into the scheme | 1,659 | 1,436 |
| Benefits paid | (9,381) | (9,137) |
| Closing fair value of scheme assets | 294,060 | 267,624 |
| Reconciliation of present value of the scheme liabilities (defined benefit obligation): | | |
| | Local Government Pension Scheme | |
| | 2021/22 | 2020/21 |
| | £'000 | £'000 |
| Opening balance 1 April | 351,891 | 274,225 |
| Current service cost | 13,749 | 7,831 |
| Interest cost | 7,094 | 6,304 |
| Contributions from scheme participants | 1,659 | 1,436 |
| Remeasurement (gains) and losses: | | |
| - Actuarial gains / losses arising from changes in demographic assumptions | (2,046) | 4,111 |
| - Actuarial gains / losses arising from changes in financial assumptions | (23,788) | 70,232 |
| - Other | 711 | (3,119) |
| Past service costs | 105 | 8 |
| Benefits paid | (9,381) | (9,137) |
| Closing balance at 31 March | 339,994 | 351,891 |

| | Local Government Pension Scheme | |
|--|--|----------------|
| | 2021/22 | 2020/21 |
| | £'000 | £'000 |
| Reconciliation of the movements in the fair value of the scheme (plan) assets: | | |
| Opening fair value of scheme assets | 267,624 | 221,326 |
| Interest Income | 5,355 | 5,104 |
| Effect of Settlements | | |
| Remeasurement gain / (loss): | | |
| - The return on plan assets, excluding the amount included in net interest expense | 20,429 | 39,722 |
| - Other | | |
| Contributions from employer | 8,374 | 9,173 |
| Contributions by employees into the scheme | 1,659 | 1,436 |
| Benefits paid | (9,381) | (9,137) |
| Closing fair value of scheme assets | 294,060 | 267,624 |
| Reconciliation of present value of the scheme liabilities (defined benefit obligation): | | |
| | Local Government Pension Scheme | |
| | 2021/22 | 2020/21 |
| | £'000 | £'000 |
| Opening balance 1 April | 351,891 | 274,225 |
| Current service cost | 13,749 | 7,831 |
| Interest cost | 7,094 | 6,304 |
| Contributions from scheme participants | 1,659 | 1,436 |
| Remeasurement (gains) and losses: | | |
| - Actuarial gains / losses arising from changes in demographic assumptions | (2,046) | 4,111 |
| - Actuarial gains / losses arising from changes in financial assumptions | (23,788) | 70,232 |
| - Other | 711 | (3,119) |
| Past service costs | 105 | 8 |
| Benefits paid | (9,381) | (9,137) |
| Closing balance at 31 March | 339,994 | 351,891 |

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 | |
|---|------------------------------------|---------|
| | 2021/22 | 2020/21 |
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners: | | |
| - Men | 21.9 | 22.1 |
| - Women | 24.3 | 24.5 |
| Longevity at 65 for future pensioners: | | |
| - Men | 22.9 | 23.2 |
| - Women | 26.1 | 26.4 |
| Rate of inflation | 3.20% | 2.85% |
| Rate of increase in salaries | 3.90% | 3.55% |
| Rate of increase in pensions | 3.20% | 2.85% |
| Rate for discounting scheme liabilities | 2.70% | 2.00% |

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.

Sensitivity Analysis

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

| Change in assumptions at 31 March 2022 | Approx. increase in Employers Liability | Approx. amount £'000 |
|---|--|-------------------------------------|
| 0.1% decrease in Real Discount Rate | 2% | 6,493 |
| 1 year increase in member life expectancy | 4% | 13,600 |
| 0.1% increase in the Salary Increase Rate | 0% | 593 |
| 0.1% increase in the Pension Increase Rate | 2% | 5,850 |

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 £7.970m in contributions to the scheme in 2022/23.

32. Contingent Assets & Liabilities

As at 31 March 2022, the Council had one contingent asset:

- In June 2022, the Valuation Office added a large distribution assessment to the Non-Domestic Rating list with a completion date of 27th August 2021. Potentially this means increased rates income to the Council, however, at present there is a proposed S44a relief claim outstanding stating that some of the property is unoccupied. This has meant that presently the income relating to 2021/22 cannot be quantified. It is hoped this amount will be known in time for the final NNDR3.

33. Interests in companies and other entities

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

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

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

Waveney Norse Limited and Suffolk Coastal Norse Limited

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

Group Accounts have been prepared as East Suffolk Council has the 'power' to participate in operating decisions and because transactions between both 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.

Note 31 Interests in Companies & other entities (Continued)

The Group Accounts are included in this document as additional columns to East Suffolk Council's Primary Statements, showing the extent of the Council's 19.9% interest in Waveney Norse Ltd and 20% interest in Suffolk Coastal Norse Ltd.

In addition to the Group Accounts, the following information has been disclosed to aid an understanding of the nature of the group relationship and the impact of the arrangements East Suffolk Council's Statement of Accounts.

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

| | 2021/22 | 2020/21 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Housing Operations and Landlord Services | 705 | 685 |
| Legal and Democratic Services | 10 | 9 |
| Operations | 7,466 | 7,448 |
| Planning and Coastal Management | 41 | 40 |
| | 8,222 | 8,183 |

Note 31 Interests in Companies & other entities (Continued)

j) Details of Waveney Norse Limited's draft annual financial results to 31 March 2022 are set out below;

| | 2021/22 Waveney Norse £000 | 2021/22 Council Investment (19.9%) £000 | 2020/21 Waveney Norse £000 | 2020/21 Council Investment (19.9%) £000 |
|---|-------------------------------------|---|-------------------------------------|---|
| Current Assets | | | | |
| Stock | 46 | 9 | 28 | 6 |
| Debtors | 435 | 96 | 3,195 | 636 |
| Cash at Bank | 4,439 | 883 | 657 | 131 |
| Gross Assets | 4,920 | 979 | 3,879 | 772 |
| Creditors falling due within one year | (2,091) | (416) | (1,367) | (272) |
| Net Assets / Shareholder's Funds | 2,829 | 563 | 2,512 | 500 |
| Turnover | 10,215 | 2,033 | 10,134 | 2,017 |
| Profit on ordinary activity before taxation | 331 | 66 | 302 | 60 |
| Tax on profit on ordinary activity | (80) | (16) | (61) | (12) |
| Profit for the Financial Period | 251 | 50 | 241 | 48 |
| <u>Tax components included in the above figures are as follows:</u> | | | | |
| | £000 | £000 | £000 | £000 |
| Debtors | | | | |
| - Deferred Tax asset | 47 | 9 | 35 | 7 |
| Creditors falling due within one year | | | | |
| - Corporation Tax | (78) | (16) | (69) | (14) |
| Tax on profit on ordinary activity | | | | |
| - Current Tax | (80) | (16) | (61) | (12) |
| | (80) | (16) | (61) | (12) |

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 £9.804m in 2021/22 and included in the Accounting Statements as follows:

| | 2021/22 | 2020/21 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Planning & Coastal Management | 13 | 13 |
| Legal & Democratic Services | 2 | 2 |
| Housing Operations & Landlord services | 1 | 1 |
| Operations | 9,788 | 9,777 |
| | 9,804 | 9,793 |

- l) Details of Suffolk Coastal Norse Limited’s draft annual financial results to 31 March 2022 are set out below:

Note 31 Interests in Companies & other entities (Continued)

| | 2021/22 | 2021/22 | 2020/21 | 2020/21 |
|---|--------------|--------------|--------------|--------------|
| | Suffolk | Council | Suffolk | Council |
| | Coastal | Investment | Coastal | Investment |
| | Norse Ltd | (20%) | Norse Ltd | (20%) |
| | £'000 | £'000 | £'000 | £'000 |
| Current Assets | | | | |
| Stock | 75 | 15 | 58 | 12 |
| Debtors | 1,352 | 270 | 4,806 | 961 |
| Cash at Bank | 5,124 | 1,025 | 186 | 37 |
| | 6,551 | 1,310 | 5,050 | 1,010 |
| Creditors falling due within one year | (2,180) | (436) | (1,616) | (323) |
| Provision for Deferred Taxation | 552 | 110 | 1,541 | 308 |
| Defined Benefit Pension Scheme Liability | (3,354) | (672) | (7,906) | (1,582) |
| Net Assets / Shareholder's funds | 1,568 | 312 | (2,931) | (587) |
| Share of Actuarial Gains/(Losses) | 2,547 | 509 | (2,786) | (557) |
| Turnover | 13,864 | 2,773 | 14,156 | 2,831 |
| Gain/ Loss on ordinary activity before taxation | (131) | (26) | 595 | 119 |
| Tax on profit on ordinary activity | 12 | 2 | (86) | (17) |
| Gain/ Loss for the Financial Period | (119) | (24) | 510 | 102 |
| <u>Tax components included in the above figures are as follows:</u> | | | | |
| Debtors | | | | |
| - Deferred Tax asset | 552 | 110 | 1,541 | 308 |
| Creditors falling due within one year | | | | |
| - Corporation Tax | 105 | 21 | 98 | 20 |
| Tax on profit on ordinary activity | | | | |
| - Current Tax | 117 | 23 | 13 | 3 |
| - Deferred Tax | (105) | (21) | (98) | (20) |
| | 12 | 2 | (86) | (17) |

Note 31 Interests in Companies & other entities (Continued)

East Suffolk Services Limited

East Suffolk Services Limited is wholly owned by the Council and was incorporated on 25 March 2022. Three Council employees, Stephen Baker (Chief Executive), Andrew Jarvis (Strategic Director) and Nicholas Khan (Strategic Director) are named as Directors of East Suffolk Services Limited. The company is intended to take over the operations of the East Suffolk Norse Joint Venture in July 2023.

34. Long term investments

As at 31 March 2022, East Suffolk Council had long term investment balances of £40.78m of which £20.21m was held with other local authorities and £20.57m was held in a mix of Property Funds and Diversified Income Funds and £3k in Anglia Revenues Partnership (ARP). The Council has invested in these funds for the long term and therefore expect any downturn in fund values due to Covid19 will be mitigated over time.

| | 2021/22 £'000 | 2020/21 £'000 |
|-----------------------------|------------------|------------------|
| Local Authority Investments | 20,215 | 15,075 |
| ARP Investment | 3 | 3 |
| Property Fund | 10,819 | 9,203 |
| Diversified Income Fund | 9,745 | 9,750 |
| | 40,782 | 34,031 |

During 2021/22 the Council has received dividends on the investments and the principal invested in the Property Fund has appreciated in value, by £1.62m and the diversified income fund had depreciated by £5k resulting in a net adjustment of £1.61m. 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 increasing to £10.82m for the Property Fund and £9.75m for the Diversified Income Fund.

35. Prior period adjustments

There are no prior period adjustments to report in 2021/22.

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 | 2021/22 | 2020/21 |
|---|----------|-----------------|-----------------|
| | | £'000 | £'000 |
| Income | | | |
| Gross rental income: | | | |
| - Dwelling rents | | (18,577) | (19,284) |
| - Non-dwelling rents | | (171) | (183) |
| Charges for services and facilities | | (817) | (1,243) |
| Lease holders charges for services and facilities | | (12) | (14) |
| Contributions towards expenditure | | (97) | (48) |
| Reimbursement of costs | | (273) | (341) |
| Total income | | (19,947) | (21,113) |

Housing Revenue Account Income & Expenditure Statement (Continued)

| | HRA Note | 2021/22 | 2020/21 |
|--|----------|----------------|----------------|
| | | £'000 | £'000 |
| Expenditure | | | |
| Repairs, maintenance and management: | | | |
| - Repairs and maintenance | | 5,209 | 4,966 |
| - Supervision and management | | 4,114 | 3,059 |
| - Special Services | | 2,024 | 1,990 |
| - Redundancy and associated pension costs | | - | 15 |
| Rents, rates and other charges | | 162 | 146 |
| Movement in the allowance for bad debts | | 22 | 189 |
| Depreciation of HRA non-current assets: | | | |
| - Dwellings | 8 | 3,377 | 3,267 |
| - Other assets | 8 | 158 | 173 |
| Revaluation & impairment of HRA non-current assets | | (2,139) | (1,583) |
| Debt management costs | 4 | 23 | 22 |
| Total expenditure | | 12,950 | 12,244 |
| Net expenditure or (income) of HRA services as included in the whole authority CIES | | (6,997) | (8,869) |
| - HRA share of Corporate and Democratic Core | | 78 | 98 |
| Net expenditure or (income) of HRA services | | (6,919) | (8,771) |
| HRA share of the operating income and expenditure included in the whole authority CIES: | | | |
| - (Gain) or loss on sale of HRA non-current assets | | (227) | (467) |
| - Interest payable and similar charges | 4 | 2,166 | 2,180 |
| - HRA interest and similar income | 4 | (239) | (201) |
| - HRA Capital Grants & Contributions | | (4) | (653) |
| (Surplus) or deficit for the year on HRA services | | (5,223) | (7,912) |

36. 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.

| | | 2021/22 | 2020/21 |
|---|----------------|----------------|----------------|
| | | £'000 | £'000 |
| Movement on the HRA Statement | | | |
| HRA balance brought forward | | (6,020) | (5,233) |
| (Surplus) or deficit for the year on the HRA Income and Expenditure Statement | (5,223) | (7,912) | |
| Adjustments between accounting basis and funding basis under statute (Note 9 to the Core Statements) | 2,309 | 3,825 | |
| Net (increase) or decrease before transfers to or from reserves | (2,914) | (4,087) | |
| Transfers (from) or to HRA Earmarked Reserves (Note 10 to the Core Statements) | 501 | 3,300 | |
| (Increase) or decrease in year on the HRA | | (2,413) | (787) |
| Balance on the HRA at the end of the year | | (8,433) | (6,020) |

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. 2021/22 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.

| | 2021/22 | 2020/21 |
|--|---------|---------|
| Average dwelling rent per week (£) | 83.96 | 83.26 |
| Arrears at 31 March (£'000) | 1,170 | 1,162 |
| Arrears at 31 March as % of the gross income collectable | 5.8% | 5.8% |
| Provision for bad debts at 31 March (£'000) | 872 | 850 |

2. Major Repairs Reserve (MRR)

| | 2021/22 | 2020/21 |
|---|---------------|---------------|
| | £'000 | £'000 |
| The movement on the Major Repairs Reserve (MRR) for the financial year is analysed below: | | |
| MRR opening balance | 22,444 | 20,802 |
| Amounts transferred to/(from) the MRR during the year | 3,535 | 3,440 |
| Debits to the MRR during the year in respect of HRA capital expenditure | (12,225) | (1,798) |
| MRR closing balance | 13,754 | 22,444 |

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

| | 2021/22 | 2020/21 |
|---|---------|---------|
| Capital receipts from sales of council houses (Right to Buys) can be summarised as follows: | | |
| - Number of disposals under Right to Buy | 28 | 11 |
| - Value of disposals under Right to Buy (£'000) | 2,450 | 750 |
| Value of capital receipts from the disposal of other HRA land, houses and property | 85 | 930 |

4. Capital Related Charges

| | 2021/22 | 2020/21 |
|---|---------|---------|
| | £'000 | £'000 |
| Depreciation charge | 3,535 | 3,440 |
| Debt management expenses | 23 | 22 |
| Interest payable | 2,156 | 2,169 |
| Premium charges for early repayment of debt | 10 | 10 |
| Transfer to Capital Financing Account via MRR | 1,939 | 1,799 |
| Interest income on notional cash balances | (239) | (201) |

5. Housing Stock

| | 2021/22 | 2020/21 |
|--|--------------|--------------|
| The stock of dwellings has changed as follows: | | |
| Opening stock of dwellings | 4,459 | 4,460 |
| Add: new build/purchases/additions | 20 | 13 |
| Less: sales | (28) | (14) |
| Less: properties lost to conversion, disposal and deletion | | |
| Closing stock of dwellings | 4,451 | 4,459 |
| Analysis of closing stock numbers: | | |
| Houses | 1,998 | 2,013 |
| Bungalows | 1,192 | 1,188 |
| Flats | 1,261 | 1,258 |
| | 4,451 | 4,459 |

6. Capital Expenditure

| | 2021/22 | 2020/21 |
|---------------------------|--------------|--------------|
| | £'000 | £'000 |
| Dwellings | 1,923 | 1,789 |
| Dwelling acquisitions | 1,552 | 1,360 |
| Other Land and Buildings | 16 | 191 |
| Vehicles | 111 | - |
| Assets Under Construction | 295 | 811 |
| | 3,897 | 4,151 |
| Financed by: | | |
| Usable capital receipts | 896 | 986 |
| Revenue contributions | 853 | 1,159 |
| Grants and contributions | 209 | 207 |
| Major Repairs Reserve | 1,939 | 1,799 |
| | 3,897 | 4,151 |

7. Non-Current Assets

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

| | 2021/22 | 2020/21 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Council dwellings | 235,224 | 222,560 |
| Other land and buildings | 519 | 1,715 |
| Vehicles, plant, furniture and equipment | 1,490 | 205 |
| Assets under construction | 526 | 1,904 |
| Land Awaiting Development | 3,174 | 3,097 |
| Assets held for sale | 4 | 4 |
| Total Balance Sheet value of HRA non-current assets (PPE) | 240,937 | 229,485 |
| Intangibles | 6 | 13 |
| Total Balance Sheet value of HRA non-current assets | 240,943 | 229,498 |
| Dwellings - Vacant Possession Value | 618,262 | 585,685 |

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:

| | 2021/22 | 2020/21 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Council dwellings | 3,377 | 3,258 |
| Other land and buildings | 75 | 73 |
| Vehicles, plant, furniture and equipment | 76 | 83 |
| Total charge for depreciation within the HRA (PPE) | 3,528 | 3,414 |
| Intangibles | 7 | 17 |
| Total charge for depreciation within the HRA | 3,535 | 3,431 |

9. Revaluation and Impairment Charges

The 2021/22 financial results include £2.139m for Revaluation Gains against HRA Assets charged to the Comprehensive Income and Expenditure Statement.

Collection Fund Income & Expenditure Statement

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

| | Notes | 2021/22 | | 2020/21 | |
|---|-------|-------------------------|----------------------|-------------------------|----------------------|
| | | Business rates £'000 | Council tax £'000 | Business rates £'000 | Council tax £'000 |
| Income | | | | | |
| Income from council tax | 1 | | (167,917) | | (157,992) |
| Transfer from General Fund - council tax benefits | 1 | | (3) | | (7) |
| Transfer from General Fund - S13A discretionary reliefs | | | (453) | | (1,522) |
| Transitional relief | | | | | |
| Income from business rates | 2 | (83,873) | | (66,276) | |
| Transitional protection payments | | (552) | | (679) | |
| | | (84,425) | (168,373) | (66,955) | (159,521) |
| Expenditure | | | | | |
| Precepts, demands and shares: | | | | | |
| - Central Government | | 44,297 | | 45,255 | |
| - Suffolk County Council | | 8,859 | 122,027 | 9,051 | 118,088 |
| - Police and Crime Commissioner for Suffolk | | | 20,760 | | 19,577 |
| - East Suffolk Council | | 37,033 | 21,356 | 37,825 | 21,434 |
| Transitional protection payments | | 3,465 | | 4,855 | |
| Charges to Collection Fund | | | | | |
| - Write offs of uncollectable amounts | | 100 | 703 | 655 | 402 |
| - Increase / (decrease) in bad debt provision | | (281) | 47 | 681 | 962 |
| - Increase / (decrease) in provision for appeals | | 1,888 | | 174 | |
| - Cost of collection allowance | | 462 | | 460 | |
| Apportionment of previous years surplus / (deficit) | | | | | |
| - Central Government | | (17,276) | | 1,846 | |
| - Suffolk County Council | | (3,455) | (587) | 1,430 | 2,940 |
| - Police and Crime Commissioner for Suffolk | | | (97) | | 484 |
| - East Suffolk Council | | (13,821) | (106) | 5,720 | 537 |
| | | 61,271 | 164,103 | 107,952 | 164,424 |
| (Surplus) / deficit for year | 3 | (23,154) | (4,270) | 40,997 | 4,903 |
| Balance brought forward - (surplus) / deficit | | 34,131 | 1,498 | (6,866) | (3,405) |
| Balance carry forward - (surplus) / deficit | | 10,977 | (2,772) | 34,131 | 1,498 |

Notes to the Collection Fund

1. Income from council tax

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

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

| | 2021/22 | 2020/21 |
|--|----------------|---------------|
| | £ | £ |
| The average Band D Council Tax set was: | 1,879.37 | 1,810.23 |
| The Council estimated its Tax Base for 2021/22 as follows: | Chargeable | Band D |
| Valuation Band | dwellings | Equivalents |
| A | 23,591 | 15,727 |
| B | 27,372 | 21,289 |
| C | 20,878 | 18,558 |
| D | 16,852 | 16,852 |
| E | 10,558 | 12,904 |
| F | 5,052 | 7,298 |
| G | 2,742 | 4,570 |
| H | 196 | 391 |
| | <u>107,240</u> | <u>97,589</u> |
| Less: local council tax reduction scheme | | (9,530) |
| Provision for bad and doubtful debts (1.0%) | | (1,103) |
| Add: Ministry of Defence properties | | 224 |
| Additional Properties | | 159 |
| Tax Base 2021/22 (Band D equivalents) | | <u>87,339</u> |

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 were compensated by Section 31 grant, and this resulted in significant reduction in the Business Rates income collected in 2020/21.

In 2021/22 the government implemented Expanded Retail Discount 2021/22 and Nursery Discount 2021/22 relief. On 25 March 2021, the government announced a new COVID-19 Additional Relief Fund (CARF). The fund is available to support those businesses affected by the pandemic but that are ineligible for existing support linked to business rates. Part of this relief was granted in 2021/22 with the remainder being granted in 2022/23. As in 2020/21, billing authorities will be compensated by Section 31 grant, and this has resulted in another significant reduction in the Business Rates income collected in 2021/22. The additional Section 31 grant due to East Suffolk is shown in note 21 under Business Rate Reliefs.

| | 2021/22 | 2020/21 |
|------------------------------------|---------|---------|
| The rateable value at 31 March was | £234.0m | £232.9m |
| The multiplier was | 51.2p | 51.2p |

3. Collection Fund Balances

| The Collection Fund in year (surplus) / deficit comprises the following: | | |
|--|----------|---------|
| | 2021/22 | 2020/21 |
| (Surplus) / Deficit relating to: | £'000 | £'000 |
| <u>Council Tax</u> | | |
| Suffolk County Council | (3,173) | 3,640 |
| Police and Crime Commissioner for Suffolk | (538) | 600 |
| East Suffolk Council | (559) | 663 |
| Total Council Tax | (4,270) | 4,903 |
| <u>Business Rates</u> | | |
| Central Government | (11,577) | 17,846 |
| Suffolk County Council | (2,316) | 4,630 |
| East Suffolk Council | (9,261) | 18,521 |
| Total Business Rates | (23,154) | 40,997 |

Glossary of Financial Terms

Accounting Period

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

Accounting Policies

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

Accruals

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

Business Rates (Non-Domestic Rates)

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

Capital Adjustment Account

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

Capital Expenditure

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

Capital Receipts

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

Capital Receipts Reserve

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

CIPFA (Chartered Institute of Public Finance and Accounting)

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

which defines proper accounting practice for local authorities.

Collection Fund

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

Contingent Liabilities

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

Contingent Assets

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

Corporate and Democratic Core

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

Council Tax

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

Council Tax Base

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

Council Tax Benefit

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

Creditors (Payables)

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

Debt

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

Debtors (Receivables)

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

Deferred Capital Receipts

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

Depreciation

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

Direct Revenue Financing

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

Earmarked Reserves

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

General Fund

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

Government Grants

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

Heritage Assets

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

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

Housing Benefit

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

Housing Revenue Account (HRA)

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

Impairment

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

Infrastructure Assets

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

International Financial Reporting Standards

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

Leasing or Leases

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

Levies

Payments made to Internal Drainage Boards.

Minimum Revenue Provision

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

Net Book Value

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

Non-Current Assets

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

Net Realisable Value

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

Operational assets

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

Out-turn

Actual income and expenditure for the financial year.

Post Balance Sheet Events

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

Precept

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

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

Property, Plant and Equipment

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

Provisions

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

Public Works Loan Board

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

Rateable Value

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

Reserves

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

Revaluation Reserve

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

Revenue Expenditure

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

Revenue Expenditure Funded from Capital under Statute (REFCuS)

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

Revenue Support Grant

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

Section 151 Officer

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

Self-Financing for the HRA

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

The Code

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

Trading Accounts

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

Usable Capital Receipts

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

UK GAAP

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

Valuation Loss

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

Value Added Tax (VAT)

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



AUDIT & GOVERNANCE COMMITTEE

Monday, 25 July 2022

| | |
|---------------------------|--|
| Subject | Draft Annual Governance Statement 2021/22 |
| Report by | Councillor Maurice Cook Cabinet Member with responsibility for Resources Councillor Edward Back Assistant Cabinet Member for Resources |
| Supporting Officer | Brian Mew Chief Finance Officer and Section 151 Officer Brian.mew@eastsoffolk.gov.uk (01394) 444571 |

| | |
|-------------------------------|------|
| Is the report Open or Exempt? | OPEN |
|-------------------------------|------|

| | |
|---|----------------|
| Category of Exempt Information and reason why it is NOT in the public interest to disclose the exempt information. | Not applicable |
| Wards Affected: | All Wards |

Purpose and high-level overview

Purpose of Report:

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

The purpose of this report is for the Committee to review and approve the draft Annual Governance Statement for 2021/22, alongside the draft Statement of Accounts for 2021/22.

The draft Annual Governance Statement is subject to external audit review and could therefore change. Any changes will be presented to the Committee with the audited Statement of Accounts for 2021/22, currently scheduled for the March 2023 meeting.

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 having reviewed the draft Annual Governance Statement for 2021/22 (1 April 2021 to 31 March 2022) the Committee approve the Statement prior to final sign-off with the audited Statement of Accounts.

Corporate Impact Assessment

Governance:

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

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

ESC policies and strategies that directly apply to the proposal:

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

Environmental:

No impact.

Equalities and Diversity:

No impact.

Financial:

| |
|--|
| No direct financial impact. |
| Human Resources: No impact. |
| ICT: No impact. |
| Legal: No impact. |
| Risk: 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. |

| | |
|-----------------------------|-------|
| External Consultees: | None. |
|-----------------------------|-------|

Strategic Plan Priorities

| Select the priorities of the Strategic Plan which are supported by this proposal: <i>(Select only one primary and as many secondary as appropriate)</i> | | Primary priority | Secondary priorities |
|--|--|--------------------------|--------------------------|
| T01 | Growing our Economy | | |
| 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"/> |
| T02 | Enabling our Communities | | |
| 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"/> |
| T03 | Maintaining Financial Sustainability | | |
| 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"/> |
| T04 | Delivering Digital Transformation | | |
| 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"/> |

| | | | |
|--|---|-------------------------------------|--------------------------|
| T05 | Caring for our Environment | | |
| 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 | Governance | | |
| XXX | How ESC governs itself as an authority | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| How does this proposal support the priorities selected? | | | |
| <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 2021 to 31 March 2022 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 & Governance Committee.</p> |
| 2 Current position | |
| 2.1 | <p>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.</p> |
| 2.2 | <p>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 2021/22 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. The Council's definition of Reasonable Assurance: <i>Some specific control weaknesses were noted and some improvement is needed; evaluated controls are generally adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.</i></p> |

| | |
|-----|---|
| 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 2021/22 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 | Appended to this report is the draft AGS for 2021/22 to allow Members the opportunity to review and provide feedback prior to its finalisation. The final version will be reported to the Audit & Governance Committee with the audited Statement of Accounts, currently scheduled for the March 2023 meeting. |

3 How to address current situation

| | |
|-----|--|
| 3.1 | The areas to address in the AGS (1 April 2021 to 31 March 2022) within the Statement have been informed by: <ul style="list-style-type: none"> the outcomes of internal and external review bodies that report on the Council's effective governance performance during the year; Corporate Management Team review and assurance (Corporate Governance arrangements); the AGS Steering Group assessment and progress monitoring; and changes in Government policy that impact across a wide range of Council's activities. |
| 3.2 | The AGS includes 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:

| | |
|-------------------|---|
| Appendix A | East Suffolk Council Annual Governance Statement 2021/22 (1 April 2021 to 31 March 2022). |
|-------------------|---|

Background reference papers:

None



**Annual
Governance
Statement**

2021/22

Draft

CONTENTS

| | Page no. |
|---|-----------------|
| 1. Scope of responsibilities | 2 |
| 2. The purpose of the governance framework | 2 |
| 3. The governance framework | 3 |
| 4. Review of effectiveness | 4 - 9 |
| 5. Significant governance issues, improvements and areas of good governance | 10 - 21 |
| 6. Assurance by Chief Executive and Leader of the Council | 22 |
| | |
| Appendix A The Council's Governance Assurance Framework | 23 |
| Appendix B Documents/Processes Supporting of the Code of Corporate Governance | 24 |

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 will be reviewed on 12 September 2022 by the Audit and Governance Committee and is due to be reported to Full Council in November 2022.

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.

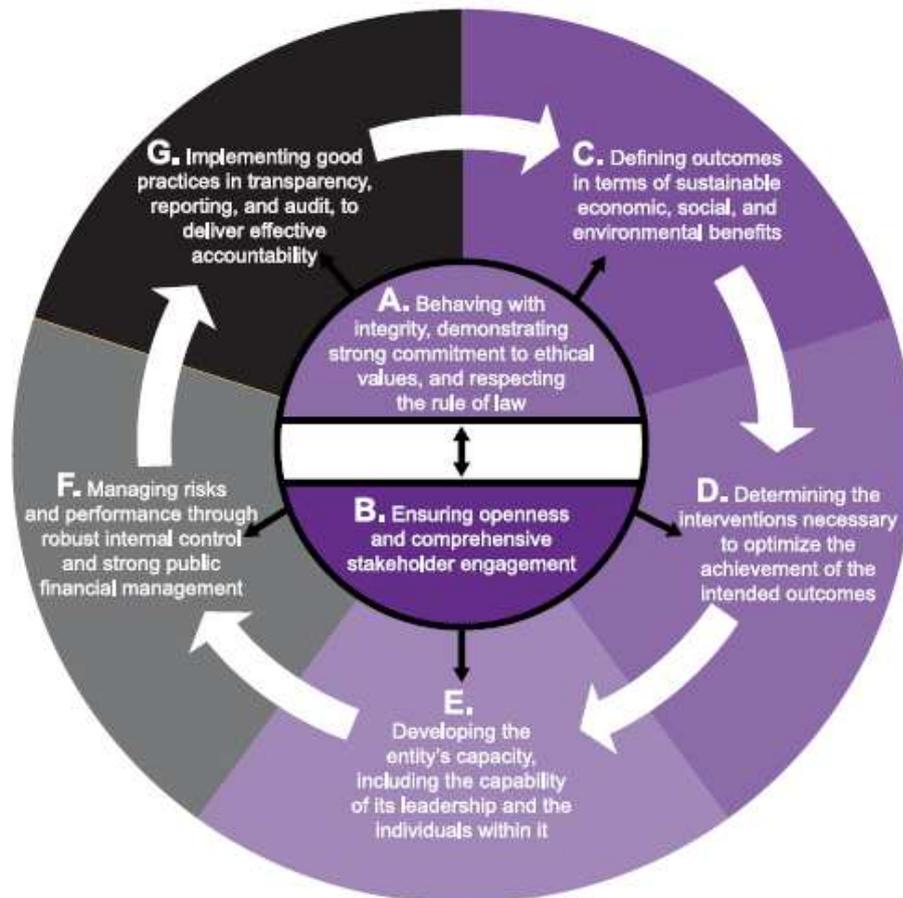
2.3 The system of internal control cannot eliminate all risk of failure so only provides reasonable and not absolute assurance of effectiveness.

2.4 The governance framework has been in place at the Council for the year ended 31st 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, Ernst & Young LLP (EY), independently audit the Council and provide an opinion on the truth and fairness of the financial statements, the Council's use of resources and provide an annual audit report. 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 2021/22 and will respond to any improvements suggested. No interim recommendations for 2020/21 or 2021/22 have been made to date by the External Auditor. The audit of accounts for 2020/21 is substantially complete, but has been delayed by the need to consider the correct accounting treatment and reporting of non-compliance with law and regulation regarding the Housing rents and compliance issues identified in the updated 2020/21 Annual Governance Statement. Delays to sign off of the accounts do cause additional expense, and mean that the accounts remain liable to further amendment in respect of significant events after the balance sheet date. The 2021/22 audit of accounts is not scheduled to commence until December 2022, which is after the statutory deadline for publication of audited accounts of 30 November 2022. Although there are no sanctions on either the authority or the external auditor for not complying with this deadline, late audits do mean a delay in the assurance that can be placed on them, and further potential expense and amendment as referred to above. There is also the risk of cumulative backlogs impacting on future years. For 2022/23, the Council's Statement of Accounts will need to be published by 31 May 2023, with a deadline for publication of the audited accounts of 30 September 2023.

Ethical Standards

- 4.3 The Council has undertaken a self-assessment against the Equality Framework for Local Government (EFLG) and used this to identify fourteen key actions to progress during 2022/23. These actions should address areas where we have less evidence of impact. These include a review of our equality objectives and embedding these in our Strategic Plan and service plans, capturing evidence of community tensions in a more systematic way and increasing data collection, collation and analysis on the basis of protected characteristics. The Council's work around equality and diversity is now overseen by a Sub-Group of the Corporate Management Team and the Services for All Group, which will include representatives from all services.

Risk Management

- 4.4 The East Suffolk Risk and Opportunity Management Strategy sets out the framework, arrangements and responsibilities in respect of how risks relating to the delivery of key outcomes and priorities are identified and managed. The Strategy assists officers to apply sound risk management principles and practices across their areas of responsibility recognising employees, members and those who act on behalf of the council have a role to play in effective management of risk. The Strategy was developed further to provide comprehensive details on governance and management of risks which was approved at Audit and Governance Committee on 13 December 2021. Independent experts, Zurich Insurance, undertook a health-check of the Strategy which was very positive and resulted in minor amendments, providing further validation it was fit for purpose and meets good practice. Audit and Governance Committee has responsibility to provide independent assurance on the adequacy of the risk and internal control framework.
- 4.5 Risk Management covers all services and operations and is continuously monitored and managed across the Council by Corporate Governance Group (CGG) and as part of the governance arrangements for Strategic Plan Delivery Board and Strategic Theme Delivery Teams. The CGG

meets at least every quarter and reviews the corporate risk register. The Council's risk management activity is co-ordinated and led by CGG, chaired by the Chief Executive and supported by CMT members who have delegated responsibilities along with other senior officers.

- 4.6 As part of the Risk Management Training Programme Zurich Insurance facilitated an 'Horizon Scanning and Corporate Risk Challenge' session for CMT (and nominated senior officers) on 1 November 2021. The session clearly demonstrated that risks relevant to the Council, and identified within the global risk report, are captured within the Corporate Risk Register (e.g. cyber-attacks). Following the session a full review of corporate risks was undertaken to ensure root causes were clearly identified and any relevant changes were reported to CGG.

East Suffolk Strategic Plan

- 4.7 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.

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 as not 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. In addition, 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 108 potential personal data breaches, 54 were confirmed breaches. One data breach was reported to the Information Commissioners Office (ICO). The ICO is taking no further action and was satisfied with the immediate action taken by the Council.
- 4.18 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.
- 4.19 Freedom of Information Act (FOI) – 3646 FOI requests (including EIR request) were received by the Council in 2021/22 of which 98.36% were answered within 20 days. One case has been referred for Judicial Review, which found the ICO and the Council had applied the law appropriately. Seven requests required an internal review (two upheld, two partly upheld, two not upheld and one invalid internal review).
- 4.20 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.
- 4.21 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 2021-22.
- 4.22 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.

Project Management

- 4.23 The Project Management Framework is in place and can be adapted according to the scale of a particular project. To ensure the framework continues to meet needs of the organisation a review started on the project management framework which will further improve governance of projects. 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 governance structure is in place 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 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 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 Contract 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 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.

Corporate Governance Group

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

The group meet regularly to discuss management of:

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

Designated Officers Group

- 4.29 The Designated Officers Group consists of officers including those that hold statutory roles within the Council - the Head of Paid Service, Monitoring Officer, Section 151 Officer and Head of Internal Audit. The function of the group is to discuss governance matters of concern within the remit of the statutory officers, and the group meets on a quarterly basis.

Head of Internal Audit

- 4.30 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 2021/22 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. The Council's definition of Reasonable Assurance: *Some specific control weaknesses were noted and some improvement is needed; evaluated controls are generally adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.*

- 4.31 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 2021/22 and are reported within the Annual Governance Statement for this year under areas called Ongoing Governance Issues.
- 4.32 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.
- 4.33 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

- 4.34 The Financial Procedure Rules introduced for East Suffolk Council from 1st April 2019 were reviewed during 2021/22 as part of the implementation of the CIPFA Financial Management Code and a refresh of Financial Management. Audit and Governance Committee in March 2022 and Cabinet in April 2022 both reviewed an agreed proposed changes to the rules, and Revised Financial Procedure Rules were approved by Full Council on 25 May 2022.
- 4.35 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 now been deferred until 2023/24 at the earliest. The continuation of the current arrangements into 2022/23 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, and some of these measures and impacts continued into 2021/22. The most significant impacts on the Council's income streams of council tax and business rates were largely 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. The primary concerns regarding the Council's Budget and MTFS continue to be changes in the local government finance system, and, increasingly, inflationary pressures.
- 4.36 The MTFS report to Council in February 2022 indicates that future years beyond 2022/23 showed continuing budget shortfalls of core funding sources compared with budgeted expenditure. However, it is now looking increasingly that the reforms referred to above are likely to be further deferred to 2024/25. This position will be updated at high level summary level to Cabinet in July 2022 as part of reporting the outturn for 2021/22. Addressing this situation is the key objective of the Financial Sustainability theme of the Strategic Plan, highlighting the importance of continuing to identify savings and efficiencies, and implement key changes to service provision in order to be sustainable over the medium and long term.
- 4.37 As part of the implementation of the Financial Management Code and the approval of new Financial Procedure rules, the Council has strengthened the requirement for business cases to be produced and evaluated for all major initiatives, and has introduced a requirement for post-project review of capital schemes. Revised project appraisal and project management methodology will be rolled out across the authority.

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 (CMT), reporting directly to the Chief Executive and Leader on key strategic finance matters. The Council's financial management arrangements conform with the governance requirements of the CIPFA [Statement on the Role of the Chief Financial Officer in Local Government](#).

- 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.
- 4.41 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 was 2021/22, CIPFA has indicated that direction of travel will be important rather than full compliance.
- 4.42 A review of compliance was carried out and an action plan produced categorised by reference to the CIPFA financial management standards. These were reported to the Audit and Governance Committee in December 2021. As referred to above, revised Financial Procedure Rules have been produced and approved, and financial management and financial reporting in the Council has been refreshed. Financial management and governance training workshops facilitated by CIPFA are also being undertaken for SMT, CMT, and budget managers.

Monitoring Officer

- 4.43 The role of the Monitoring Officer is to ensure decisions made are legal and to promote high standards of conduct amongst members.
- 4.44 Local Government Association's Model Code of Conduct: The new Model Code of Conduct was adopted by Full Council on 23 March 2022, with effect from 1 May 2022. An external governance trainer (also commissioned by the LGA to produce training materials for Monitoring Officers) provided training sessions to members and Democratic Services Officers from ESC, West Suffolk Council and Babergh and Mid Suffolk Council on 1 June 2022. Further training sessions will be held on 13 June and 27 June 2022.
- 4.45 Local Government and Social Care Ombudsman: 30 complaints against ESC were made to the Local Government and Social Care Ombudsman in the period 1 April 2021 to 31 March 2022. Only 2 of the 30 complaints were upheld by the Ombudsman in their decisions of 14 May 2021 (Ref 20006994) and 18 May 2021 (Ref 20004636). The 2 complaints which were upheld concerned planning matters.

5. SIGNIFICANT GOVERNANCE ISSUES

- 5.1 In arriving at the areas to address during 2021/22, 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 regarding the below. The Council is committed to completing agreed actions.

| Ongoing Governance Issues | Progress/Improvement Plan | Status |
|---|--|---|
| <p>Contract Management/ Procurement</p> <p>The Council's strategic governance arrangements over contract management requires strengthening specifically around:</p> <p>a) Procurement Strategy</p> | <p>Head of Operations comment:</p> <p>A significant amount of work continued to be undertaken by the service area including:</p> <p>Procurement Strategy:</p> <ul style="list-style-type: none"> • Task Group set-up to look at how the council can maximise benefit of council procurement to people in East Suffolk. Group agreed a new policy for procurement for East Suffolk, which was considered by Cabinet in July 2021. • An external review of the procurement function was commissioned by the East of England LGA and was reported in July 2021. • Cabinet received and approved the results of the Task and Finish Group on Procurement in July 2021, which included an action plan and outcomes and revised procurement processes that support the new strategy. • The draft Procurement Strategy has been reviewed and received input from CMT. • In addition, ESC worked with EELGA to draft a procurement strategy that aligns with the Council's Strategic Plan. The draft Procurement Strategy is due to be reported to Cabinet in September 2022 along with an implementation plan. | <p>Near completion</p> <p>(Procurement Strategy to be reported to Cabinet in September 2022, this will then be completed)</p> |
| <p>b) Contract Register</p> | <p>Contract Register:</p> <ul style="list-style-type: none"> • Contracts register in place and regularly updated. • New Contract and Financial Procedure Rules implemented for ESC from 1st April 2020. • Review of major contracts took place, including work undertaken to review the contract for Norse, and work to re-procure a leisure contract for East Suffolk. This work has been completed. • A review of contract management has been delivered, which was carried out by EELGA. This made recommendations on changes required to improve the procurement process at ESC in line with Audit and Governance actions. | <p>Closed</p> |

Significant Governance Issue identified in 2019/20

5.3 A significant governance issue in 2019/20 was not reported in the AGS until 2020/21 and was revised in March 2022, details are below:

| AGS Action | Issues/Challenges Identified | Progress |
|---------------------------|---|--|
| Housing Regulation | Breach of the Rent Standard and the 'Home' Consumer Standard. | <ul style="list-style-type: none"> • ESC self-referred to Regulator of Social Housing (RSH) in February 2022. Prior to this, a comprehensive action plan was put in place and expertise sourced in terms of support a policy and process review. • In-depth review of the Housing Service was conducted in line with the Regulatory (Rent) and Consumer Standards. • Inquiry into the governance/decision making issues raised in respect of the Rent Standard issues. • Independent consultants appointed to undertake forensic audit of historic rent setting and approach to rent conversions and to assess whether there are/were any other areas of non-compliance against the rent standard. A Strategic Project Board, Members' Project Board and Operational Project Board are now in place along with a Housing Health and Safety Board. • Legal opinion sought on other service charges. • Compliance consultant employed to undertake a review and to oversee delivery of a detailed programme of corrective actions 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. • Meeting with RSH taking place on 1 July 2022, to discuss the action plan in place to resolve the issues. |

Other Governance Issues Identified in 2021/22

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 2021/22, issues under review with the intention to improve processes in 2022/23 were identified in the following areas:

| AGS Action | Issues/Challenges Identified | Progress |
|---------------------------------|-------------------------------|--|
| Corporate Peer Challenge | Report and action plan | <i>ESC commissioned the Local Government Association to undertake a Corporate Peer Challenge, below are the main areas of weakness/improvements identified:</i> |
| | Overall capacity | <ul style="list-style-type: none"> • The 'hothouse' approach used to create the Strategic Plan will be used with the new Administration in mid-2023 to refresh the Strategic Plan and fully consider it in the context of prioritisation, capacity, capability, governance and oversight. |

| AGS Action | Issues/Challenges Identified | Progress |
|---|--|--|
| Corporate Peer Challenge <i>(continued)</i> | Senior Capacity Gap | <ul style="list-style-type: none"> Proposal to create a third Director post agreed to focus on corporate issues. Outline business case drafted and discussed with senior Members. Report taken to Cabinet on 5th July 2022 requesting budget provision and, if approved, recruitment will follow immediately. SMT considered capacity, capability and oversight at a dedicated session in April 2022. A review of SMT will be linked to above followed by a review of CMT. |
| | Recruitment and Retention Plan | <ul style="list-style-type: none"> Draft Recruitment and Retention Plan considered by SMT in April 2022. Further work underway. |
| | Post Pandemic Working | <ul style="list-style-type: none"> Notice posted on SharePoint and disseminated to all Managers clarifying future working arrangements following relaxation of the Government's Plan B. Appropriate consultation with the Council's Health and Safety Officer. Staff briefing held to clarify position held in March 2022. Rolling summary of information for staff continuously updated on SharePoint and disseminated to all managers. Completed |
| | Compliance within the housing service | <i>See paragraph 5.3</i> |
| Review of rent and service charges | <p>Since 2016 the Council has charged inaccurate rents as a result of incorrectly applying additional charges which should have been included in the rent. In addition, it did not apply the 1% rent reduction to these additional rental charges in contravention of the Act.</p> | <ul style="list-style-type: none"> Following an initial audit, specialist consultants DTP have been engaged to undertake a forensic audit of rent and service charges from 2010 to date to accurately determine the position for all tenants. A new rent and service charge policy has been drafted and is awaiting review. As part of the Forensic Audit, inappropriate charges are being identified and refund amounts will be calculated. DTP are refining their processes and are looking to allocate additional resource to the audit in order to complete it as soon as is possible. |
| Fire Safety (in housing stock) | <p>The Regulatory Reform (Fire Safety) Order 2003 Notification of Fire Safety Deficiencies (NOD) issued by Suffolk Fire and Rescue Service (SFRS)</p> | <ul style="list-style-type: none"> Since August 2021 the Council has received four Notifications of Fire Safety Deficiencies (NOD) for St Peter's Court, Amy Court, Wesley House and Harry Chamberlin Court. The Council has six months to action these. Work on corrective actions at St Peter's Court is well in hand and further compartmentation and door surveys are starting first week of July at the other sites. A contractor has also been appointed to undertake any fire stopping and door adjustment/replacements. The backlog of Fire Risk Assessments has been addressed. Contractors are being engaged to undertake a prioritised list of corrective actions. |

| AGS Action | Issues/Challenges Identified | Progress |
|--|--|---|
| Emergency Planning | Maintaining effectiveness of the Council's contingency requirements with changes to the Activating Officer's role | <ul style="list-style-type: none"> • Additional members of CMT trained to respond to an emergency and increased vigilance in terms of cyber security. The new Head of Environmental Services and Port Health and Head of Housing have received training, there is now a total of seven HoS trained alongside SMT. • A hybrid solution is in place with Activation Officer on call but switching to a rota when on leave. • Chief Executive is chair of Suffolk Resilience Forum. |
| Governance issues identified in 2020/21 | | |
| Procurement review | Review procurement in line with Council's proposed new Procurement Strategy, and Government's green paper on post-Brexit procurement rules. | <ul style="list-style-type: none"> • An external review of the procurement function was undertaken by the East of England LGA and reported to Cabinet in July 2021. This made recommendations on changes able to implement ESC's Procurement Strategy due to be reported to Cabinet in September 2022. • The recommendations of the review will be carried forward into the new Strategy. |
| LATCO – Norse | The current Waste Joint Venture Agreement with Norse will not be continued after July 2023. The Council has set up a Teckle compliant LATCO which will deliver the contract going forward. | <ul style="list-style-type: none"> • Progress has been positive, with a Break Notice issued to end the existing JV. Negotiations are ongoing with Norse Commercial Services. • The LATCo, East Suffolk Services Ltd, was incorporated with Articles of Association in March 2022. • The Shareholder Agreement is in a final draft and will be signed off in July 2022. • A Managing Director has been appointed for East Suffolk Services and starts on 11 July 2022. • A full Programme Team is in place and the work plan was revised in June 2022. |
| Local Authority Trading Companies | Work continues on the business cases for four trading companies which was anticipated for 2020/21 but has slipped to 2022/23. | <ul style="list-style-type: none"> • Business cases were delayed by the pandemic and the subsequent effect on the financial markets. Priority was given to incorporating East Suffolk Services Limited, which is now live. However, the intention remains to bring forward these further companies but in the interim they remain 'Dormant' for tax and accounting purposes. • A Business Case will be taken to Cabinet in September 2022 for the East Suffolk Holdings Limited and East Suffolk Property Investments Limited, followed by the Business Case for East Suffolk Property Developments Limited in October. |
| Brexit | Uncertainty around the impact of Brexit on Port Health services | <ul style="list-style-type: none"> • Government recently announced that they will be pursuing a target operated model, anticipated to be in place by the end of 2023. This means checks on EU products due to commence in July 2022 will now not be needed. This leaves ESC in a very difficult position due to staff recruited and trained specifically for the purpose of checking EU products. These staff were funded by DEFRA but this funding is not certain after the end of June |

| AGS Action | Issues/Challenges Identified | Progress |
|---|---|---|
| | | 2022 due to the recent announcement. ESC is working up options to deal with eventualities in the event government funding is provided/not provided. |
| Compliance Reviews | A strengthened approach to compliance | <ul style="list-style-type: none"> • A Housing Services Governance Review is being commissioned by the Head of Legal Services and Monitoring Officer to determine Why did things go wrong? How can we ensure that it is not repeated? • Separately, comprehensive Compliance Reviews are underway within Housing and Asset Management. Substantial progress has been made in both areas and in Housing in particular corrective actions are well underway. |
| Asset Compliance Review | Integration of two asset management teams, as part of this wanted to undertake a single review to ensure we have effective processes in place to manage resources | <ul style="list-style-type: none"> • Carrying out a full set of risk assessments on all of Council's assets. These will be completed by September 2022. • The risk assessments will identify if there are any issues or maintenance issues, it will also identify an inspection programme for each of the assets. This is the first complete review and inspection of all assets. Outcomes will be reported to Asset Management Group for approval for consideration. The future maintenance programme will be included in future budget setting. |
| Delivery of Energy and Sizewell C Projects | 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"> • Mechanism in place for ESC to influence Central Government. • Senior Officer Group in place looking at Sizewell C and its impact in short, medium and long term. • 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 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 begun with EDF on delivery of various mitigation funds. This will be via an agreed governance structure (set out in the Deed of Obligation) which also include other partners such as SCC, the LEP, Chamber of Commerce and the DMO. Mitigation funding will not be released until construction commences, anticipated during 2023, however is subject to DCO consent (decision July 2022) and a final investment decision (expected end 2022/early 2023). |
| Harbour Management Committee | To ensure that correct governance arrangements | <ul style="list-style-type: none"> • HMC has been established and meeting for last year, comprising five ESC members and four co-opted members. Also meet with 16 strong |

| AGS Action | Issues/Challenges Identified | Progress |
|--|---|--|
| | are in place to manage Southwold Harbour | stakeholder representative group every two months. |
| Completed in 2020/21 | | |
| External Audit Results Report 2019/20 | 2019/20 External Audit results reports for East Suffolk Council delayed due to Covid-19 pandemic and changes to the Accounts and Audit Regulations. | <ul style="list-style-type: none"> External Audit work due to commence in August 2020 delayed. Planning work began in September and the main audit work started in November 2020. A significant amount of work was undertaken by the Council to ensure accounts were presented ready for audit to be undertaken. Draft Statement of Accounts published on 10 August 2020, before 31 August 2020 publication deadline prescribed in amended Accounts and Audit Regulations. External Audit signed off the audit in August 2021. |
| Covid-19 Pandemic | Impacts from the Covid-19 pandemic upon all service areas within Council, residents, partners, communities, and businesses. | <ul style="list-style-type: none"> Significant work undertaken to ensure the Council continued to deliver essential services to residents, businesses and communities. Work involved ensuring most vulnerable received support. |

Examples of Good Governance in Operation in 2021/22

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 |
|--|---|---|
| East Suffolk Strategic Plan | Strategic Business Plan has been embedded within the organisation and is the driver for everything the Council does. | <ul style="list-style-type: none"> 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. Each theme adapted to take account of impact of Covid 19. Corporate report template updated to ensure appropriate links with Strategic Plan. |
| Implement CIPFA Financial Management Code | <p>Requirements of the Financial Management Code to be applied with effect from 1 April 2020.</p> <p>(2020/21 was shadow year for full compliance in 2021/22)</p> | <p>An initial exercise carried out to review compliance with CIPFA FM Code, improvement areas were identified. In 2021/22, the Council was required to show 'direction of travel' towards the code with full compliance from 2022/23. In December 2021, a report was presented to A&G Committee of the self-assessment against the Code requirements and progress to date. This self-assessment rated the majority of standards to be fully compliant (no areas rated non-compliant).</p> <p><u>Action taken place during 2021/22:</u></p> <ul style="list-style-type: none"> Review Financial Procedure Rules. The first quarterly financial monitoring report was reported to Cabinet in September 2021. This is subject to ongoing development and |

| AGS Action | Good Governance and Improvements | Progress |
|---|---|--|
| | | <p>refinement, reporting frequency will increase in 2022/23.</p> <ul style="list-style-type: none"> Monitoring of the Capital Programme is now reported to the Asset Management Group. In 2022/23 areas for improvement will be progressed and considered by A&G Committee as part of its Work Programme in 2022/23. |
| Refresh of Financial Procedure Rules | Financial Procedure Rules to be reviewed and refreshed. | <ul style="list-style-type: none"> Detailed review of Financial Procedure Rules carried out during 2021/22 with internal groups/ teams consulted including CGG, Legal and Internal Audit. Changes made were aimed at: <ul style="list-style-type: none"> Simplified introduction of financial guidelines, operational relevance, increased accountability, enhanced compliance with best practice, in particular CIPFA Financial Management Code, and strengthening corporate governance. Revenue Budget and Capital Programme Monitoring, and the principals for monitoring and transacting with ESC companies were the main areas of change. At meetings on 14 March and 5 April 2022, A&G Committee and Cabinet respectively recommended updates to the Financial Procedure Rules be taken to Full Council on 25 May 2022 for approval and the Constitution be updated. |
| Constitution | Constitution covers all responsibilities on how the Council manages its business. | <ul style="list-style-type: none"> Published on website and regular updates to ensure compliance with legislation and requirements of good governance. Also requirement to publish Constitution electronically as part of Local Government Transparency Code. |
| LGA Model Code of Conduct for Councillors | A new comprehensive and clearer Code to promote the highest standards in public life and to enhance public confidence in member conduct. | <ul style="list-style-type: none"> Full Council adopted the new Model Code on 23 March 2022, with effect from 1 May 2022. |
| Member Development Charter/member training | Programme in place and retained Charter Plus | <ul style="list-style-type: none"> Regularly reviewed with training and development undertaken for new and existing members to cover key elements. Member training is being aligned to Corporate Training Programme. |
| Review of Council Procedure Rules | Introducing clearer guidance on procedure, flowcharts and templates for questions and motions in the Constitution for meetings of Full Council. | <ul style="list-style-type: none"> Report taken to Audit and Governance Committee on 14 March 2022 with recommendations on changes to the Council Procedure Rules, and the recommendations were agreed by Full Council on 23 March 2022. Council Procedure Rules in the Constitution updated on 31 March 2022. |

| AGS Action | Good Governance and Improvements | Progress |
|--|--|--|
| Internal review of Scrutiny Committee | Introducing new way of devising Scrutiny's work programme making the scrutiny process more efficient, effective and to add greater value. | <ul style="list-style-type: none"> • Key lines of enquiry and scoping document replacing pre scrutiny questions. • New process agreed by Scrutiny Committee at its meeting on 19 May 2022. New process in place for Scrutiny Committee meetings in municipal year 2022/23. |
| Business Continuity | Ongoing review of business continuity plans to ensure plans are effective in continuing business | <ul style="list-style-type: none"> • Full review of business continuity plans underway, due to be completed and tested in 2022/23. • Exercises on specific matters relating to business continuity e.g., national power outage or loss of IT systems will continue to be carried out. • Work continues with Suffolk Resilience Forum and Emergency Planning Officers to ensure our systems are effective. • Any changes are reported to SMT for approval. |
| Community Partnerships | Community Partnership Board and eight Community Partnerships in place to meet ambitions within East Suffolk Strategic Plan | <ul style="list-style-type: none"> • Community Partnership Board (CPB) oversees governance of Community Partnerships. Regular Community Partnership meetings held. A full review of Community Priorities is underway. • Delivers into East Suffolk Strategic Plan. • Enabling Communities Strategy updated and relaunched. • An LGA Peer Review of Community Partnerships was undertaken in October 2021 resulting in development of a Delivery Plan led by the Community Partnership Delivery Group. • Covid response work of the Council, based around CP areas, shortlisted for two national awards. |
| Freeport East | 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 45km diameter 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"> • As Accountable Body/Lead Authority ESC is responsible for holding any monies associated with Freeport East, and acting as main conduit to DLUHC on financial, legal and governance issues. Freeport East consists of a number of public sector partners from across Suffolk and Essex as well as Hutchison Ports. • An interim CEX and chair had been appointed and a draft governance model was agreed by the shadow Freeport East Board and submitted to DLUHC for approval. Freeport East has become operational. Full Business Case is scheduled to receive DLUHC approval in August 2022. • Permanent chair and CEX have now been appointed, due to commence roles in September 2022. Remainder of delivery team being recruited. • Draft Articles of Association and Members Agreement completed. These will be subject to further discussion by partners before submission to the board for approval. Anticipated that |

| AGS Action | Good Governance and Improvements | Progress |
|---|--|---|
| | | <p>incorporation will be complete before September.</p> <ul style="list-style-type: none"> Addressing DLUHC's Critical Actions in response to the FE Full Business Case (FBC) submission. Anticipated that FBC will receive final approval in September. This will signal the release of £25m of capital seed funding for investment in the 3 tax sites. It will also mark FE's formal commitment, via a series of MoUs, to deliver the FBC objectives. |
| Lowestoft Place Board | 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"> 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. Board agreed Lowestoft Town Investment Plan and projects which we successfully put forward for the Towns Fund award. Provides oversight and direction of the delivery of these projects over next 5 years. |
| Housing Programme Board (HPB) | HPB will be to ensure effective management and monitoring of the multiple programmes and projects currently ongoing within the Housing Service. | <ul style="list-style-type: none"> HPB set up, to commence in May 2022, which will meet monthly. HPB will monitor the benefits of projects, effectively manage and mitigate risks, constructively challenge and celebrate success. |
| Performance Framework in Housing | Performance Framework in housing developed to provide a strategic approach to ensure effective performance management and continuous improvement takes place across the housing service. | <ul style="list-style-type: none"> The Housing Service has developed a Performance Framework over the last part of 2021/22, which will be implemented in 2022/23. |
| Data-led services and performance monitoring | Planned programme of work 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"> Using data to improve and address issues and aid transparency in accessing information on our performance measures. Significant work underway to progress and develop dashboards. Projects using data (e.g. LIFT project and Community Partnerships) |
| ICT | Robustness of network and response in case of emergency | <ul style="list-style-type: none"> Further work continuing to improve robustness of ICT environment including back-up processes, cyber security protection and Disaster Recovery solutions. Additional layer of reassurance put in place in 2021/22 to further address risk of cyber-attack. Review of ICT staffing requirements to ensure capacity and skills to service authority needs. Port Health Cyber Essentials – Review and gap analysis required of Cyber Essential accreditation and ensure adequate disaster recovery in place. |

| AGS Action | Good Governance and Improvements | Progress |
|--|---|---|
| | | Review to be undertaken in 2022/23 (postponed from 21/22 due to covid). |
| Staff Wellbeing | Health and wellbeing resources available to all staff. | <ul style="list-style-type: none"> • Access to health and wellbeing information on Council's internal intranet. • 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. • Regular managers bulletins focusing on staff wellbeing (e.g. 24 hour counselling). |
| Governance arrangements and operation (ARP) | <p>Joint Committee and Operation Improvement Board (ARP)</p> <p>Various groups inform and direct ARP to ensure corporate needs for each Council are met.</p> | <ul style="list-style-type: none"> • Group maintains oversight of performance. GDPR group (GDPR officer from each Council) and APR regularly meet to discuss protocol and any breach. • Customer Strategy Group meets regularly to ensure link between front and back end (ARP) is seamless for customers. • ARP Strategy Review undertaken and endorsed. Introduced four-year Business Plan for Joint Committee to consider in June 2022 supplementing the annual service plan. |
| Regulatory Reform – Building Control Standards Review | To ensure National regulatory reform is adopted across East Suffolk. | <ul style="list-style-type: none"> • New Regulatory standards particularly in relation to Part L (Zero Carbon) and Part R (Infrastructure/ Connectivity) will be communicated and advised by the Building Control surveying team. |
| Partnership working with other Councils | Partnerships in place including Building Control, Coastal Management, Internal Audit, Emergency Planning and Broads Authority which ensure good governance, resilience and valuable delivery of services. | <ul style="list-style-type: none"> • Contracts and partnership arrangements in place, including service level agreements. • Regular partnership board meetings and aligned working practices. • Work ongoing to ensure programmes are met and necessary legislation changes implemented. |
| Planning Advisory Service review of Governance of Developer Contributions through the Planning Advisory Service | Areas identified for recommended change or improvement in order to help improve governance of developer contributions. | <ul style="list-style-type: none"> • CIL spending and the Infrastructure Funding Statement will be reported to Cabinet in September 2022, report from Planning Advisory Service will be appended and include proposals on recommendations, many of which are already in motion or planned informally as part of the Spending Strategy. CIL Spending Working Group will also review and prior to the report. |
| Forums for Towns and Parish Councils | 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"> • 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 were re-established in quarter 4 of 2021/22. • These provide an opportunity for information updates and exchanges of views to improve the service delivery for all participants. |
| Completed in 2021/22 | | |

| AGS Action | Good Governance and Improvements | Progress |
|---|--|--|
| Digital Strategy | A new Digital Strategy is being produced to underpin Digital Theme of Strategic Plan to govern the way in which we will work as authority from a digital perspective. | <ul style="list-style-type: none"> New Digital Strategy implemented and to be rolled out across the Council. |
| Health and Safety Policy | The Council as an employer has legal responsibilities and the policy required updates to clearly state that everyone has health and safety responsibilities. | <ul style="list-style-type: none"> Policy updated. The Health and Safety Policy was approved at Health and Safety Committee in October 2021 and published on SharePoint. |
| General Data Protection Regulation (GDPR) Training | Target 100% staff and Councillors to receive refresher GDPR training. | <ul style="list-style-type: none"> Rollout of refresher Data Protection Act/ GDPR training for staff and Councillors undertaken in 2021/22 Additional staff recruited to support the Data Protection Service. |
| Corporate Fraud Plan and Internal Audit Plan | Refocused corporate fraud plan and internal audit plan due to changing risks due to Covid-19 | <ul style="list-style-type: none"> Significant anti-fraud work regarding Coronavirus Pandemic grant awards and other corporate anti-fraud activity e.g., cybercrime. Risk based holistic Internal Audit Plan in operation. |
| FOI Improvement Plan | 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"> Work underway in respect of process (to move to a more automated system) and provide clear guidance. Work on track and continuous cycle of improvement embedded across the three departments with responsibility for this area. Internal review process reviewed and improved. New fixed term appointment successfully recruited for additional resource and resilience. Exploring alternative technology options for a more automated process. |

5.5 Commercial Partnerships

East Suffolk Construction Services Limited (dormant) / East Suffolk Property Developments Limited (dormant) / East Suffolk Property Investments Limited (dormant)

5.6.1 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 2022/23.

East Suffolk Holdings Limited (dormant)

5.6.2 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. The Business Case for East Suffolk Holdings Limited will come forward in September 2022.

East Suffolk Services Limited

5.6.3 East Suffolk Services Limited is wholly owned by the Council and was incorporated on 25 March 2022. Three Council employees, Stephen Baker (Chief Executive), Andrew Jarvis (Strategic Director)

and Nicholas Khan (Strategic Director) are named as Directors of East Suffolk Services Limited. The company is intended to take over the operations of the East Suffolk Norse Joint Venture in July 2023.

Impact of coronavirus on Governance

5.6.4 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 fell 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.

5.6.5 The progress on the impact on governance in 2021/22 included:

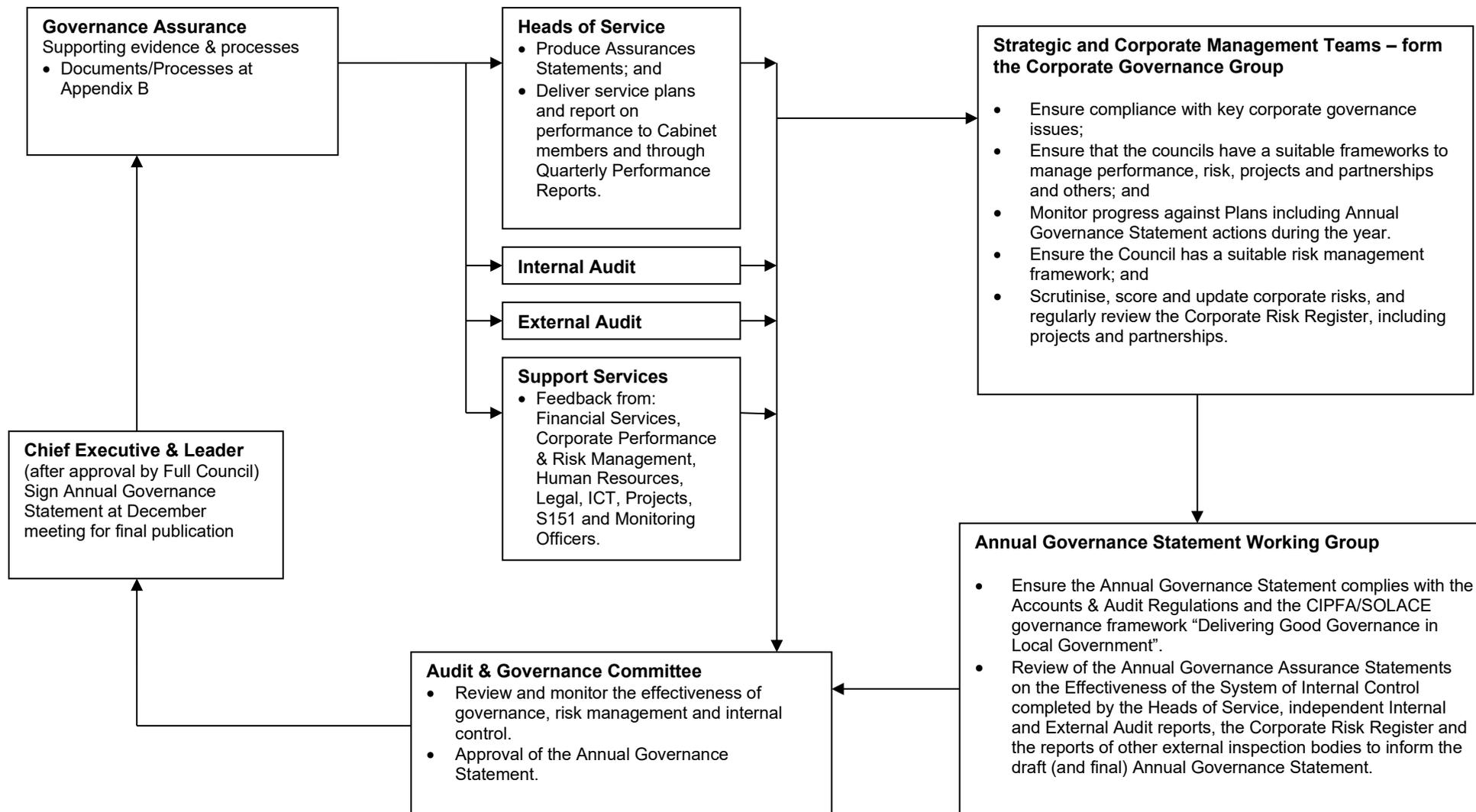
- Financial impact on Council's costs and income monitored and reported regularly – internally to officers and members, to central Government via monthly returns and information sharing with other Suffolk Local Authorities. The financial impact of Covid-19 was taken into consideration for updating the MTFs and budget setting process for 2022/23. Some social and economic behavioural changes appear to be continuing, with some financial impacts, e.g. car parking income.
- 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).
- Plan for the Future business support grant scheme - Providing longer-term business support measures to help businesses recover from the Covid economic downturn. Programme was closed mid-January 2022 and just under £1 million worth of funding was allocated. All claims were processed by the end of March. A total of 58 grants were awarded for projects with a total value of £1.46 million. Approximately £0.5 million was provided as match funding by the businesses themselves. Audit, finance, legal, the Funding team and Economic Development were involved in delivering the scheme as part of the governments covid business grants. New Anglia LEP supported the scheme with a contractual agreement in place.
- Functions and services impacted by Covid-19 including resources reallocated to support grant payments by Finance, Internal Audit, Corporate Fraud and IT teams. Economic Development and Community Teams focused on supporting communities, most vulnerable and businesses. Economic Development programme refreshed to reflect Covid economic impact. Review of stage 2 Home But Not Alone response undertaken and informed Scrutiny Committee.
- Delayed migrating new version of NAV financial management system due to project resources being committed to administering Covid-19 Business Grants. Work now underway to migrate to new version.
- Established Tactical Management Team meetings and increased Senior Management Team frequency to deal with Covid-19 and organisational issues.
- Remote and hybrid council meetings implemented and continued for council business. Homeworking/flexible working. Package of support to promote mental health and wellbeing.

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 |
|--|-----------|------|
| Steve 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"> • Air Quality Consultation • Air Quality Reports • Air Quality Strategy • Annual audit letters • Annual Governance Statement • Anti-Bribery Policy and Procedure • Anti-Money Laundering Policy • Anti-Fraud and Corruption Strategy • Apprenticeship Strategy 2018-2022 • Asset Management Strategy 2019-24 • Assurance Statements • Audit & Governance Committee • Budget process • Business case appraisal process • Business Continuity Plan • Capital Programme • Capital Strategy • Cemeteries and Closed Churchyard Management Policy • Code of Corporate Governance • Committee reports, agendas and minutes • Compliance and Enforcement Policy • My Conversation Managing Performance – people • Complaints process and procedure • Contaminated Land Strategy • Contracts Register • Corporate Governance Group • Corporate Risk Register • Covert Surveillance Policy • Constitution <ul style="list-style-type: none"> - Part 2: Functions and responsibilities (including Scheme of Delegation) - Part 2: Terms of reference for committees - Part 3: Council Procedure Rules (contracts, budget & policy framework, financial, employment, meetings, scrutiny) - Part 4: Codes and Protocols - Part 4: Members’ Code of Conduct - Part 4: Officers’ Code of Conduct - Part 4: Suffolk Local Code of Conduct - Part 5: Members’ Scheme of Allowances • Council magazine • Council website • Customer Feedback Policy (compliments, comments and complaints) • Customer feedback process • Data Protection Policy • Data Quality and Management Policy • Digital Strategy | <ul style="list-style-type: none"> • East Suffolk Strategic Plan (2020-2024) • East Suffolk Economic Growth Plan 2018-2023 • East Suffolk Housing Strategy • East Suffolk Partnership priorities • East Suffolk People Strategy • East Suffolk Quarterly Performance Reports • Economic Development Delivery Plan • Efficiency Plan • Efficiency Strategy • Enabling Communities Strategy • Enabling Communities Delivery Plan • East Suffolk Environmental Policy • Equality & Diversity Policy • ESC Equality Framework for Local Government self-assessment • External audit (and other reviews) • Financial procedure rules and standing orders • Financial services • FOI and EIR request performance statistics • Freedom of Information • Green Infrastructure Strategy • Head of Internal Audit • Head of Paid Service • Health and Safety Officer • Human Resources • Health and Safety Policy • Health and Safety policies • Homelessness and Rough Sleepers Strategy • Housing Asset Management Strategy • Housing Development Strategy • Housing Enabling Strategy • ICT Strategy and action plan • ICT Acceptable Use Policy • ICT Security Policy • Infrastructure Funding Statement • Independent remuneration panel • Internal audit • JNC terms & conditions • Job evaluation process • Job descriptions • Joint Emergency Response Plan • Key decisions • Law & governance • Leisure Strategy • Licensing Policy • Local Plan • Local Government Ombudsman (report) • Medium Term Financial Strategy | <ul style="list-style-type: none"> • Member training • Member Communication Guidelines • Member Development Strategy • Modern Slavery and Human Trafficking Statement • Monitoring Officer • Neighbourhood Plans • Our Values • Old Persons Housing Strategy • Partnership framework • Pay Policy Statement • Petty Cash Policy • People Strategy • Performance Management (business) framework (including service plans) • Private Sector Housing Strategy • Procurement Forward Plan • Procurement regulations • Procurement Strategy • Prudential code • Record of decisions • Record Retention Policy • Recruitment Policy • Register of Councillors’ interest • Risk management process • Risk and Opportunities Management Strategy • S151 Officer • Safeguard Policy • Safeguarding children, young people and adults at risk policies, procedures and guidance • Salary scales • Senior management remuneration report • Service plans • Staff surveys • Social Media Policy • Social Value Policy • Statement of Accounts • Suffolk Code of Conduct • Suffolk Growth Strategy • Temporary Accommodation Procurement and Placement Strategy (2021-2023) • Timetable of council meetings • Tourism Strategy • Transparency publications • Training programs • Treasury Management Strategy • Treasury Management Policy • Whistleblowing Policy • Workforce development and plans |
|---|---|---|

Blue = Available on Internet / Purple = processes / Green = Internal Use



AUDIT & GOVERNANCE COMMITTEE

Monday, 25 July 2022

| | |
|---------------------------|--|
| Subject | Treasury Management 2022/23 Quarter 1 Report |
| Report by | Councillor Edward Back Assistant Cabinet Member for Resources |
| Supporting Officer | Brian Mew Chief Finance Officer and Section 151 Officer Brian.mew@eastsoffolk.gov.uk 01394 444571 |

| | |
|-------------------------------|------|
| Is the report Open or Exempt? | OPEN |
|-------------------------------|------|

| | |
|---|----------------|
| Category of Exempt Information and reason why it is NOT in the public interest to disclose the exempt information. | Not applicable |
| Wards Affected: | All Wards |

Purpose and high-level overview

Purpose of Report:

In the Authority adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Authority to approve, as a minimum, treasury management semi-annual and annual outturn reports.

The Authority's treasury management strategy for 2022/23 was approved at a meeting on 26th January 2022. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

CIPFA published its revised Treasury Management Code of Practice [the TM Code] and Prudential Code for Capital Finance in December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments. The principles within the two Codes took immediate effect although local authorities could defer introducing the revised reporting requirements within the revised Codes until the 2023/24 financial year if they wish. East Suffolk Council has adopted a soft implementation from 2022/23 with the revised reporting requirements effective from 2023/24

Treasury risk management at the Authority is conducted within the framework of the TM Code. This Code now also includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version.

Options:

To comply with the CIPFA Treasury Management code the report is required to be produced and presented to members, and consequently, no other options have been considered.

Recommendation/s:

That the Quarter 1 Report on the Council's Treasury Management activity for 2022/23 be noted.

Corporate Impact Assessment

Governance:

The report complies with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management code to provide information and scrutiny on the Council's Treasury Management function.

ESC policies and strategies that directly apply to the proposal:

| |
|---|
| East Suffolk Council Strategic Plan |
| Environmental: No impacts. |
| Equalities and Diversity: No impacts. |
| Financial: Management of the Council’s cash flows; banking; and capital market transactions. |
| Human Resources: No impacts. |
| ICT: No impacts. |
| Legal: No impacts. |
| Risk: Treasury Management in Local Government is governed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in the Public Services and in this context is the “management of the Council’s cash flows, its banking and its capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.” This Council has adopted the Code and complies with its requirements. |

| | |
|-----------------------------|------|
| External Consultees: | None |
|-----------------------------|------|

Strategic Plan Priorities

| Select the priorities of the Strategic Plan which are supported by this proposal: <i>(Select only one primary and as many secondary as appropriate)</i> | | Primary priority | Secondary priorities |
|--|---|--------------------------|--------------------------|
| T01 | Growing our Economy | | |
| 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"/> |
| T02 | Enabling our Communities | | |
| 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"/> |
| T03 | Maintaining Financial Sustainability | | |
| P10 | Organisational design and streamlining services | <input type="checkbox"/> | <input type="checkbox"/> |
| P11 | Making best use of and investing in our assets | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| P12 | Being commercially astute | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| P13 | Optimising our financial investments and grant opportunities | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| P14 | Review service delivery with partners | <input type="checkbox"/> | <input type="checkbox"/> |
| T04 | Delivering Digital Transformation | | |
| 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"/> |
| T05 | Caring for our Environment | | |
| 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 | Governance | | |
| XXX | How ESC governs itself as an authority | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| How does this proposal support the priorities selected? | | | |
| The investment activity of the Treasury Management function supports the financial stability of the Council with any increase in return on investment providing additional income above budget to the general fund. | | | |

Background and Justification for Recommendation

| 1 Background facts | |
|--------------------|---|
| 1.1 | The UK economy entered 2022 still affected by two major impacts of the path out of Covid – very high inflation, and a very tight labour market with strong pay growth. The bank of England is predicting further inflationary pressures for the immediate future. Inflation is expected remain at about 10% through the Summer and fall back to 2% by spring 2024. The Russian invasion of Ukraine is anticipated to intensify and prolong the surge in inflation and tighten the squeeze on household incomes. |
| 1.2 | It is expected that the Bank of England's Monetary Policy Committee (MPC) will continue to raise the base rate at 0.25% increments over its next four meetings until it reaches 2.25% by December 2022. |
| 1.3 | The resulting effect on the Local Authority investment market is such that rates will continue in an upward trajectory and it is therefore prudent that any fixed term investments are in line with this predicted increase in rate. |

2 Current position

2.1 TREASURY MANAGEMENT QUARTER 1 2022/23

2.2 DAILY CASH MANAGEMENT

The report reviews performance of the treasury management function for the first quarter of 2022/23.

2022/23 Quarter 1 Summary:

- Total investments at 30th June 2022 totalled £150.3m
- These investments are summarised as Short-term Investments £73.0m, Long-term Investments £40.34m and Liquidity Investments £36.96m.
- Interest on Investments to 30th June totalled £265k.

The Council's counterparty list (investment list) is continuously reviewed and updated taking into account published credit rating information, financial accounts, share prices, asset size, Government support and information from the Council's Treasury Advisors, Arlingclose.

2.3 INVESTMENT PORTFOLIO 2022/23

2.4 CIPFA revised TM Code defines treasury management investments as those which arise from the Authority's cash flows or treasury risk management activity that ultimately represents balances which need to be invested until the cash is required for use in the course of business.

2.5 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During this year, the Authority's investment balances ranged between £143.4m and £150.3 million due to timing differences between income and expenditure. The investment position is shown in table below.

| | 1 st April 2022 £m | 1 st April Interest Rate % | 30 th June 2022 £m | 30 th June Interest Rate % |
|--|-------------------------------------|--|-------------------------------------|--|
| Call Accounts (Liquidity Funds) | 15.3 | 0.08% - 0.10% | 37.0 | 0.90% |
| Money Market Funds | 0.0 | 0.03% | 0.0 | 1.03% |
| Term Investments: | | | | |
| 3 to 12 months | 87.5 | 0.05% – 1.0% | 73.0 | 0.10% - 1.35% |
| 24 months | 20.0 | 0.90% | 20.0 | 0.90% |
| Property Investment Fund | 10.82 | 4.49% | 10.82 | 4.49% |
| Multi Asset Fund | 9.75 | 3.36% - 3.82% | 9.75 | 3.36% - 3.82% |
| Total | 143.4 | | 150.5 | |

- 2.6 The Council's investment portfolio is looking healthy with both the Property Investment and Multi Asset Fund still performing well.
- 2.7 Inter Local Authority investments have increased in yield during the first quarter as a consequence of the Bank of England base rate increases and the Covid grant support mechanism ending which has removed the short-term cash surplus for Councils and has led to an increased demand on Local Authority borrowing for cash flow purposes. As current short-term investments mature, re-investments will be made which will attract a higher yield than previously attained.
- 2.8 The table below demonstrates that since the start of 2022 interest rates have been increasing and typically a 1-year investment in February attracted a rate of 0.70% compared to June where a 1-year investment attracted a rate of 1.35%.

| Council | Amount £ | Duration | Start Date | End Date | Rate |
|--------------------|-------------------|----------|------------|------------|-------|
| Local Authority 1 | 4,000,000 | 1 Year | 28/07/2021 | 27/07/2022 | 0.35% |
| Local Authority 2 | 5,000,000 | 1 Year | 22/09/2021 | 21/09/2022 | 0.10% |
| Local Authority 3 | 5,000,000 | 1 Year | 27/09/2021 | 26/09/2022 | 0.18% |
| Local Authority 4 | 5,000,000 | 1 Year | 27/09/2021 | 26/09/2022 | 0.10% |
| Local Authority 5 | 5,000,000 | 1 Year | 25/10/2021 | 24/10/2022 | 0.18% |
| Local Authority 6 | 5,000,000 | 1 Year | 29/10/2021 | 28/10/2022 | 0.12% |
| Local Authority 7 | 5,000,000 | 1 Year | 29/10/2021 | 28/10/2022 | 0.18% |
| Local Authority 8 | 5,000,000 | 9 months | 20/12/2021 | 20/09/2022 | 0.20% |
| Local Authority 9 | 4,000,000 | 6 months | 11/01/2022 | 18/07/2022 | 0.40% |
| Local Authority 10 | 5,000,000 | 1 Year | 21/02/2022 | 20/02/2023 | 0.70% |
| Local Authority 11 | 5,000,000 | 1 Year | 24/02/2022 | 23/02/2023 | 0.75% |
| Local Authority 12 | 5,000,000 | 1 Year | 16/03/2022 | 15/03/2023 | 0.75% |
| Local Authority 13 | 5,000,000 | 6 months | 28/03/2022 | 28/09/2022 | 1.05% |
| Local Authority 14 | 5,000,000 | 1 Year | 14/04/2022 | 13/04/2023 | 1.20% |
| Local Authority 15 | 5,000,000 | 1 Year | 29/06/2022 | 28/06/2023 | 1.35% |
| | 73,000,000 | | | | |

- 2.9 Likewise, this has also been the case for the call accounts where the rate of interest has increased on these accounts over the last few months and liquid cash is attracting a rate of 0.90%. As a direct result in the unforeseen market changes the Council will be revisiting the investment income budget during the Autumn as part of its budget setting process and will benefit from the increase rate of return available.
- 2.10 The interest on investments for the quarter totals £265k against a budget of £163k with the increase against budget being a direct result of the increase in investment rates since budget setting.
- 2.11 **BORROWING**
- 2.12 PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.

2.13 As outlined in the treasury strategy, the Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

2.14 Over the April-June quarter, short-term rates rose between 0.5% and 0.9% and long-term rates rose between 0.6% and 0.8%.

2.15 No new additional borrowing was taken out during the quarter. In line with the current loan portfolio repayment terms an £80k repayment was made during the quarter.

| | 31st March 2022 Principal £m | Repayments during the quarter £m | 30th June 2022 Principal £m |
|---------------------------------------|---------------------------------|--|-----------------------------------|
| PWLB Fixed Rate Maturity/EIP Loans | 65.81 | -0.08 | 65.73 |

2.16 **COMPLIANCE**

2.17 The Chief Finance Officer reports that all treasury management activities undertaken during the quarter complied fully with the principles in the TM Code and the Authority's approved Treasury Management Strategy.

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

| | 2022/23 Operational Boundary | 2022/23 Authorised Limit | Complied? Yes/No |
|-----------|------------------------------------|-----------------------------|---------------------|
| Borrowing | £153m | £155m | Yes |

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

| | 2022/23 Q1 Maximum | 30.6.22 Actual | 2022/23 Limit Per Counterparty | Complied? Yes/No |
|---|-----------------------|-------------------|--------------------------------------|---------------------|
| Any single organisation, except the UK Government | £525m | £130m | £25m | Yes |
| Unsecured investments with building societies | £15m | £0 | £15m | Yes |
| Money Market Funds | £20m | £0 | £20m | Yes |
| Strategic pooled funds | £60m | £20.57m | £20m | Yes |
| Real Estate Investment Trusts | £0 | £0 | £10m | Yes |

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

2.21 Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

| | 30.6.22 Actual | 2022/23 Target | Complied? |
|--------------------------------|----------------|-------------------|-----------|
| Portfolio average credit score | 4.8 | 4 | Yes |

2.22 Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

| | 30.6.22 Actual | 2022/23 Target | Complied? |
|--------------------------------------|----------------|-------------------|-----------|
| Total cash available within 3 months | £37m | £30m | Yes |

2.23 Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests was:

| | Interest rate risk indicator | 30.6.22 Actual | 2022/23 Target | Complied? |
|--|--|-----------------------|-----------------------|------------------|
| | Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates | £-10k | £150k | Yes |
| | Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates | £0 | £150k | Yes |

2.24 Principal Sums Invested for Periods Longer than a year: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

| | 2022/23 | 2023/24 | 2024/25 |
|---|----------------|----------------|----------------|
| Actual principal invested beyond year end | £40m | £30m | £30m |
| Limit on principal invested beyond year end | £5m | £0 | £0 |
| Complied? | Yes | Yes | Yes |

3 How to address current situation

- 3.1 The Council continues to operate its Treasury Management function within the key principles of security, liquidity, and yield.
- 3.2 The Council will explore other opportunities in Treasury Management investments in line with the Treasury Management Code and any new borrowing requirements will be evaluated against the most appropriate method of borrowing ensuring that cost of borrowing is kept to a minimum.

4 Reason/s for recommendation

- 4.1 The updated CIPFA Treasury Management code requires a quarterly report to be produced on the Treasury Management function and noted by Committee.

Appendices

Appendices:

None

Background reference papers:

| Date | Type | Available From |
|-------------|-------------------------|-----------------------|
| July 2022 | Arlingclose Q1 Template | Financial Services |



AUDIT & GOVERNANCE COMMITTEE

Monday, 25 July 2022

| | |
|---------------------------|--|
| Subject | Annual Internal Audit Opinion 2021/22 |
| Report by | Councillor Maurice Cook, Cabinet Member with responsibility for Resources Councillor Edward Back, Assistant Cabinet Member for Resources |
| Supporting Officer | Mrs Siobhan Martin Head of Internal Audit siobhan.martin@eastsoffolk.gov.uk 01394 444254 |

| | |
|-------------------------------|------|
| Is the report Open or Exempt? | OPEN |
|-------------------------------|------|

| | |
|---|----------------|
| Category of Exempt Information and reason why it is NOT in the public interest to disclose the exempt information. | Not applicable |
| Wards Affected: | All Wards |

Purpose and high-level overview

Purpose of Report:

To provide an overall annual internal audit opinion of the overall adequacy and effectiveness of the Council's framework of governance, risk management and control during 2021/22.

Options:

There are no options to be considered in relation to this report.

Recommendation/s:

That having considered and commented upon the Head of Internal Audit's Annual Opinion Report for 2021/22, the Committee notes the report.

Corporate Impact Assessment

Governance:

This report is being presented to the Audit & Governance Committee to support and inform Members' review of corporate governance arrangements, and in accordance with the Committee's terms of reference:

"To consider the Head of Internal Audit's Annual Report:

- *The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement.*
- *The opinion of the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of work supporting the opinion – these will assist the Committee in reviewing the Annual Governance Statement."*

ESC policies and strategies that directly apply to the proposal:

The Annual Internal Audit Opinion directly links to the Council's framework of corporate governance, which encompasses the East Suffolk Strategic Plan and all ESC policies and strategies that direct and manage East Suffolk Council activities.

Environmental:

The Annual Internal Audit Opinion directly links to the Council's framework of corporate governance, which encompasses the East Suffolk Strategic Plan and activities that support the Caring for our Environmental Theme, where applicable.

Equalities and Diversity:

There are no direct equalities and diversity implications within this report

Financial:

The Annual Internal Audit Opinion directly links to the Council’s framework of corporate governance, which encompasses the East Suffolk Strategic Plan and activities that support the Maintaining Financial Sustainability Theme, where applicable.

Human Resources:

There are no direct staffing implications within this report

ICT:

The Annual Internal Audit Opinion directly links to the Council’s framework of corporate governance, which encompasses the East Suffolk Strategic Plan and activities that support the Council’s technical controls over applications, information, infrastructure and people, where applicable.

Legal:

The provision of an Annual Internal Audit Opinion is a duty under the Accounts and Audit Regulations 2015, which requires an “effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”

The Annual Internal Audit Opinion directly links to the Council’s framework of corporate governance, which encompasses the East Suffolk Strategic Plan and activities that support the Council’s legal and regulatory responsibilities, where applicable.

Risk:

The Annual Internal Audit Opinion directly links to the Council’s framework of risk management, including an independent, objective evaluation on the effectiveness of the organisation’s risk management.

Internal Audit is considered the third line in the Institute of Internal Auditors “Three Line Model”, providing an independent assessment of Management’s operational activity and oversight arrangements. Further details are provided within this report and Appendix A.

| | |
|-----------------------------|--|
| External Consultees: | No external parties were consulted in the preparation of this report |
|-----------------------------|--|

Strategic Plan Priorities

| Select the priorities of the Strategic Plan which are supported by this proposal: <i>(Select only one primary and as many secondary as appropriate)</i> | | Primary priority | Secondary priorities |
|--|---|--------------------------|--------------------------|
| T01 | Growing our Economy | | |
| 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"/> |
| T02 | Enabling our Communities | | |
| 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"/> |
| T03 | Maintaining Financial Sustainability | | |
| 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"/> |
| T04 | Delivering Digital Transformation | | |
| 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"/> |
| T05 | Caring for our Environment | | |
| P20 | Lead by example | <input type="checkbox"/> | <input type="checkbox"/> |
| P21 | Minimise waste, reuse materials, increase recycling | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| P22 | Renewable energy | <input type="checkbox"/> | <input type="checkbox"/> |
| P23 | Protection, education and influence | <input type="checkbox"/> | <input type="checkbox"/> |
| XXX | Governance | | |
| XXX | How ESC governs itself as an authority | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

How does this proposal support the priorities selected?

The Annual Internal Audit Opinion is based on a risk-based review of Council activities over the financial year. The core responsibility on Internal Audit is to help an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The priority Internal Audit links to most strongly is therefore governance, although the scope of governance and therefore Internal Audit can extend to all Council activities and all activities that support the delivery of the East Suffolk Strategic Plan.

Background and Justification for Recommendation

| | |
|----------|--|
| 1 | Background facts |
| 1.1 | The Accounts and Audit Regulations 2015 require the Council to provide an effective internal audit, taking into account public sector internal auditing standards or guidance. |
| 1.2 | In England, public authority Internal Audit standards are set out in CIPFA's Public Sector Internal Audit Standards (2017) |
| 1.3 | Standard 2450 requires that within the public sector: |

| | |
|--|--|
| | <p><i>The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.</i></p> <p><i>The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.</i></p> |
|--|--|

2 Current position

| | |
|-----|---|
| 2.1 | In order to provide an annual internal audit opinion for 2021/22, the Head of Internal Audit established a risk-based plan that took account of the Council’s objectives and risks, and prioritised the Internal Audit activity for the year. |
| 2.2 | The risk based Internal Audit Plan was initially agreed in March 2021 and revised in December 2021. Both instances were endorsed by the Audit and Governance Committee. |
| 2.3 | Detailed reports for each audit completed provide an assurance opinion for the area reviewed and highlight key issues. These detailed reports are provided to the Audit and Governance Committee throughout the year and are used to support the annual internal audit opinion. |

3 How to address current situation

| | |
|-----|--|
| 3.1 | The Head of Internal Audit’s annual opinion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control in 2021/22 is Reasonable . |
| 3.2 | The Audit and Governance Committee is asked to acknowledge the annual internal audit opinion, taking into consideration the risk and control areas reviewed during the year that support the overall opinion and are set out in the detailed report within Appendix A. |
| 3.3 | The Audit and Governance Committee is asked to note the statement on conformance with the PSIAS and the results of the Quality Assurance and Improvement Programme, also set out in Appendix A |

4 Reason/s for recommendation

| | |
|-----|--|
| 4.1 | To ensure the Committee fulfils its terms of reference, ensuring that the Internal Audit process feeds into the Council’s governance framework and enabling good governance over public funds. |
|-----|--|

Appendices

| | |
|--------------------|---------------------------------------|
| Appendices: | |
| Appendix A | Annual Internal Audit Opinion 2021/22 |

Background reference papers:

| Date | Type | Available From |
|-------------|--|-----------------------|
| 2017 | Public Sector Internal Audit Standards | CIPFA |
| 2021 | Annual Audit Plan 2021/22 | CMIS |
| 2021/22 | Recently Issued Internal Audit Reports | CMIS |

Appendix A:

Annual Internal Audit Opinion 2021/22



| | |
|--------------------|---|
| Effective | Evaluated controls are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives are being met. |
| Reasonable | Some specific control weaknesses were noted and some improvement is needed; evaluated controls are generally adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met. |
| Limited | Evaluated controls are unlikely to provide reasonable assurance that risks are being managed and objectives should be met. |
| Ineffective | Evaluated controls are not adequate, appropriate, or effective. Internal Audit cannot provide reasonable assurance that risks are being managed. |

1. HEAD OF INTERNAL AUDIT'S OPINION

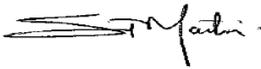
This report is the Head of Internal Audit's annual statement on the adequacy and effectiveness of the systems of governance, risk management and internal control within East Suffolk Council for the year ended 31 March 2022.

It is my opinion that **reasonable assurance** can be placed upon the systems in place that ensure risks are being managed and objectives should be met.

One important corporate improvement area is yet to be concluded:

Procurement – there remains a lack of a procurement strategy and plan.

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, and the opinion is professional judgement based on the results of a number of individual engagements and other activities for the specific time interval. The most that can be provided is a reasonable assurance that objectives and goals may be achieved.



.....
Siobhan Martin
Head of Internal Audit

2. Impact of the Covid-19 Pandemic

- 2.1 Although an improving position during 2021/22, the impact of the COVID-19 pandemic on all public services has been considerable. As the Head of Internal Audit it has raised the question of whether I have undertaken sufficient internal audit work to gain assurance during 2021/22 to enable my opinion. I have carefully considered the risk based internal audit work completed for the year, which includes the programmed strategic internal audit plan, along with a flexible approach taken to ensure coverage of new schemes and ongoing demands driven by the COVID-19 pandemic.
- 2.2 I am satisfied that internal audit priorities realigned to the new risks and changes driven by the impact of the COVID-19 pandemic throughout 2021/22 and are adequate to support my Head of Internal Audit opinion.

3. Basis of Opinion

3.1 The Head of Internal Audit is required to provide an independent opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework. This includes consideration of the performance of the Internal Audit service and any significant risk or governance issues and control failures which arise.

3.2 My evaluation of the control environment is informed by a number of sources:

- the planned audit work undertaken by internal audit during the year;
- consultancy and additional work requested and performed throughout the year;
- reactive risk based work performed as a direct result of the COVID-19 pandemic or other external requirements;
- the preparation and ongoing review of the strategic internal audit plan;
- reports issued by the Council's external auditors or other assurance providers;
- my representation within Corporate Management Team (CMT), governance days and direct line management contact with the Chief Executive
- my knowledge of and involvement in the Council's governance, risk management, performance monitoring and internal control arrangements; and
- the on-going work with management to assess and provide assurance on the efficiency, effectiveness and reliability of key systems.

3.3 Four categories are used to classify the overall level of assurance of the processes examined and the adequacy of the individual key control area. These are Effective, Reasonable, Limited and Ineffective. A clear definition of each has been supplied in a table at the start of this report.

4. Summary of work undertaken that supports the Annual Internal Audit Opinion 2021/22

4.1 For the 2021/22 year, my overall opinion is that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system. The 2021/22 audit plan was revised and agreed by the Audit and Governance Committee in December 2021; the revised plan provides the minimum necessary assurances for me to deliver the Annual Audit Opinion. There is no qualification to this opinion, but it is highlighted that improvements are still required in one strategic area as detailed within Section 1.

4.2 The primary performance output of the Internal Audit Service is delivery of the annual risk based plan. Where an assurance opinion has been provided, 93% of internal audit work completed during 2021/22 has yielded an acceptable level of assurance (effective or reasonable). For those audit reviews that have identified a need for improvement, actions

have been agreed to improve controls and are closely monitored until such time as they are addressed.

- 4.3 Any outstanding weaknesses in the governance, risk and control framework will continue to be followed up by Internal Audit. Senior officers have agreed an improvement action plan to enable governance improvements as part of the Annual Governance Statement assurance process; these are also monitored within the Corporate Risk Register and overseen by the governance arrangements in place at the Council.
- 4.4 The Head of Internal Audit has not received any formal reports or been advised of internal frauds or Whistleblowing cases during 2021/22.
- 4.5 No significant issues have raised by the Internal Audit Service that required referral to the Corporate Risk Management Group for assessment and possible recording in the Council's Risk Register.
- 4.6 Table 1 summarises the audit work undertaken during 2021/22 where an individual audit opinion was given. The individual audit opinion is an independent and objective conclusion on the risk and controls of the area under review, as set out in the relevant terms of reference. Three audits are currently being reported and finalised; the Head of Internal Audit has relied on the evidence seen during fieldwork when using these audit areas as part of her opinion.

Table 1: Annual Audit Plan 2021/22 (as revised December 2021) reviews completed with an assurance audit opinion

| Audit | Assurance |
|--|---|
| COVID-19 Test and Trace Service Support 31/5075 Grant Certification | Effective |
| Organic Green Waste (Financial Control) | Effective |
| Protect and Vaccinate Grant Certification [Addition to the revised Annual Audit Plan 2021/22] | Effective (DRAFT) |
| Disabled Facilities Grant Certification | Reasonable |
| COVID-19 Local Authority Compliance and Enforcement Grant Certification | Reasonable |
| COVID-19 Restart Grant Certification | Reasonable |
| Capital Accounting | Reasonable (DRAFT) |
| Key Financial Controls | Pending: Fieldwork completed, reporting in progress |

| | |
|--|---------------------|
| Performance Monitoring of Planning Enforcement | Limited |
| National Non Domestic Rates (Business Rates) ¹ Undertaken by East Suffolk Council Internal Audit | Adequate/Reasonable |
| National Non Domestic Rates: Supplemental (System Access) Undertaken by East Suffolk Council Internal Audit | Adequate/Reasonable |
| Recovery of Council Tax and Housing Benefit Overpayments Undertaken by West Suffolk Council Internal Audit | Adequate/Reasonable |
| Council Tax Billing, Housing Benefit and Local Council Tax Reduction Scheme Undertaken by West Suffolk Council Internal Audit | Adequate/Reasonable |
| ARP Enforcement (Bailiff Services) Undertaken by Fenland District Council Internal Audit | Good/Substantial |

4.7 Table 2 summarises the audit work undertaken where a specific audit was completed and although an individual audit opinion was not appropriate the audit work and conclusions have contributed towards the Head of Internal Audit's yearly opinion. This table includes specific consultancy or due diligence projects where no formal report is required.

Table 2: Annual Audit Plan 2021/22 (as revised December 2021) reviews completed where no formal opinion is offered

| Audit | Summary of work / Comments |
|---------------------------------------|---|
| New Financial Procedure Rules | Provision of advice and guidance on proposed amendments to the Council's Financial Procedure Rules |
| Port Health PRS Project Due Diligence | Attendance at Project Board meetings for due diligence for the Philis Replacement System |
| COVID-19 Corporate Fraud Support | Supporting the work of the Corporate Fraud Service in undertaking pre-investigation enquiries, analysing data, and delivering mandated pre-payment checks for grant recipients for the following business grant schemes: <ul style="list-style-type: none"> • Restart Grants • Plan for the Future • Omicron Hospitality and Leisure • Additional Restrictions Grants |

¹ The assurance for audits relating to the Anglia Revenues Partnership uses the former opinion categories of Good, Adequate, Limited and No Assurance.

| | |
|--|--|
| NFI - Matches | Review of potential matches and undertaking pre-investigation enquiries for the identification of fraud through data matching exercises with the Cabinet Office. |
| BEIS COVID-19 Post Payment Assurance Scheme | Collating and preparing post payment assurance information for provision to the Department for Business, Energy & Industrial Strategy from the COVID-19 business grant schemes: <ul style="list-style-type: none"> • Small Business Grant Fund • Retail Hospitality and Leisure Grant Fund • Discretionary Grant Fund • Local Restrictions Support Grant (multiple categories) • Closed Business Lockdown Payment • Wet-Led Pubs |
| Homelessness Prevention Grant Top-Up Grant Certification | Addition to the revised Annual Audit Plan 2021/22: Grant Certification to support a declaration required from the Chief Internal Auditor and Chief Executive. |
| Financial Sustainability Theme | Addition to the revised Annual Audit Plan 2021/22: Attendance at group meetings |

4.8 Table 3 summarises the ongoing activity undertaken by the Head of Internal Audit and other members of the audit team to support Council governance. Assurance on these activities includes confirmation of their continuing nature.

| Table 3: Annual Audit Plan 2021/22 (as revised December 2021) ongoing assurance activity where no formal opinion is offered | |
|--|---|
| Audit area | Summary of work / Comments |
| Corporate Governance and Risk Management Support | Head of Internal Audit attendance at the Corporate Governance and Corporate Risk Management Groups, and provision of independent professional advice. |
| Annual Governance Statement Framework | Attendance on AGS Working Group to support changes arising from any revisions to the CIPFA & SOLACE code of practice and provide controls advice/gap analysis in connection with Internal Audit work. |
| Local Authority Trading Company Development | Addition to the revised Annual Audit Plan 2021/22: Head of Internal Audit attendance of the workstream developing the Local Authority Trading Company since January 2022. |

4.9 In December 2021 the Audit and Governance Committee agreed a revised audit plan following staff changes and increased demand for COVID-19 related assurance. Table 4 summarises work that was planned in the revised annual plan that was not undertaken. Amendments were made in line with the principles of risk based audit planning: that the Head of Internal Audit must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls. Audits in Table 4 and their impact on the Council's key business objectives and

associated risks were carefully considered before a decision was made, and commentary has been provided on the reasons why this work was either cancelled or deferred.

| Table 4: Planned audit work in the Annual Audit Plan 2021/22 (as revised December 2021) that has been cancelled or deferred | | |
|--|---------------|---|
| Audit | Status | COMMENTS |
| COVID-19 Grants (local grants) | Deferred | Replaced with two additional audits |
| COVID-19 Test and Trace Support Grant Certification | Deferred | Deferred to Q1 2022/23 at the request of the service area |
| Budget Monitoring | Deferred | Deferred to 2022/23 |

5. Conformance with the Public Sector Internal Audit Standards

5.1 The Public Sector Internal Audit Standards (PSIAS) are the national guidelines mandated to all internal audit providers within local government. The PSIAS set core definitions and requirements for the provision of internal audit, in order to

- define the nature of internal auditing within the UK public sector
- set basic principles for carrying out internal audit in the UK public sector
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning

5.2 External Quality Assessment is required every five years, and in 2019/20 the EQA concluded that East Suffolk Council Internal Audit Service conforms with all key elements of the PSIAS.

5.3 Internal Quality Assessment is embedded in the routine activity of the internal audit function, and includes

- Audit staff supervision by senior members of the team
- Peer and management review of internal audit work
- Allocation of work to audit staff with the appropriate skills and competencies
- Maintenance of policies and procedures at operational and strategic levels
- Stakeholder feedback
- An improvement action plan, reported below in section 6
- Periodic internal self assessment
- Informal fortnightly and formal quarterly progress monitoring

5.4 All audit activity undertaken by East Suffolk Council internal audit during 2021/22 was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

6. Quality Assurance and Improvement Programme

6.1 A quality review process exists within the Internal Audit Team, designed to maintain ongoing compliance:

- All work carried out is peer reviewed by a Senior Auditor or above to ensure that audit work has been performed in accordance with the agreed objectives for that audit, and that risk based assessments and fair conclusions have been reached based on clearly demonstrable evidence. No member of the audit team may review their own work when providing assurance.
- The audit team involved in an audit provide feedback at the end of the process to identify opportunities for improvement or development.
- The audit team confirm compliance with PSIAS as part of each reported audit.
- At the conclusion of an audit a customer satisfaction survey is provided to Service Managers to complete. This gives the opportunity for the customer to give their view of the quality and usefulness of the audit review undertaken. Negative feedback is rare and when received will be investigated by the Internal Audit Manager and reported to the Head of Internal Audit.
- Audit Management undertakes quarterly monitoring of progress and improvement actions. This frequency has reduced during 2021/22 due to the impact of the COVID-19 pandemic, and although temporary this has been recognised as a point for improvement.

6.2 Continued compliance with PSIAS is verified through ongoing self-assessment and a programme of continual improvement: the Quality Assurance and Improvement Programme.

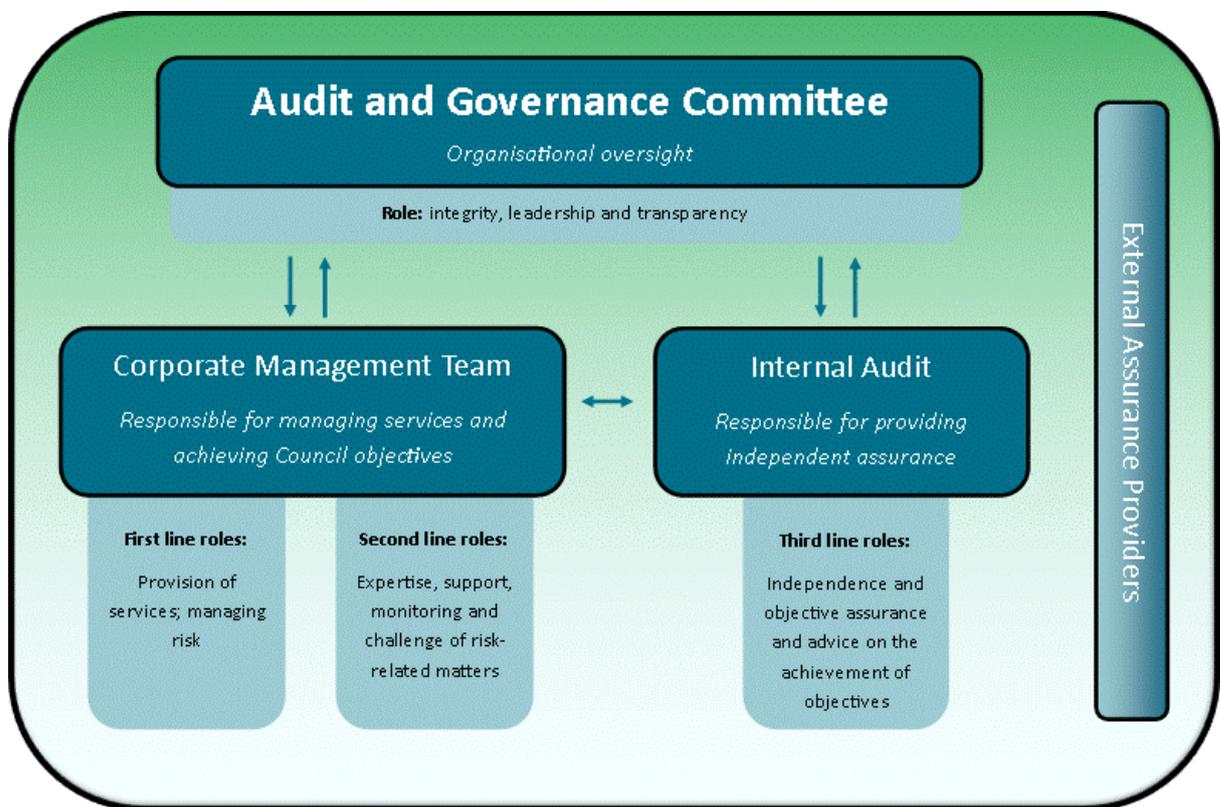
6.3 The Quality Assurance and Improvement Programme (QAIP) Action Plan incorporates actions from self-assessment and external quality assessment. During 2021/22 one action has been completed, two have been reassessed as low priority and five actions are carried forward into 2022/23.

6.4 The last external quality assessment (EQA) was undertaken in 2019/20 and reported to Members in that year. A minimum five-year cycle is expected and no EQA was necessary or undertaken in 2021/22. At the time of reporting the internal self-assessment for 2021/22 is being finalised and any actions arising will be incorporated into the QAIP Action Plan 2022/23.

6.5 During 2021/22 the Head of Internal Audit has approved and overseen changes to the staff structure and procedural changes, both of which have been implemented to improve the service provided, and to adapt to increased demand, the ever changing risk environment and the introduction of East Suffolk Council. These improvements are ongoing and will continue throughout 2022.

7. Purpose of Internal Audit and the Annual Internal Audit Opinion

7.1 The internal audit function is an integral part of the Council’s governance, providing independent assurance on how the organisation manages its activities to the Audit and Governance Committee as part of the Institute of Internal Auditors’ Three Lines Model (2020):



7.2 Internal Audit is an independent appraisal function of the Council. It objectively examines, evaluates and reports on the adequacy of internal control and governance as a contribution to the proper, economic, efficient and effective use of resources.

7.3 The statutory basis for Internal Audit in local government is provided by the Accounts and Audit Regulations 2015 which require a local authority 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’.

- 7.4 The service undertakes a strategic risk based annual programme of work approved by the Audit and Governance Committee. The strategic audit plan is amended throughout the year to reflect evolving risks and changes within the Council, and is designed to enable the Head of Internal Audit to provide an annual overall opinion on the adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 7.5 The annual internal audit opinion is timed so that it gives assurance to the Chief Executive and Leader of the Council when signing the Annual Governance Statement, which is the statement that accompanies the Annual Accounts and reports on Management's own assessment on the effectiveness of the Council's governance and internal control arrangements. The opinion may also be taken into account by the Audit and Governance Committee when considering the Council's Annual Governance Statement.
- 7.6 External Audit may also place reliance upon Internal Audit's work coverage during their own assessment of whether system controls are adequate and effective.

8. Internal Audit and the role of Assurance within the Organisation

- 8.1 The mission of the Internal Audit Service is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. To provide this service Internal Audit must have freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.
- 8.2 Independence and objectivity are embedded in work of internal audit, as set out in the Public Sector Internal Audit Standards, the Council's local Internal Audit Charter and the Council's Constitution.
- 8.3 During 2021/22, the Head of Internal Audit confirms that the internal audit activity was independent and objective from the organisation, in accordance with the requirements of the PSIAS.
- 8.4 As highlighted in this section and the Three Lines of Defence model, internal audit must remain independent and impartial from delivering wider Council services. It remains the responsibility of the Council's senior management to establish an appropriate and sound system of internal control and to monitor the continuing effectiveness of that system. The Head of Internal Audit is responsible for providing an annual overall assessment of the robustness of the internal control system.
- 8.5 It should be noted that a sound system of internal control reduces but cannot eliminate the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees, management or other parties overriding

controls, and/or the occurrence of unforeseeable circumstances. A robust system of internal control, whilst essential to establish and maintain, cannot provide guaranteed protection against any organisation failing to meet its objectives or material errors, losses, fraud, or breaches of laws or regulations.

- 8.6 The Head of Internal Audit's annual opinion therefore provides reasonable, but not absolute, assurance that the Council has systems in place to identify and manage risks effectively and that the organisation's goals and objectives will be achieved efficiently and economically.



AUDIT & GOVERNANCE COMMITTEE

Monday, 25 July 2022

| | |
|---------------------------|---|
| Subject | Corporate Fraud Annual Report 2021/22 |
| Report by | Councillor Maurice Cook, Cabinet Member with responsibility for Resources Councillor Richard Kerry, Cabinet Member with responsibility for Housing Councillor Edward Back, Assistant Cabinet Member for Resources |
| Supporting Officer | Mrs Siobhan Martin Head of Internal Audit siobhan.martin@eastsoffolk.gov.uk 01394 444254 |

| | |
|-------------------------------|------|
| Is the report Open or Exempt? | OPEN |
|-------------------------------|------|

| | |
|---|----------------|
| Category of Exempt Information and reason why it is NOT in the public interest to disclose the exempt information. | Not applicable |
| Wards Affected: | All Wards |

Purpose and high-level overview

Purpose of Report:

This report provides a summary of the performance of the Corporate Fraud Service for the period 1st April 2021 to 31st March 2022.

Options:

There are no options to be considered in relation to this report.

Recommendation/s:

That having considered and commented upon the activity of the Corporate Fraud Service for the year 2021/22, the Audit and Governance Committee notes the report.

Corporate Impact Assessment

Governance:

The corporate governance of the Council will be supported by embedding effective standards and strong safeguards for countering fraud and corruption.

This report has been prepared in accordance with the Audit and Governance Committee's terms of reference to: "*Monitor the counter-fraud strategy, activity and resources.*"

ESC policies and strategies that directly apply to the proposal:

This report represents the work of the Corporate Fraud Service which supports the delivery of all services across the Council as described in the East Suffolk Strategic Plan.

Associated policies are the Council's Anti-Fraud and Corruption Strategy, Anti-Bribery Policy, Whistleblowing Policy, Covert Surveillance Policy and Anti-Money Laundering Policy

Environmental:

There are no known environmental impacts arising from this report.

Equalities and Diversity:

There are no known Equality and Diversity implications arising from this report

Financial:

The prevention, detection and recovery of fraud will help reduce the financial pressure on the Council.

Human Resources:

There are no known human resources implications arising from this report

ICT:

There are no known ICT implications arising from this report

Legal:

The Corporate Fraud Service conducts investigations in accordance with the Police and Criminal Evidence Act 1984, Criminal Procedures and Investigations Act 1996, Data Protection Act 2018, UK General Data Protection Regulation, Human Rights Act 1998, Regulation of Investigatory Powers Act 2000, Investigatory Powers Act 2019, Criminal Justice Act 2003, Social Security Administration (Fraud) Act 2001, Council Tax Reduction Scheme (Regulations) 2012, Bribery Act 2010, Prevention of Social Housing Fraud Act 2013, Proceeds of Crime Act 2002, Money Laundering & Terrorist Financing (amendment) Regulations 2019 and the Criminal Finance Act 2017.

Risk:

This report provides the results of the Council’s response to fraud risk management during the financial year. The provision of an effective Corporate Fraud Service reduces the Council’s risks related to fraudulent activity

External Consultees:

No external parties were consulted in the preparation of this report.

Strategic Plan Priorities

| Select the priorities of the Strategic Plan which are supported by this proposal: <i>(Select only one primary and as many secondary as appropriate)</i> | | Primary priority | Secondary priorities |
|--|--|--------------------------|--------------------------|
| T01 | Growing our Economy | | |
| 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"/> |
| T02 | Enabling our Communities | | |
| 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"/> |
| T03 | Maintaining Financial Sustainability | | |
| 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"/> |
| T04 | Delivering Digital Transformation | | |
| 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"/> |
| T05 | Caring for our Environment | | |
| 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 | Governance | | |
| XXX | How ESC governs itself as an authority | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| How does this proposal support the priorities selected? | | | |
| The embedding of strong safeguards for countering fraud and corruption supports good governance and demonstrates effective financial management. | | | |

Background and Justification for Recommendation

| | |
|---|--|
| 1 Background facts | |
| 1.1 | East Suffolk Council has a zero-tolerance approach to fraud and corruption, and has a dedicated Corporate Fraud Service with a comprehensive programme of proactive and reactive anti-fraud work |
| 1.2 | The Corporate Fraud Service will investigate any aspects of fraud activity relating to the Council, partnerships and their services, whilst considering the risk of loss to the Council, loss of the services to its residents and reputational damage this may cause. |
| 2 Current position | |
| 2.1 | Each year the Corporate Fraud Service expects to recover at least two times the cost of the Service from preventing fraudulent cases or identifying fraudulent payments for recovery. Full details of the value of the anti-fraud work carried out during 2021/22 can be seen in Appendix A of this report. |
| 3 How to address current situation | |
| 3.1 | The Council will continue to uphold its zero-tolerance approach in working towards the prevention, detection and prosecution of fraud and corruption, as set out in the Corporate Anti-Fraud Business Plan 2021/22 presented to the Committee in March 2021 |
| 4 Reason/s for recommendation | |
| 4.1 | This report is being presented to the Audit & Governance Committee to ensure the Committee is apprised of the Corporate Fraud work and performance over the last year, and in accordance with the Committee's terms of reference which stipulate (amongst other functions) that the Committee shall: 'Review the assessment of |

| | |
|--|--|
| | fraud risks and potential harm to the Council from fraud and corruption; and 'Monitor the counter-fraud strategy, activity and resources' |
|--|--|

Appendices

| Appendices: | |
|--------------------|---------------------------------------|
| Appendix A | Corporate Fraud Annual Report 2021/22 |

| Background reference papers: | | |
|-------------------------------------|--|-----------------------|
| Date | Type | Available From |
| Mar 2021 | Corporate Anti-Fraud Business Plan 2021/22 | CMIS |

Appendix A



CORPORATE FRAUD ANNUAL REPORT 2021/22

Introduction

- 1.1 East Suffolk Council has a dedicated Corporate Fraud Service whose function is to investigate any aspects of corporate fraud activity relating to the Council, Partnerships, and their services, considering the risk of fraud, error and loss to the Council and the reputational damage this may cause. The Council has an overall zero-tolerance approach to fraud and corruption. The Service submitted a comprehensive programme of proactive/reactive anti-fraud work which was presented to the Audit and Governance Committee and approved in March 2021. The Service has also continued with the various Covid Business Grant fraud prevention checks required by Central Government.
- 1.2 Local Authorities' powers increased in 2013, with the introduction of the Local Council Tax Reduction Scheme (LCTRS) Regulations (replacing Council Tax Benefit). Currently most Council Tax Single Person Discount (SPD) and LCTRS checks are undertaken by the Anglia Revenues Partnership (ARP). This includes the NFI results (National Fraud Initiative Exercise) allocated to them - see the Annex to this report for their declared results which are a mixture of proactive exercises, and fraud & error investigations. From 1st May 2015, the Department of Work and Pensions took responsibility for the statutory function of investigating Housing Benefit fraud.
- 1.3 A continued focus during 2021/22 has been to maintain working relationships and closer liaison across specific service areas to widen the scope of the Corporate Fraud Service to provide fraud awareness training to show how fraud could permeate into their areas of work. This has been very apparent since the Covid Business Grants and the Service has been able to demonstrate their value in the confidential avenues of enquires they could undertake to ascertain certain fraudulent activity and provide confidential national fraudulent intelligence to the Covid Team and Finance.

Resources

- 2.1 The Corporate Fraud Service during 2021/22 consisted of one full time Manager, two full time Investigation Officers and a part time Intelligence Officer who work under the direction of the Head of Internal Audit. The Head of Internal Audit is an Accredited Senior Appropriate Officer authorised by the National Crime Agency (NCA) in relation to financial investigation of suspected money laundering.

During the 2021/22 year the Council lost its in-house accredited Financial Investigator, but through the longstanding partnership with Ipswich Borough Council the Counter Fraud Service has access to 1.5 FTE accredited Financial Investigators which provides the Council with an opportunity to recoup financial losses as a result of any money laundering activity. East Suffolk Council hopes to replace their Financial Investigator post within this financial year.

- 2.2 Each year the Corporate Fraud Service expects to recover at least twice the cost of the Service from preventing fraudulent cases or identifying fraudulent payments for recovery. The Service cost £218k in 2021/22. The value of anti-fraud work is a combination of qualitative value, i.e. the value placed upon deterrent activity, plus financial values of the opportunity costs saved, and this equated to a figure of £2,163,007. Further details of how this figure has been calculated are reported in Appendix A.

Activity and Performance

- 3.1 The Head of Internal Audit directs and monitors the overall performance of the Corporate Fraud Service. The day-to-day management of the Service resides with the Corporate Fraud Manager. This report represents the performance/outputs of the Corporate Fraud Service during 2021/22. It is acknowledged that East Suffolk Council has retained its social housing stock and a considerable amount of the fraud work has been undertaken under the Prevention of Social Housing Fraud Act 2013 and the Right to Buy (RTB) regulations.
- 3.2 The Corporate Fraud Service investigated a variety of cases during the period 1st April 2021 to 31st March 2022 including:
- Covid Business Grants *
 - Right to Buy *
 - Social Housing Fraud *
 - Council Tax
 - Council Tax – Single Person Discount
 - Local Council Tax Reduction Scheme
 - Housing Benefit
 - Disabled Facilities Grant

- Business Rates (National Non-Domestic Rates)
- Rent payments
- Community Infrastructure Levy Payments
- Gateway to Home Choice applications
- National Fraud Initiative – (statutory Government led-exercise)

** Main areas of related fraud work undertaken this year*

Government Covid Business Grants (April 2020 onwards)

3.3.1 The Corporate Fraud Service along with their Audit colleagues have directed a large amount of resourcing to prioritising pre and post payment due diligence fraud checks, and intelligence gathering to ensure the correct recommendations are made to the team administering Covid Business Grants. All the relevant teams have worked well together to ensure the grants were paid in accordance with the national guidelines, and considering the risk of fraud and error.

Relevant Covid business grant schemes and the financial year each scheme was active are:

- Small Business Grant Fund (2020/21)
- Retail, Hospitality and Leisure Grant Fund (2020/21)
- Local Authority Discretionary Grant Fund (2020/21)
- Local Restrictions Support Grant (2020/21)
- Additional Restrictions Grant (2020/21 & 2021/22)
- Restart Grant (2021/22)
- Omicron Hospitality and Leisure (OHL) Grant Fund (2021/22)

For active schemes during 2021/22 the Corporate Fraud Service provided strategic advice on fraud risk, managed the Council's fraud risk assessment, applied appropriate counter-fraud tools to all grant applications received, and coordinated intelligence-gathering where necessary. Work on post payment checks and investigating cases of suspected fraud remain ongoing.

Right to Buy (RTB)

3.3.2.1 A vital area of work undertaken the Corporate Fraud Service undertake is the robust "due diligence" checks on all "Right to Buy" (RTB) application forms submitted to the RTB Team, comprising:

- Tenant's legal right to buy the property
- Tenant's residence at the property
- Verify source of funding, including funds from third parties (including gifts/loans)
- Interviews with tenants and any third parties
- Identity verification

3.3.2.2 The RTB Team (Housing), receipt each RTB application form and undertake their own tenancy checks and request the relevant valuation to advise the Tenant accordingly. The Corporate Fraud Service then receive the RTB form for checks etc. The teams work well together and once the Investigator has interviewed all participants and undertaken due diligence checks on Identity, tenants' details and any third party "gifting" or supplying the funds to purchase the property, the RTB application is recommended to proceed to the RTB Team then onwards transmission to the Legal Team. The financial circumstances and documentation provided is checked to ensure the purchase money/gift has been derived from legitimate means before recommended for sale.

Right To Buy Results 2021/22:

3.3.2.3 The Corporate Fraud Service (CFS) received 64 RTB application forms from the RTB team During 2021-2022.

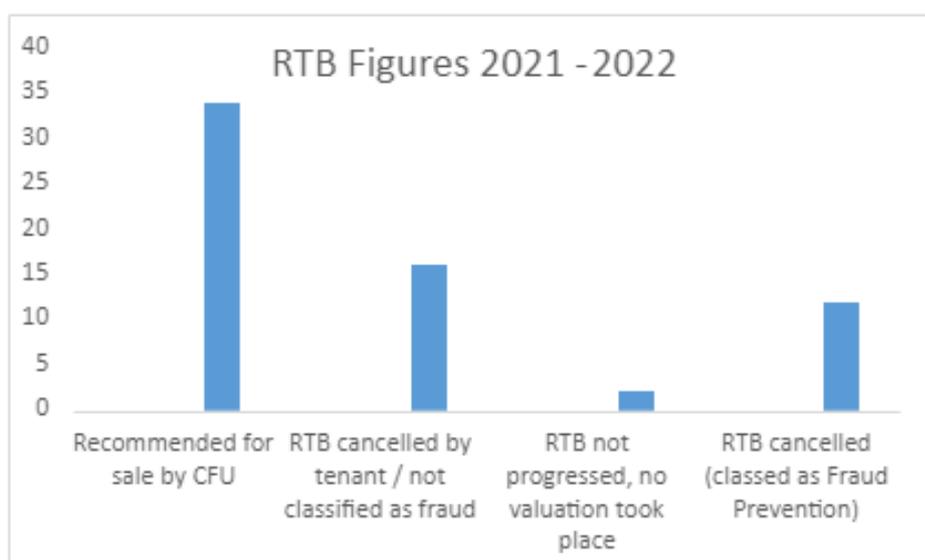


Figure 1: Outcomes of Right to Buy cases following their referral to the Corporate Fraud Service

As shown in Figure 1, the RTB's have been classified into four areas:

RTB's recommended for sale by the CFS

Thirty-four applications were recommended by the Corporate Fraud Service to the RTB Team and the Legal Team during the year 2021/22 following satisfactory interviews, financial and residency checks. The combined market value of these 34 properties was £5,299,200. The tenant's discount was a total of £2,388,672. Therefore, the actual monetary value due to the Council was £2,910,528 for these social properties now withdrawn from the Housing stock.

RTB's cancelled by the tenant for varying reasons (notified such as uncertainty/lack of funds etc), not classified as fraud

Sixteen RTB applications were cancelled by the tenant (not classified as fraud). These applications were cancelled by the tenants for

reasons unknown. They had an actual total market value of £3,070,500. The discount the tenants received would have been £1,219,255, so actual value of these social houses would have been £1,851,245 had they been sold and withdrawn from the housing stock.

RTB's not progressed, and no valuation took place

Two RTB applications have been cancelled without fraud intervention. These applications did not progress, and no valuation was undertaken. From checking "Zoopla" estimations they had an approximate joint market value of £263,000. One a 3 bed roomed house and 1 bed flat. They now remain in the Council's Housing Portfolio.

RTB cancelled with an aspect of fraud intervention etc

Twelve RTB applications have been classified as cancelled with fraud involvement despite reminders, undeclared CCJ's identified, no documentary evidence provided by the tenant therefore did not proceed. All applicants are advised by letter they will be interviewed by the Corporate Fraud Service and must provide appropriate identity/ financial documentation etc of all participants to support the application. As a result, these 12 properties, with a combined current market value of **£1,704,500**, remain part of the Council's Housing portfolio. The intervention of Corporate Fraud Services has assisted financially by safeguarding the actual market value of each of these ESC properties, alongside retaining these within the housing portfolio, there is also the continued additional income from rent payments. If these properties had been sold based on individual tenants' discount (NB: the discounts all differ in each RTB application depending on qualifying years served as a social tenant) the discount granted would have amounted to £844,560 had the sales progressed, with £859,940 sales income for the Council's housing revenues account.

- 3.3.2.4 For the 34 RTB sales recommended to proceed Figure 2 shows the East Suffolk Council geographical areas each property was located in, including the indicative agreed price and discount applied per geographical area.

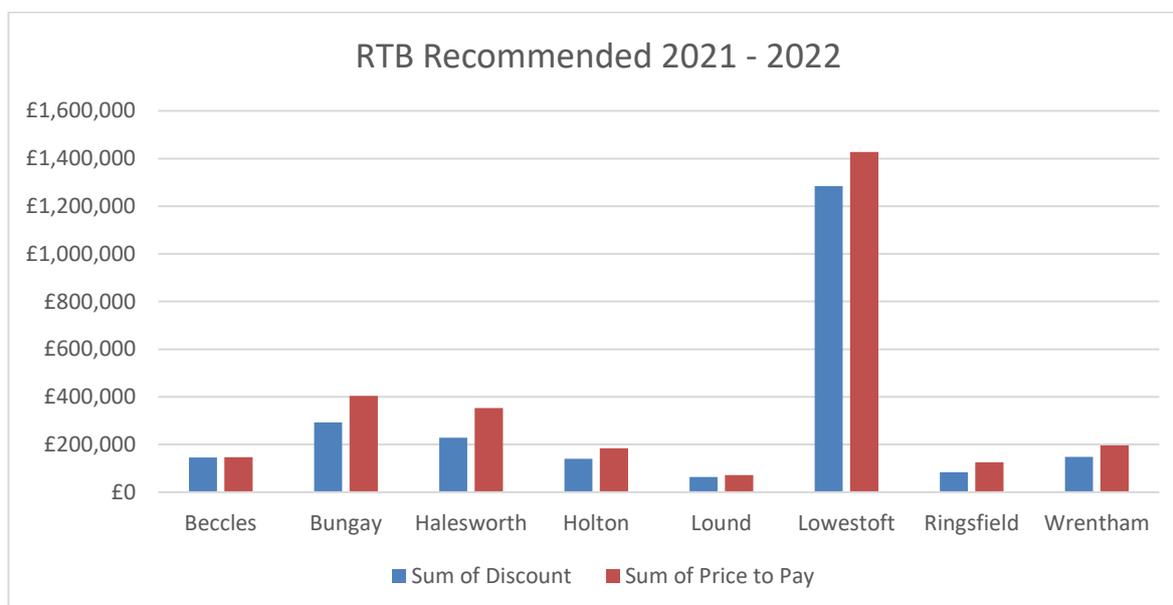


Figure 2: Sale price by geographic area, broken down by discount and sale price due to the Council

3.3.2.5 For the 34 RTBs where the sales were recommended to proceed Table 1 shows the RTB accommodation types against the East Suffolk Council geographical area where each property was located.

| | Bungalow | | Flat | | House | | | <i>Totals</i> |
|---------------|----------|----------|-------|----------|----------|-----------|----------|---------------|
| | 1 bed | 2 bed | 1 bed | 2 bed | 2 bed | 3 bed | 4 bed | |
| Beccles | | | | | | 2 | | 2 |
| Bungay | | | | | 1 | 3 | | 4 |
| Halesworth | | | | | | 3 | | 3 |
| Holton | | | | | 1 | 1 | | 2 |
| Lound | 1 | | | | | | | 1 |
| Lowestoft | | 1 | | 1 | 1 | 14 | 2 | 19 |
| Ringsfield | | | | | | 1 | | 1 |
| Wrentham | | | | | | 2 | | 2 |
| Totals | 1 | 1 | | 1 | 3 | 26 | 2 | 34 |

Table 1: East Suffolk property types sold and location

Social Housing Fraud

3.3.3 Social housing fraud, also known as tenancy fraud, deprives legitimate and deserving tenants of access to affordable homes and has a direct impact on local people, their families, and communities.

East Suffolk Council currently has 4,799 people (families) registered on their Housing Register

3.3.4 The Corporate Fraud Service has received suspected tenancy fraud referrals which have been / or are currently being investigated. The Service has also received external public fraud referrals ref other Social Housing Associations and liaise accordingly. The Council has additional powers under the Prevention of Social Housing Fraud Act 2013 to undertake financial/household enquiries to prevent fraudulent activity to establish whether any criminal offences have been committed in respect of the tenancy (abandoned properties etc). Currently Social Landlords do not have these powers.

3.3.5 The cost of tenancy fraud has been reported in several Local Government Fraud publications. Nationally reported figures suggest notional costs ranging from £18,000 to £93,000 per property recovered. This is considered with the annual current cost of temporary accommodation (£18,000pa+), depending on the size of the family, available accommodation, places where suitable and the duration for which a fraudulent tenancy may continue undetected (4 years). Other non-recoverable costs include legal costs to recover the property; re-let costs; and rent forgone during the void period between tenancies (£21,000 approx.). Therefore, individual Councils have differing costs in respect of tenancy fraud, depending on their geographical area and individual cases.

3.3.6 Within the cases reviewed (some are still under investigation), four properties were returned to the housing stock as a consequence of the investigation and joint verification due diligence fraud checks by the Investigator and the Housing Officer. The prevention of potential financial loss to the Council per property recovered is calculated using the notional figure as previously advised by the National Fraud Initiative (NFI) – Cabinet Office – October 2017.

| Tenancy recovered | No | Value |
|----------------------------|-------|--------------------|
| | | |
| Notional Savings @ £93,000 | 4 | £372,000.00 |
| | Total | £372,000.00 |

Financial Impact from other Fraud Activity

3.3.7.1 Council Tax

| | No | Value |
|----------------------------------|---------|------------------|
| Council Tax Fraud Irregularities | 2 cases | £3,669.32 |
| | Total | £3,669.32 |

3.3.7.2 Council Tax - Single Person Discount

| | No | Value |
|------------------------|---------|------------------|
| Single Person Discount | 5 cases | £1,815.87 |
| | Total | £1,815.87 |

3.3.7.3 Local Council Tax Reduction Scheme

| | No | Value |
|-----------------------------|---------|------------------|
| Local Council Tax Reduction | 5 cases | £4,467.97 |
| | Total | £4,467.97 |

3.3.7.4 Housing Benefit

| | No | Value |
|--------------------------|---------|-------------------|
| Housing Benefit overpaid | 4 cases | £17,604.78 |
| | Total | £17,604.78 |

3.3.7.5 Disabled Facilities Grant

| | No | Value |
|---|--------|------------------|
| Disabled Facilities Grant falsely claimed | 1 case | £6,422.27 |
| | Total | £6,422.27 |

3.3.7.6 Business Rates (NNDR)

Cases have primarily related to recovery of Small Business Rate Relief (SBRR)

| | No | Value |
|------|---------|-------------------|
| SBRR | 6 cases | £44,312.19 |
| | | £44,312.19 |

3.3.7.7 Rent payments clawback following Investigation

| | Value |
|-------------------|------------------|
| ESC Rent clawback | £8,214.61 |
| | £8,214.61 |

3.3.7.8 National Fraud Initiative

The Corporate Fraud Service continues to participate in the 2021/22 Cabinet Office National Fraud Initiative (NFI) data matching exercise, which is currently ongoing. Most CTAX/SPD/LCTR matches are undertaken by Anglia Revenues Partnership and their results are shown in the Annex to this report.

Other Fraud Activity

3.3.8 Embedding an anti-fraud culture

Through the strategic lead of the Head of Internal Audit, the Corporate Fraud Service (East Suffolk Council and Ipswich Borough Council) have co-operated in the development of common processes, policies, and training throughout the last year and will continue in the future.

3.3.9 The Regulation of Investigatory Powers Act 2000 (RIPA)

The Head of Internal Audit is the Council's single point of contact for the Surveillance Commissioner for information gathered under the RIPA Act and/or the Investigatory Powers Act 2016, relating to relevant data etc, before being submitted to the National Anti-Fraud Network for consideration and approval. The Head of Internal Audit provides an annual return to the Surveillance Commissioner and requests, who undertakes regular inspection of the Council's activities.

In the 2021/22 year there were no requests for surveillance submitted to the Head of Internal Audit.

The Corporate Fraud Service organises relevant RIPA/IPA training for all the Council's Enforcement Officers who are in this field of work. This refresher training programme is due to be rolled out in 2022 and will also include Heads of

Service who authorise RIPA/IPA surveillance to ensure compliance with the Surveillance Commissioner's inspection, to lawfully authorise surveillance.

3.3.10 Council Members Training

An external specialist training company was commissioned to provide an online Fraud and Corruption Awareness training session during the last year. All Council Members were given an opportunity to attend this training and it is anticipated that further awareness sessions will be delivered in 2022/23.

In addition, an external Cyber Security Specialist was commissioned to provide online training for Council Members on "Protecting Yourself and Your Organisation from Cyber Crime".

3.3.11 Corporate Fraud Training

An ongoing programme to support Council staff in managing fraud risk exists. During 2021/22 the Corporate Fraud Service facilitated internal training to specific service areas including housing and customer services in relation to identification fraud during 2021/22.

3.3.12 Proceeds of Crime Act 2002 and Money Laundering Regulations (POCA part 7 /The Terrorism Act) Training

The Head of Internal Audit is also the Council's Money Laundering Reporting Officer responsible for reporting incidents to the National Crime Agency when identified. All members of staff are required to be aware of money laundering risks in order to prevent criminals using the Council to facilitate money laundering or terrorist financing.

A specialist external company was sourced to provide specialist Anti Money Laundering training to relevant teams within the Council in respect of the legal requirements and potential criminal offences. These half-day training sessions took place over 6 sessions during the last year with approximately 90 staff attending from key service areas. Additional sessions have been held in April 2022 and more programmed later in the 2022/23 year.

3.3.13 Groups and Partnerships

During 2021/22 the Head of Internal Audit and Corporate Fraud Service have been instrumental in the re-introduction of the Enforcement Officers Group (EOG), with the Group's first meeting held in May 2022. The EOG provides a forum for policies and procedures to be discussed and standardised, enabling

the Legal Team to receive a standard case file for their attention, increasing Council efficiency and consistency, and facilitating best practice discussions.

All Corporate Fraud Service staff are members of the National Anti-Fraud Network and the Local Authorities Intelligence Officers Group. This is an essential asset in the fight against national fraud as intelligence alerts are regularly disseminated across these groups to highlight current fraud risks and specific attempts of fraudulent activity.

The Internal Audit and Corporate Fraud Services have a partnership agreement with Ipswich Borough Council. This allows resource sharing, increased resilience, access to additional specialist counter-fraud staff resources and, where appropriate, intelligence sharing and joint working opportunities.

Conclusion

- 4.1 The work of the Corporate Fraud Service, supported by Housing Teams, RTB Team, Legal Team, DFG, and Finance Teams, has resulted in financial benefit to the Council and overall Public Purse by investigating, preventing, and identifying fraudulent values as follows for the year 2021/22:

| Fraud Area | Financial Benefit of CFS Intervention |
|---------------------------|--|
| Right to Buy | £1,704,500.00 |
| Social Housing Fraud | £372,000.00 |
| Council Tax | £3,669.32 |
| Council Tax SPD | £1,815.87 |
| LCTRS | £4,467.97 |
| Housing Benefit | £17,604.78 |
| Disabled Facilities Grant | £6,422.27 |
| Business Rates SBRR | £44,312.19 |
| Rent payments | £8,214.61 |
| Total: | £2,163,007.01 |

National Fraud Initiative Results 2021/22
Anglia Revenues Partnership

Anglia Revenues Partnership advised the following:

The tables show the results of the work undertaken by the Council's shared service partner, the Anglia Revenues Partnership, over the financial year. These results include the savings as defined by the National Fraud Initiative (NFI) and a pro-active review of all new Council Tax Single Person Discount awards. The Local Council Tax Reduction Scheme is a result of investigations, and the Business Rates/Council Tax savings are because of proactive work by the Visiting Officers (spotting new businesses on visits etc).

ARP also completed two successful prosecutions and issued three Administrative Penalties.

| East Suffolk - Totals | | | |
|--|------------|-------|--------------------|
| LCTRS (Local Council Tax Reduction Scheme) | | | £45,880.31 |
| SPD (Council Tax Single Person Discount) | | | £425,771.00 |
| Tenancy Fraud | | | £0.00 |
| Business Rates | | | £15,074.06 |
| Council Tax | | | £23,317.49 |
| Band D equivalent (SPD) | 503 | 101.1 | |
| Band D equivalent (CT) | 10 | 2.6 | |
| East Suffolk Preceptor | £75,523.24 | | |
| Total | | | £510,042.86 |



AUDIT & GOVERNANCE COMMITTEE

Monday, 25 July 2022

| | |
|---------------------------|---|
| Subject | Internal Audit Reports Recently Issued |
| Report by | Councillor Maurice Cook, Cabinet Member with responsibility for Resources Councillor Edward Back, Assistant Cabinet Member for Resources |
| Supporting Officer | Mrs Siobhan Martin Head of Internal Audit siobhan.martin@eastsoffolk.gov.uk 01394 444254 |

| | |
|-------------------------------|------|
| Is the report Open or Exempt? | OPEN |
|-------------------------------|------|

| | |
|---|-----------------|
| Category of Exempt Information and reason why it is NOT in the public interest to disclose the exempt information. | Not applicable. |
| Wards Affected: | 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 Homelessness Prevention Grant Top Up Certification 2021/22 and Homelessness Prevention Grant Top Up Revised Certification 2022/23 (relating to the 2021/22 financial year) be 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.

| | |
|-----------------------------|---|
| External Consultees: | No external parties were consulted in the preparation of this report. |
|-----------------------------|---|

Strategic Plan Priorities

| Select the priorities of the Strategic Plan which are supported by this proposal: <i>(Select only one primary and as many secondary as appropriate)</i> | | Primary priority | Secondary priorities |
|--|--|--------------------------|-------------------------------------|
| T01 | Growing our Economy | | |
| 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"/> |
| T02 | Enabling our Communities | | |
| 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"/> |
| T03 | Maintaining Financial Sustainability | | |
| P10 | Organisational design and streamlining services | <input type="checkbox"/> | <input type="checkbox"/> |
| P11 | Making best use of and investing in our assets | <input type="checkbox"/> | <input type="checkbox"/> |
| P12 | Being commercially astute | <input type="checkbox"/> | <input type="checkbox"/> |
| P13 | Optimising our financial investments and grant opportunities | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| P14 | Review service delivery with partners | <input type="checkbox"/> | <input type="checkbox"/> |
| T04 | Delivering Digital Transformation | | |
| 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"/> |
| T05 | Caring for our Environment | | |
| 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 | Governance | | |
| XXX | How ESC governs itself as an authority | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| How does this proposal support the priorities selected? | | | |
| <p>1 Internal Audit recommendations and advice support a robust corporate governance framework. The work of Internal Audit Services represents a fundamental function in delivering the Council's Corporate Governance responsibilities.</p> <p>2 The implications and benefits of agreed recommendations produced by Internal Audit affect all areas by improving controls and processes, which contribute towards efficient and effective management of services.</p> <p>3 The primary function of Internal Audit reports is to provide independent and objective assurance, supporting the Council's governance, risk management and control processes. Where Internal Audit reports provide assurance on the achievement of business objectives by service areas and within the agreed scope of audit work, these have been recognised as secondary priorities in the above list.</p> | | | |

Background and Justification for Recommendation

| | |
|---------------------------|--|
| 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 reports attached have recently been issued to those listed on the report distribution list. |

| | |
|---------------------------|---|
| 2 Current position | |
| 2.1 | The conclusion and assurance level of each Audit is set out in each individual Internal Audit report. |
| 2.2 | Full copies of Internal Audit reports are forwarded to the Chief Executive and relevant senior officers, including the Section 151 Officer where appropriate. Full reports are also sent to the relevant Portfolio Holder and all Members of the Audit and Governance Committee once the reports are finalised. |
| 2.3 | All agreed recommendations are recorded on a database maintained by Internal Audit. This database provides the Head of Internal Audit with the mechanism to both track and follow up outstanding recommendations. Overdue recommendations which have poor governance implications are reported regularly to the Audit and Governance Committee. |

| | |
|---|--|
| 3 How to address current situation | |
|---|--|

| | |
|-----|--|
| 3.1 | Recommendations relating to the findings arising from each Internal Audit can be seen on the reports, for the consideration of relevant lead officers. |
|-----|--|

4 Reasons for recommendation

| | |
|-----|---|
| 4.1 | To ensure that this report is considered within the overall control environment operated within the Council. |
| 4.2 | To enable the Audit and Governance Committee to assure itself that the coverage by Internal Audit as outlined in the Audit Plan is adequate, and to enable the Committee to comment upon the contents of the attached Internal Audit Report in support of effective corporate governance. |

Appendices

Appendices:

| | |
|-------------------|--|
| Appendix A | Homelessness Prevention Grant Top Up Certification 2021/22 |
| Appendix B | Homelessness Prevention Grant Top Up Revised Certification 2022/23 |

Background reference papers:

| Date | Type | Available From |
|------------|--|--|
| 2017 | Public Sector Internal Audit Standards | Chartered Institute of Public Finance and Accountancy |
| March 2022 | Internal Audit Charter | Head of Internal Audit siobhan.martin@eastsoffolk.gov.uk |



Homelessness Prevention Grant Top Up 2021/22 Certification

Issued to: Head of Housing (H Tucker), Housing Needs Manager (F Lincoln)

Issued by: Siobhan Martin, Head of Internal Audit

Date: May 2022

1. Scope and Objective of Review

1.1 This review provides certification in relation to Homelessness Prevention Grant Top Up funding, and will be reported in addition to the revised Annual Audit Plan, which was approved by the East Suffolk Council Audit and Governance Committee on 13 December 2021.

1.2 The objectives for this review were:

- Business objective: To use government funding in accordance with the required grant conditions in supporting vulnerable households with rent arrears.

1.3 This review will undertake appropriate investigations and checks that in all significant respects the required grant conditions set by the Department for Levelling Up, Housing and Communities (DLUHC) have been complied with.

1.4 East Suffolk Council received £123,894 for the Homelessness Prevention Grant Top Up.

2. Grant Condition Compliance

| Grant Condition Summary | Opinion |
|--|--------------------------|
| (1) Grant is spent in adherence to the principles | Full compliance |
| (2) No condition listed | n/a – no grant condition |
| (3) Chief Executive and Head of Internal Audit to submit a declaration | Full compliance |
| (4) A B&B elimination plan is produced | n/a – not required |
| (5) and (6) Repayment of grant to Minister of State if notified | n/a – not required |

2.1 The total spend as at 31 March 2022 is £13,299. No further grant payments can be made in relation to this funding.

- 2.2 In relation to grant condition 4, ESC was not required to have a B&B elimination plan as the number of families housed in B&B accommodation is below the threshold set by government. In addition, ESC has not received any requests for repayment of the funding under conditions 5 and 6.
- 2.3 The Chief Executive and Head of Internal Audit of ESC are required to provide an assurance declaration to DLUHC confirming that grant conditions have been met. The results of this audit have been used to provide a declaration to DLUHC.

3. Further Certification

- 3.1 The certification provided above has been made on the total expenditure to date as at 31 March 2022. Following submission of the declaration, additional miscoded expenditure was identified by the Finance team. Further work is required to certify the additional expenditure, and this will be undertaken in 2022/23.

Audit reports contain confidential information which may highlight weaknesses in the Council's internal control environment, and if released could increase the Council's exposure to risk. All distributed draft and final Internal Audit reports remain the property of the Head of Internal Audit and relevant Head of Service and may not be shared without agreement.



Homelessness Prevention Grant Top Up 2022/23 Revised 2021/2022 Certification

Issued to: Head of Housing (H Tucker), Housing Needs Manager (F Lincoln)

Issued by: Siobhan Martin, Head of Internal Audit

Date: May 2022

1. Scope and Objective of Review

1.1 This review provides certification in relation to Homelessness Prevention Grant Top Up funding 2021/22, and will be reported as part of the 2022/23 Annual Audit Plan, which was approved by the East Suffolk Council Audit and Governance Committee on 14 March 2022.

1.2 A certification relating to this funding has previously been submitted to the Department for Levelling Up, Housing and Communities (DLUHC). However, further miscoded expenditure was identified during the closedown of the Council's accounts. DLUHC has confirmed ESC are able to submit a revised declaration.

1.3 The objectives for this review were:

- Business objective: To use government funding in accordance with the required grant conditions in supporting vulnerable households with rent arrears.

1.4 This review will undertake appropriate investigations and checks that in all significant respects the required grant conditions set by DLUHC have been complied with.

1.5 East Suffolk Council received £123,894 for the Homelessness Prevention Grant Top Up.

2. Grant Condition Compliance

| Grant Condition Summary | Opinion |
|--|--------------------------|
| (1) Grant is spent in adherence to the principles | Full compliance |
| (2) No condition listed | n/a – no grant condition |
| (3) Chief Executive and Head of Internal Audit to submit a declaration | Full compliance |
| (4) A B&B elimination plan is produced | n/a – not required |
| (5) and (6) Repayment of grant to Minister of State if notified | n/a – not required |

- 2.1 The total revised expenditure as at 31 March 2022 is £109,832.76. No further grant payments can be made in relation to this funding, and there is an underspend of £14,061.24 which will be returned to DLUHC upon request.
- 2.2 In relation to grant condition 4, ESC was not required to have a B&B elimination plan as the number of families housed in B&B accommodation is below the threshold set by government. ESC has not received any requests for repayment of the funding under conditions 5 and 6.
- 2.3 The Chief Executive and Head of Internal Audit are required to provide an assurance declaration to DLUHC confirming grant conditions have been met. The results of this audit were used to provide a declaration to DLUHC on 13 May 2022.

Audit reports contain confidential information which may highlight weaknesses in the Council's internal control environment, and if released could increase the Council's exposure to risk. All distributed draft and final Internal Audit reports remain the property of the Head of Internal Audit and relevant Head of Service and may not be shared without agreement.

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

Confidential:

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

12 September 2022

Open:

Minutes (AS)
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)
Fraud and Corruption Strategy – refresh (SM)
Code of Corporate Governance (SM)
Whistleblowing Policy – Refresh (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)
Review of the second Vice Chairman post created in 2022 (CB)
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)

Reports to come before the Committee on a date to be confirmed

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

Fair Tax Mark (Procurement Team)