EASTSUFFOLK
COUNCIL

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

Audit and Governance Committee

Members:
Councillor Geoff Lynch (Chairman)
Councillor Edward Back (Vice-Chairman)
Councillor Judy Cloke
Councillor Tony Cooper
Councillor Linda Coulam
Councillor Tess Gandy
Councillor Chris Mapey
Councillor Rachel Smith-Lyte
Councillor Ed Thompson

Members are invited to a **Meeting of the Audit and Governance Committee** to be held on **Monday, 15 March 2021** at **6.30pm**

This meeting will be conducted remotely, pursuant to the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.

The meeting will be facilitated using the Zoom video conferencing system and broadcast via the East Suffolk Council YouTube channel at https://youtu.be/u-BVQwGUPbo

An Agenda is set out below.

Part One – Open to the Public

Pages

1 Apologies for Absence and Substitutions

		Pages
2	**Declarations of Interest** Members and Officers are invited to make any declarations of Disclosable Pecuniary or Local Non-Pecuniary Interests that they may have in relation to items on the Agenda and are also reminded to make any declarations at any stage during the Meeting if it becomes apparent that this may be required when a particular item or issue is considered.	
3	**Minutes - 14 December 2020** To confirm as a correct record the Minutes of the Meeting held on 14 December 2020.	**1 - 12**
4	**Minutes - 18 January 2021** To confirm as a correct record the Minutes of the Extraordinary Meeting held on 18 January 2021.	**13 - 17**
5	**Proposed Changes to the East Suffolk Council Constitution ES/0710** Report of the Leader of the Council	**18 - 23**
6	**East Suffolk Council Draft Statement of Accounts 2019/20 ES/0704** Report of the Cabinet Member with responsibility for Resources	**24 - 148**
7	**East Suffolk Council - Provisional Audit Results Report 2019/20 ES/0705** Report of the Cabinet Member with responsibility for Resources	**149 - 207**
8	**Corporate Anti-Fraud Business Plan 2021-22 ES/0694** Report of the Cabinet Member with responsibility for Resources	**208 - 221**
9	**Internal Audit: Annual Internal Audit Plan 2021/22 ES/0695** Report of the Cabinet Member with responsibility for Resources	**222 - 237**
10	**Recently Issued Internal Audit Reports (Open) ES/0696** Report of the Cabinet Member with responsibility for Resources	**238 - 254**
11	**Audit and Governance Committee's Draft Work Programme 2021/2022** To consider the Committee's draft Work Programme for 2021/22	
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.	

Part Two – Exempt/Confidential

Pages

13 Exempt Minutes - 14 December 2020

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

14 Anti-Money Laundering Policy

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

15 Internal Audit: Data Protection Status Update

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

16 Internal Audit: Status of Actions (Exempt)

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

17 Recently Issued Internal Audit Reports (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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Councillor Development Charter.

Charter Plus+

The national Charter and Charter Plus Awards for Elected Member Development

East Suffolk Council is committed to achieving excellence in elected member development

www.local.gov.uk/Community-Leadership

Unconfirmed

Minutes of a Meeting of the **Audit and Governance Committee** held via Zoom on **Monday, 14 December 2020** at **6.30pm**

Members of the Committee present:
Councillor Edward Back, 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 Peter Byatt, Councillor Maurice Cook

Officers present: Katherine Abbott (Democratic Services Officer), Sarah Davis (Democratic Services Officer), Siobhan Martin (Head of Internal Audit), Laura Fuller (Audit Manager), Brian Mew (Interim Chief Finance Officer), Lorraine Rogers (Deputy Chief Finance Officer), Hilary Slater (Head of Legal and Democratic Services) and Julian Sturman (Senior Accountant).

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1 Apologies for Absence and Substitutions

There were no Apologies for Absence received.

2 Declarations of Interest

There were no Declarations of Interest.

3 Minutes

RESOLVED

That the Minutes of the Meeting held on 22 September 2020 be agreed as a correct record and signed by the Chairman.

4 Standards Matters, Declarations of Gifts/Hospitality Received by Members and Officers and Review of Complaints

The Committee received the report of the Leader of the Council which gave an update on standards related matters and offers of gifts/hospitality received by Members and Officers. The Head of Legal and Democratic Services reported that she had discussed the report in detail with the Leader who was content for her to present it to the Committee on his behalf.

Members were informed that the report included details of the process for complaints against District, Town and Parish Councillors which were received by the Head of Legal and Democratic Services in her capacity as Monitoring Officer. 19 complaints had been received to date this calendar year which was on par with last year, although slightly higher than in Suffolk Coastal and Waveney District Council days combined. It was explained that the vast majority of complaints were dealt with by local resolution such as apologies, training or no further action being required. Although none so far had been referred for further investigation, the Officer reported that it was possible one would need to be investigated.

In relation to gifts and hospitality, Members' attention was drawn to Appendix A which detailed the five offers and the Head of Legal and Democratic Services reported that there was nothing that caused any undue concern.

Members were informed that Elections Officers had chased Town and Parish Councils for the Register of Interest forms and to date, only 12 were outstanding from a total of 1143 Councillors so only 1% was missing and these were primarily Councillors who had just been co-opted and not yet completed their forms. The Head of Legal and Democratic Services reported that Officers were continuing to chase the outstanding forms but she was very pleased at the much higher rate of return achieved.

The Chairman stated that he had no particular issues with the items of gifts/hospitality listed and commented that it was good to keep a track of what had been offered. He continued that achieving 99% rate of return for Register of Interests was a fantastic result and that it was good to know that the 12 missing ones were from newly appointed Councillors. He thanked the Head of Legal and Democratic Services and asked her to pass on the Committee's thanks to the Officers involved for this great achievement. In relation to the complaints, he requested that the Officer inform the Committee if any help was required.

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

RESOLVED

That the report be noted.

5 Corporate Risk Management Update

The Committee received the report of the Cabinet Member with responsibility for Resources in relation to Corporate Risk Management which provided Members with the latest changes to strategic and operational risk, developments in how the Council managed risk, progress against planned developments and what the key risks were to the Council. It was noted that the current approach to corporate risk management was to embed risk management across the Council so that it was the responsibility of all managers and teams rather than side-lined to be managed by one team. From 1 April 2020, under the East Suffolk Strategic Plan governance framework, strategic risks were monitored and governed by the Corporate Governance Group (CGG). Also, as part of the process for delivering the Strategic Plan, relevant risks were reported at each Strategic Plan Theme Delivery Board.

A reminder was given that a Risk Management training session for Members, facilitated by Zurich Municipal, was scheduled for 13 January 2021. It was also reported that a horizon scanning/risk challenge session was held with CMT on 9 November 2020 which focused on the impact of Covid-19 and the risks upon the Council. Outcomes from that session concluded that risks were being managed appropriately. The threat of cyber-attacks was identified which the Council incorporated within the ICT risk. Work was also underway to develop a risk relating to mental welfare (internally and on communities). It was noted that there were currently 24 key risks (3 'red', 15 'amber' and 6 'green') and Section 4 of the report provided full details. All risks were constantly reviewed and monitored to ensure target actions were completed and target scores were achieved.

In relation to the three red risks, Members were informed that these were**:**

- **Coronavirus:** The impact of coronavirus was a significant risk to the delivery of Council services. Business continuity plans were in place and ensured services continued to operate effectively particularly to support the most vulnerable in the community to access essential services and cover staff absences. Home But Not Alone was implemented supporting vulnerable people struggling to access food, prescriptions and support with loneliness. This was paused in August due to end of shielding on 31 July 2020 and subsequent low demand. However, following the second lockdown, this was re-established on 4 November 2020. Procedures were put in place for homeworking and meetings were held remotely. Businesses were supported and grants delivered to those eligible, also robust systems were established allowing further grants to be made.

- **High profile or major coastal erosion or coastal incident:** There was a high possibility for major erosion, slip or a tidal surge incident which could be catastrophic to life or loss of public or private assets. Monitoring of weather and surge reports was undertaken with appropriate engagement with civil contingencies team, East Anglia and Suffolk and Norfolk Resilience Forums. An emergency event plan was to be developed in conjunction with other service areas and external partners and implemented in key erosion locations.

- **Flood Risk:** Potential of flooding and tidal surges in the short-term and long-term remained high. There was also a possibility of more frequent flooding and tidal surges due to the impact of climate change. ESC was part of Suffolk Resilience Forum and continued to work with other agencies. Targeted actions included Coastal Partnership East producing an incident response protocol and incident response with Building Control teams in local authorities and others depending on flood risk sources.

In relation to the amber risks, key updates were:

- **Medium-Term Financial Strategy including delivery of balanced Annual Budget:** Risk rating continued to reflect uncertainty around national Government initiatives and their potential financial impact, delivery of key projects, the impact of Covid-19 pandemic, and the economic outlook. Recent Government announcements on Covid-19 and other financial support measures to local authorities would contribute significantly to mitigating the impacts of the pandemic. Members were reminded that 'Financial Sustainability' was a key theme in the East Suffolk Strategic Plan. The annual budget was approved by Full Council annually and the MTFS position was reviewed continuously. CMT worked with Cabinet to develop and implement plans to deliver a sustainable balanced position. Work continued to identify savings and income generation, and deliver and monitor key projects to achieve and maintain financial sustainability.

- **Brexit:** Brexit took place on 31 January 2020 and the 11-month transition period was due to end on 31 December 2020. New rules for businesses and citizens would be in place from 1 January 2021 including importing/exporting goods, travelling, living and working in the EU. ESC continued to support businesses and Brexit trade advisors had been appointed to work with businesses to support trading activities during the EU transition. This risk would be constantly monitored and updated to ensure risks were managed accordingly.

- **Large/Significant Service Delivery Contracts/Partnerships:** Work continued to ensure Contract Management Procedures and documentation fully met the needs of managing contracts. The Council's Constitution included Contract Procedure Rules. New procurement rules required Officers to play a more proactive role in understanding and monitoring contract performance. The Council carried out an extensive review of leisure contracts in 2019 and 2020, leading to a full procurement for a new leisure contractor. In addition, a leisure development contract was terminated, and the main functions rolled into the core leisure contract. Work started in 2020 on a full review of the Norse contract, and the production of an options appraisal.

- **Safeguarding:** Significant risk that those requiring assistance were unable to receive help due to not meeting threshold criteria of other authorities/organisations despite being clearly vulnerable and in need of safeguarding. ESC was continuing to liaise with other authorities to address this gap in terms of referral processes and thresholds and risk scoring would be reviewed as developments continued. A Services for All Group had been established and training held to ensure compliance with policy and legislation.

- **Failure of assets to meet financial requirements:** Significant work had been undertaken to review asset management including the completion of an Asset Management Strategy which set out the management of assets in a way to ensure maximum value was derived from the existing portfolio, from acquisitions and from disposals. A single electronic Asset Register had also been created. Controls were in place to monitor assets including regular meetings of the Asset Management Group which examined the use and disposal of assets. An Asset Management Strategy was approved by Cabinet and its principles were guiding new acquisitions.

- **East Suffolk Commercial Partnerships:** Risk related to uncertainty as to whether the Council would deliver the requirements within the Commercial Strategy including implementation of LATCOs and in-house commercial opportunities, and therefore unable to generate new income streams. Business cases and proposals for commercial investment and trading were reported to Cabinet in February 2019. Delegated authority was granted to Officers to incorporate the LATCOs. The companies set out in the report could not commence trading without prior Cabinet approval of a Full Business Case for their commercial activity. Consultants were being used to provide legal and expert advice and supporting the incorporation of the LATCO and governance arrangements.

- **Climate Change:** The Climate Change Action Plan included milestones to work towards the Council becoming carbon neutral by 2030. ESC was part of the Suffolk Climate Change Partnership. ESC continued to work with Government and others to deliver its 25-year Environmental Plan and increase powers and resources available to local authorities to achieve the 2030 target. ESC was also measuring renewable energy generated on its own estate.

- **Failure of ICT (including Disaster Recovery for ICT):** ICT resilience remained a key priority with ongoing review and updating of infrastructure, systems and processes to mitigate against evolving ICT risks. Specific measures were in place to address cyber security risks and development of Cloud facilities solutions which would provide additional resilience.

Members were informed of some of the Green Risks:

- **Programme and Project Delivery:** Risk improved due to work to deliver previous East Suffolk Business Plan and a new East Suffolk Strategic Plan (implemented 1 April 2020). Governance arrangements for the Strategic Plan ensured effective management of corporate projects.

- **Capital Programme:** A Capital Strategy was in place and reported annually to Cabinet. East Suffolk Asset Management Strategy was approved by Council. Asset Management Investment Strategy was being implemented and used to inform decision making processes. For example, the recent purchase of a business park in Beccles was informed by the investment criteria set out in the Asset Management Strategy. The Strategy codified and rationalised the basis for the Council's asset management decisions in a single adopted document.

- **East Suffolk Strategic Plan:** Strategic Plan was approved at Full Council on 26 February 2020. It was a strategic-level document showing high level aims and objectives to steer decision-making and day to day management of services. There were five themes, which were overarching principles for the way the authority would work as a whole, rather than being in isolation, the plan presented themes and priorities as the ethos under which decisions would be made and the direction the authority would travel over the next four years. A comprehensive reporting framework was established.

The Committee was informed of the following closed Risks:

- **Safeguarding policies and procedures**: Strategies and policies were in place and training sessions held for Councillors which included emerging issues such as County Lines and Child Sexual Exploitation. An online training module also formed part of requirements for licensing taxi drivers.

- **East Suffolk Council**: Risk related to successfully dissolving the two Councils. ESC successfully established on 1 April 2019.

- **Service Planning**: No longer a corporate risk. Service planning now formed part of the delivery of the East Suffolk Strategic Plan.

Reference was made to the current and target rating for coastal management on page 27 and concern was expressed that this appeared to be an ambitious target given the level of coastal erosion in the East Suffolk area. The Cabinet Member agreed that this was a very serious issue especially due to the potential for loss of life but responded that there was a lot of work going on and Officers and the relevant Cabinet Member were confident that this target was achievable. He added that this target would be looked at and monitored by both internal and external audit.

In relation to paragraph 4.12 regarding new tidal defences and a barrier, clarification was sought as to whether the new bridge was still going ahead. The Cabinet Member responded that it had been confirmed at a recent meeting that the third bridge would be going ahead so that would hopefully also mitigate some of the risk.

Attention was drawn to paragraph 4.25 and a query was raised as to whether there was any legal redress in relation to the way in which the cladding on St Peter's Court had been installed. The Cabinet Member confirmed that investigations were taking place on whether there would be any redress and a report would be made to Cabinet in due course.

The Chairman referred to the fact that Covid-19 had impacted on everything and added stress to all the Council's services but it was good to see that three risk areas had been closed.

On the proposition of Councillor Cloke, seconded by Councillor Cooper, it was

RESOLVED

That the report be noted.

6 Treasury Management Strategy Statement for 2021/22 and Treasury Management Investment Strategy 2021/22

The Committee received the report of the Cabinet Member with responsibility for Resources which set out the East Suffolk Council's Treasury Management Strategy Statement for 2021/22 and the Investment Strategy for 2021/22. It was noted that these documents covered:

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

The Treasury Management Strategy Statement at Appendix A provided Members with details of the economic background that the Council had been operating in and the credit outlook and interest rate forecast. The Treasury Management Indicators helped the Council to measure and manage its exposure to treasury management risks. The indicators covered:

- security;

- liquidity;
- interest rate exposure;
- maturity structure of borrowing;
- principal sums invested for periods longer than one year;
- operational boundary for external debt; and
- authorised limit for external debt.

Annex A of Appendix A provided Members with Arlingclose's economic and interest rate forecast as at November 2020. As at 30th November, the Council held £77.25m of borrowing and £178.86m of investments which included £45m of business Covid-19 grant funding. Annex B of Appendix A provided a further breakdown.

It was noted that the Investment Strategy at Appendix B provided Members with detail on treasury management investments and commercial investments. It also provided detail on capacity, skills and culture that operated within the Council and detailed the investment indicators that operate:

- total risk exposure;
- how investments were funded; and
- rate of return received.

On the 25th November 2020, HM Treasury and the Government lowered the Public Works Loan Board (PWLB) borrowing rate this response included a requirement that any authority wishing to borrow from the PWLB must now show that its capital programme did not include any purchase of asset for yield over the coming 3 year period. In light of this outcome, the Council would need to consider long-term loans from other sources including banks, local authorities, and other instruments to ensure the future delivery of the Capital Programme; and reduce over-reliance on one source of funding in line with the CIPFA Code.

The Cabinet Member concluded by requesting that this Committee recommended to Full Council that the Treasury Management Statement and Investment Strategy for 2021/22 be approved.

The Chairman referred to page 37 and the reference to negative interest rates and he queried how this would affect East Suffolk. The Cabinet Member stated that the Bank of England had talked about introducing negative interest rates but, at this point, the Council's advisers Arlingclose were confident that they would stay the same for the foreseeable future. He added, however, that there might be an impact on the Council's fixed term investments. The Interim Chief Finance Officer echoed the Cabinet Member's point about Arlingclose but stated that he had seen some evidence that when looking to invest, the Government was already effectively using negative rates, therefore, the Council would avoid placing any funding back with the Government. The Chairman queried where funding would be invested. The Senior Accountant responded that predominantly investments were being made in other local authorities because for the short to medium term eg up to two years, councils were moving away from banks and building societies to protect ourselves from any risk of negative interest rates. He added that, as part of the internal processes, the financial viability of each local authority would be looked at before East Suffolk would invest in them and we would also obtain advice about any counterparty on our list to minimise any risk as much as we could.

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

RESOLVED

That the higher cash balances the Council was currently holding due to Covid-19 grant funding be noted and the Treasury Management Strategy Statement and Investment Strategy for 2021/22 be recommended for approval by Full Council.

7 Capital Strategy 2021/22 to 2024/2025

The Committee received the report of the Cabinet Member with responsibility for Resources who explained that, following the large amount of commercial investment undertaken by Local Authorities using 100% borrowing to finance their investments, the Chartered Institute of Public Finance and Accountancy issued a new Prudential Code in February 2018 requiring all Councils to produce an annual Capital Strategy that would give a high-level overview of how capital expenditure, capital financing and treasury management activity contributed to the provision of local public services, along with how associated risk was managed and the implications for future financial sustainability.

The East Suffolk Capital Strategy for 2021/22 through to 2024/25 pulled together all the various policies and strategies the Council had in relation to capital and provided the key elements from them, such as:

- capital expenditure and financing, which related to the Council's capital programme;
- asset management strategy, which was still under development and was being led by the Asset Management Team;
- treasury management, covering borrowing and investments;
- investment for service purposes, where there was a strategic case to do so, such as entering into joint ventures with Norse;
- commercial investments, which links to the East Suffolk Commercial Investments Strategy;
- ·other liabilities, such as pension fund deficits and business rates appeals;
- revenue implications of the capital programme;
- knowledge and skills of officers, external advisors and councillors; and
- the Interim Chief Finance Officer's statement on the affordability and risk of the Capital Strategy.

Clarification was sought on how much income the Council would receive back from the former Deben High School and the London Road North Post Office. The Cabinet Member responded that both of these projects were still pending and discussions on use had been commenced but it was not known yet what income would be generated. He added that it was unlikely the Council would want to agree any large capital spending without the guarantee of any income.

On the proposition of Councillor Cooper, seconded by Councillor Cloke, it was

RESOLVED

That that the Capital Strategy 2021/22 to 2024/25 be recommended to Full Council for approval.

8 Annual Governance Statement 2019/20

The Committee received the report of the Cabinet Member with responsibility for Resources who explained that the Council was required by the Accounts and Audit Regulations to produce an Annual Governance Statement (AGS) each year.

For 2019/20, the External Audit results report for East Suffolk Council had been delayed from August 2020 due to the Covid-19 pandemic and changes to the Accounts and Audit Regulations, and this Annual Governance Statement had consequently been produced before the conclusion of the audit. External Audit work commenced in November 2020. Members were informed that, if there were further updates required to the AGS following the report, these would be taken to a future meeting of this Committee. The AGS would also be reported at the same time as the Statement of Accounts.

The AGS embraced the seven core principles as set out in the CIPFA framework: Delivering Good Governance in Local Government, which made the AGS a key document that helped provide assurance to Members and other stakeholders as to how governance of the Council was conducted. The core principles were found in Section 3 (page 3) relating to the governance framework.

Section 4 of the AGS was the Review of Effectiveness of its governance framework (pages 4 to 8). Paragraphs 4.29 to 4.32 detailed the Head of Internal Audit opinion that:

> 'Based on the findings of the managed audits and governance reviews carried out throughout 2019/20 and taking into account the current climate in which the Council is operating it is the opinion of the Head of Internal Audit that the Authority's control environment provides ***Reasonable Assurance*** of sound systems of control. Generally, risks are well managed, but some areas require improvement of internal controls to ensure strategic objectives are met.
>
> It is not possible, as at 31 March 2020, to quantify the additional risk 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. However, continuous assessment will take place by the Head of Internal Audit and be reported accordingly.'

Section 5 related to significant governance issues and paragraph 5.2 reported progress on the two carried forward issues identified in 2018/19 regarding Asset Management and Contract Management. Significant work had been carried out on both issues in 2019/20, namely:

- **Asset Management** – Asset Management Strategy had been completed and approved by Cabinet and all assets had been visited, inspected, recorded, valued and were available on a register (GGP) and fully accessible by the public. This action was now complete.
- **Contract Management** – A contract register was in place and a Task Group had been set-up to look at how the Council could maximise the benefit of Council procurement to people in East Suffolk. This Group would develop a new policy for

procurement for East Suffolk, which would inform the Procurement Strategy. This action remained open.

Paragraph 5.3 included issues identified and under review in 2019/20 with the intention to improve processes in 2020/21, and examples of good governance in operation in 2019/20 were identified in para 5.4.

Reference was made to the impact of Covid-19 (paragraph 5.7) and Members were reminded that during the lockdown period, temporary governance arrangements were put in place to allow for essential decision-making, either by making changes to the Scheme of Delegation to Officers, or by relying on the cascade of delegations to Officers in the Council's Constitution.

The Cabinet Member concluded by requesting that this Committee review and approve the Annual Governance Statement 2019/20.

In the absence of any questions from the Committee, the Chairman stated that he was pleased to see that Asset Management had finally be completed and Officers were working hard to see Contract Management coming to an end too. He pointed out that the delays to the finalisation and auditing of the accounts had not been due to the Council, adding that an extraordinary meeting had had to be called for 18 January 2021 to finalise the 2018/19 accounts and it was hoped the 2019/20 accounts would be ready for the March 2021 Committee meeting.

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

RESOLVED

That the Annual Governance Statement for 2019/20 (1 April 2019 to 31 March 2020) be approved.

The Cabinet Member took the opportunity to thank the Finance Officers for all their help and support before they left the meeting, adding that he was now delighted to be joined by the Audit Officers for the remaining items.

9 Internal Audit Charter

The Committee received the report of the Cabinet Member with responsibility for Resources relating to the refreshed Internal Audit Charter. Members were reminded that the Charter defined Internal Audit's purpose, authority, responsibility and position within the Council, and was regularly reviewed to take account of any practical or best practice changes. The Cabinet Member stated that the Charter had last been reviewed in January 2020 and, following its review and refresh, was being presented to this Committee to enable it to fulfil its terms of reference "To review and approve the Internal Audit Charter to ensure that it is appropriate to the needs of the organisation".

The Head of Internal Audit reported that the only real change to the document was to the last bullet point on page 100 which detailed her responsibilities for activities that could be considered auditable and this had now been updated to include the fact that she was also the Senior Information Risk Owner. She reminded Members that it was very important for her and her team to retain their independence across the Council to ensure that they could provide objective, impartial and effective professional judgements.

The Chairman commented that the Head of Internal Audit and her team had the full support of this Committee in conducting their very important work.

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

RESOLVED

That the refreshed Internal Audit Charter be approved.

10 Code of Corporate Governance

The Committee received the report of the Cabinet Member with responsibility for Resources who stated that CIPFA recommended an annual review of the Code of Corporate Governance, as directed in the CIPFA/SOLACE 2016 publication "Delivering Good Governance in Local Government". It was noted that the Code of Corporate Governance had last been reviewed in July 2018. He explained that the main body of the Code remained unchanged, but the evidence attached had been refreshed to capture current frameworks and processes in operation. The refreshed list was attached at Appendix A and fell within the Committee's terms of reference "To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances".

The Head of Internal Audit confirmed that the main changes were to Appendix A which included a list of documents that supported the Code itself. She explained that this was an umbrella document and included the principles and practices so it was a fundamental document and that had not changed. She added that there had not been any guidance changes since the last time the document had been looked at, however, the Appendix had been updated to include the East Suffolk Strategic Plan and Risk Management Strategy which demonstrated that it was a live document and that it met the seven principles of Council Good Governance.

The Chairman commented that this had been a very unusual year and given that the document was normally reviewed every two years but that it was possible there would be a number of changes due to Covid-19, he queried if it would be useful to report back and refresh the document sooner if there were any changes required. The Head of Internal Audit responded that this was a good point and she agreed to refresh and bring back the document to this Committee as soon as there were any updates.

On the proposition of Councillor Cloke, seconded by Councillor Cooper, it was

RESOLVED

That, having now considered and commented on the revised Code of Corporate Governance, this Committee recommend to Full Council that the document be adopted.

11 Audit and Governance Committee's Forward Work Programme

The Committee considered the Work Programme for the remainder of the Municipal Year and the Chairman confirmed that an extraordinary meeting would now be held on 18 January 2021 to conclude the 2018/19 accounts that had been delayed. He pointed out that there were currently a lot of items scheduled for the March meeting and Officers were, therefore, requested to consider if they had any items that could be brought forward to January.

12 Exempt/Confidential Items

RESOLVED

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

13 Exempt Minutes

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

14 Internal Audit: Status of Actions

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

15 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 8.10pm.

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Chairman

Unconfirmed

Minutes of a Meeting of the **Audit and Governance Committee** held via Zoom on **Monday, 18 January 2021** at **6.30pm**

Members of the Committee present:
Councillor Edward Back, Councillor Judy Cloke, Councillor Tony Cooper, Councillor Linda Coulam, Councillor Geoff Lynch, Councillor Rachel Smith-Lyte, Councillor Ed Thompson

Other Members present:
Councillor Maurice Cook, Councillor Craig Rivett

Officers present:
Sarah Davis (Democratic Services Officer), Matt Makin (Democratic Services Officer), Siobhan Martin (Head of Internal Audit & Data Protection Officer), Brian Mew (Interim Chief Finance Officer & Section 151 Officer) and Lorraine Rogers (Deputy Chief Finance Officer).

Others present:
Debbie Hansen (Ernst & Young).

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1 Apologies for Absence and Substitutions

Apologies for absence were received from Councillor Gandy. Councillor Byatt attended as Councillor Gandy's substitute.

2 Declarations of Interest

There were no Declarations of Interest.

3 Suffolk Coastal District Council Annual Audit Letter 2018/19

The Committee received the report of the Cabinet Member with responsibility for Resources which presented Ernst and Young's (EY) 2018/19 Annual Audit Letter for Suffolk Coastal District Council. It was noted that the Letter communicated the key issues arising from their work to Committee Members and external stakeholders, including members of the public.

The Cabinet Member reminded the Committee that detailed findings from EY's audit work had already been reported to them in September 2020 via the Audit Results Report and, at that time, the audit had been substantially complete. Members also received the updated Audit Results Report for 2018/19 with the sections that had been updated clearly highlighted in the Report. It was clarified that those findings had not been repeated in the Annual Audit Letter. Members were informed that the Executive Summary of the Audit Letter covered the areas of audit work undertaken and the conclusions of that work, while the Financial Statement Audit and Value for Money

Sections of the Letter detailed the significant risks identified from EY's audit planning, along with the findings from their work, in relation to these areas. There were no issues to report and an unqualified audit opinion and unqualified value for money conclusion had been issued.

The Cabinet Member explained that the Audit Letter also detailed the agreed and proposed audit fees. It was noted that the scale of fee variations for the 2018/19 year were yet to be agreed by the S151 Officer and were subject to further approval by Public Sector Audit Appointments (PSAA). The estimated scale fee variation of £10,600 in respect of the 2018/19 audit related to an objection to the Statement of Accounts which EY had not yet concluded their work on.

Debbie Hansen from EY reported that the purpose of the Annual Audit Letter was to provide a more public facing version of the Results Report that had been presented to the Committee in September 2020. Members were reminded that an unqualified audit opinion on the financial statements and unqualified value for money conclusion had been issued. A certificate concluding the audit had not yet been issued because EY were still concluding the objection received, although EY was satisfied that no issues raised by the objector would impact materially on the financial statements or value for money conclusion. Ms Hansen referred to Appendix B which was an updated Results Report and she explained that it had been revised because there had been some movement since the September Committee, when the original Report had been considered, in relation to the NNDR appeal position as one of the appeals had now been settled.

The Chairman queried whether the NNDR appeal related to Felixstowe Docks and the Interim Chief Finance Officer responded that the Council had made a sizeable provision of around £1.3m and this was reflected in the 2018/19 accounts but the appeal had settled at a much lower value than that giving around £1.1m difference. Because this happened in the period of the audit, this needed to be reflected as a material adjustment in the accounts for 2018/19. Essentially this was just a switch between years because it had been originally reflected in the 2019/20 East Suffolk accounts. He concluded that this adjustment was actually financially advantageous for the Council and the Suffolk Business Rates Pool because, in that year, the Council was part of a Government pilot where 100% of NNDR was retained by the Pool, whereas in 2019/20 the retained portion was 50%.

In relation to the Melton Hill valuation, the Chairman queried if EY was happy with that and Ms Hansen responded that EY had received responses from officers and were now in the process of drafting a response to the objector.

Councillor Byatt highlighted page 19 and a reference to a review of classifications and he queried how urgent this would be and also if Officers were sufficiently trained given there was reference to the value of Felixstowe chalets being overestimated due to the inclusion of VAT. The Interim Chief Finance Officer stated that he was confident that they were one-off issues and the valuation process should deal with those types of issues in the future. Ms Hansen confirmed that they had seemed to be one-off issues. She added that EY was doing more work around valuations this year due to Covid. In relation to the query on a review of classifications, Ms Hansen responded that they would need to be reviewed in 2019/20. The Interim Chief Finance Officer confirmed that procedures were reviewed every year to ensure that the Council was in line with the Code and Framework.

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

RESOLVED

That, having reviewed and commented, the Committee noted:

1. the key findings within the External Auditors' Annual Audit Letter for the year ended 31 March 2019 in respect of Suffolk Coastal District Council (Appendix A).

2. the findings in the updated external auditor's report 2018/19 (updated November 2020).

4 Waveney District Council Annual Audit Letter 2018/19

The Committee received the report of the Cabinet Member with responsibility for Resources which presented Ernst and Young's (EY) 2018/19 Annual Audit Letter for Waveney District Council.

Debbie Hansen stated that this report had the same background as the Suffolk Coastal report and she highlighted, in particular, Section 3 which contained the key findings in relation to the financial statements audit. She explained that there was no update for the Annual Results Report for Waveney as there had been no additional update since it was presented to the Committee in September 2020. Members noted that EY had issued an unqualified opinion for the financial statements audit and value for money conclusion on 10 December 2020 and their certificate concluding the audit had also been issued at the same time in relation to Waveney.

The Committee was informed that the first two risks EY had noted in relation to their audit was the misstatements due to fraud or error and the inappropriate capitalisation of revenue spend but no issues were identified in relation to those two areas. In relation to the valuation of land and buildings, Ms Hansen stated that there had been an error in relation to community assets which had been included in the accounts at a value of £617,000 but in their view this was an incorrect value and it should have been valued on an existing use basis with a value of £0. Management had corrected this and put it in as a prior period adjustment and amended the comparative information in 2017/18 but, although EY agreed with the nature of the error, they felt that it did not meet the definition of a prior period adjustment because the error was immaterial and was not, therefore, fundamental to a reader of the accounts so, in their view it should have just been adjusted in the current year rather than as a prior period adjustment. With regard to the pension liability valuation, Ms Hansen explained that this was due to legal cases and timing of the estimates undertaken by the actuary but had not been amended as it was not material. EY had also noted the authority had incorrectly shown a figure for the increase in available for sale financial assets but, again, this was not material and, therefore, not amended for. Ms Hansen reminded Members that she had talked through the going concern assessment and disclosures when the Committee had considered the Results Report.

Ms Hansen concluded that there was nothing else to draw to Members' attention in the report and she reiterated that there had been a positive outcome in terms of the unqualified opinion and certificate issued in December.

The Chairman referred to page 58 of the agenda and queried an additional charge of £8,400 in relation to Housing Benefits charges. Ms Hansen responded that there was a base charge for this work and then, as part of the audit, 25 cases were tested and if there were then errors found in that testing or in the prior year, a further sample of 40 cases would be tested to address the specific error so the final fee for Housing Benefits depended on the final amount of testing undertaken, therefore, the charge could vary each year. She added that, if there were fails and extended testing required, a report had to be made to DWP for which an additional fee was charged.

Councillor Cooper queried the audit fees and whether it would be the same figure next year. Ms Hansen clarified that the £73,000 was the total fee including the work on the housing benefit claim and the audit but she pointed out that, as the housing benefit fee varied, she did not know next year's total fee yet. In relation to the audit, she explained that the PSAA set the audit scale fee of £41,406 and this was the same for 2019/20, however, EY had made representations to the PSAA to increase the scale fees because they did not feel they had kept pace with the changing regulatory environment and the extra audit work required to be taken eg more specialists being involved in an audit such as valuers. Ms Hansen reported that the PSAA was still deliberating on their proposal to increase the scale fees for 2019/20. She added that the impact of Covid was also unknown in relation to its effect on the extra work needing to be undertaken in 2019/20 and the risks would roll forward to 2020/21. This meant that the current base figure for 2019/20 was £41,406 but EY expected that they would make proposals to the PSAA to increase this figure due to the extra work needed as a result of Covid to address the risks from that.

Concern was expressed that this meant the Council would not know the fees until after the audit had been carried out. Ms Hansen responded that EY had shared with Officers what they thought the base fees should be. She also pointed out that these fees were for Waveney but they had been reset by the PSAA for East Suffolk. She added that the Finance Team were aware of the starting point relating to the fees and EY could share estimates of what the fee would be as things came up but until the work was undertaken it was not possible to know what was required because the issues and errors identified through the audit were unknown. Clarification was sought as to whether the fees were negotiable and Ms Hansen responded that the process was that they tried to agree them with management and the PSAA who would ask what kind of work had been undertaken, the number of hours spent, what grade of staff had been involved etc. The PSAA would then set an hourly rate and Ms Hansen pointed out that this would be much lower than those set for EY's corporate clients.

The Chairman referred to the fact that part of the additional £6,000 fee was due to staffing issues at EY so he queried whether this would be an additional fee on 2019/20 audit as well as paying it in 2018/19. Ms Hansen responded that EY would still have to do work in relation to 2019/20 because the going concern assessment covered a period of 12 months from the date of the audit report, so if they were completed in February 2021 then the work would need to look forward to February 2022. She added, however, that this time the Council knew what information would be needed in respect of the going concern assessment so it should be less onerous than the first time the process was undertaken.

The Chairman reminded the Committee that the 2019/20 accounts were due to be considered at their next meeting in March 2021 and he queried if EY would be able to complete their audit in time. Ms Hansen responded that EY were making good progress on the audit so she was confident the audit would be completed subject to the review of asset valuations being completed in time.

Councillor Byatt expressed his Group's thanks to the Finance, Audit and EY Teams for their hard work in ensuring that there was nothing of concern in relation to Waveney's accounts, particularly in relation to value for money.

On the proposition of Councillor Cooper, seconded by Councillor Cloke, it was

RESOLVED

That, having considered and commented, the Committee noted the key findings within the External Auditor's Annual Audit Letter for the year ended 31 March 2019 in respect of Waveney District Council.

The meeting concluded at 7.15pm.

…………………………………………..
Chairman

EASTSUFFOLK
COUNCIL

AUDIT AND GOVERNANCE COMMITTEE

Monday, 15 March 2021

PROPOSED CHANGES TO THE EAST SUFFOLK COUNCIL CONSTITUTION

EXECUTIVE SUMMARY

1. All Councils must have a written Constitution which includes its standing orders, code of conduct, and such other documents as the Council considers to be appropriate. The East Suffolk Council's (ESC) Constitution was approved by the Shadow Council for East Suffolk on Monday, 28 January 2019 – Report REP 29(SH).

2. The Constitution sets out the Council's governance arrangements. Any changes to the Constitution must be approved by this Committee and Full Council, as required by the Constitution.

3. This report proposes some changes to the Constitution and asks that they be recommended to Full Council for approval.

Is the report Open or Exempt?	Open

Wards Affected:	All

Cabinet Member:	Councillor Steve Gallant Leader of the Council

Supporting Officers:	Hilary Slater Head of Legal and Democratic Services 01394 444336 Hilary.slater@eastsuffolk.gov.uk

1 INTRODUCTION

1.1 The ESC must have a written Constitution which has to include its standing orders, code of conduct and such other documents as the ESC considers to be appropriate. (S37 of the Local Government Act 2000).

1.2 The Council drafted a new Constitution when the ESC was created, on 1 April 2018. The Constitution was approved by the Shadow Council for East Suffolk on Monday, 28 January 2019 – report reference REP 29(SH) refers.

1.3 It was recognised by the Shadow Authority that the Constitution would need to be reviewed, to fit the working practices of the newly formed ESC. This report proposes some changes to the Constitution.

1.4 Part 2 of the ESC Constitution outlines the Council's functions and responsibilities. Paragraph 2.1 of Section B of this part of the Constitution details specific functions that are reserved for Council and states that one of these functions is changing the Constitution. In addition, Paragraph 10.3 of Part 1 of the Constitution states that the Audit and Governance Committee (AGC) has responsibility to advise the Council on substantive changes to the Constitution. Any substantive changes to the Council's decision-making arrangements and committee structure have to be considered by the AGC which will recommend changes to the Full Council. The Monitoring Officer has authority to make minor amendments and corrections to the Constitution. The Leader may change Cabinet Portfolios and delegations.

1.5 This report proposes changes to the Constitution which the Monitoring Officer does not consider to be "minor amendments" and which, therefore, need to be considered by the AGC and, if accepted, be recommended to Council for approval.

2 FIRST PROPOSED CHANGE TO THE CONSTITUTION

2.1 The Council has an Appointments Committee (AC) whose terms of reference are set out in Section C5 of Part 2 of the Constitution which is about "Functions and Responsibilities".

2.2 The AC is responsible for the appointment/dismissal of Strategic Management Team and Heads of Service. It recommends to Council that a formal offer of appointment be made for the Head of Paid Service and appoints other members of Strategic Management Team and Heads of Service. The AC must include at least one Member of the Cabinet.

2.3 At the moment, the AC has six Members, and must be politically balanced. Its membership would normally comprise:

-Leader or Deputy Leader of the Council in their absence.

-Cabinet Member for the Service Area concerned or another Cabinet Member in their absence.

-One Member of the Opposition (or nominated substitute in their absence).

2.4 Each of the six Members of the AC has one vote and the Chairman will be the Leader/Deputy Leader of the Council.

2.5 Members appointed to the AC are asked to undertake refresher training regarding the interview process, prior to sitting on the AC, in accordance with good practice and to ensure that the recruitment process is fair and robust. Where External Stakeholder Panels form part of the recruitment process, the Leader may invite other Members to participate in the informal part of the process.

2.6 The membership of 6 reflected how appointments were handled before the Council was formed, in 2019. When the former district Councils of Suffolk Coastal and Waveney were working in partnership together, appointments to the shared officer structure were made by an AC of six, being three Members from each Council.

2.7 Having six Members, plus senior Officers and an HR representative on the interview panel means that candidates are facing at least 8 people asking them questions. This can be daunting, if not a little oppressive, for the candidate, especially if the meeting is held remotely. Only six faces can be seen in gallery view at one time, on Teams, so, it is difficult for the candidate to be aware of the whole panel, and to know who is going to pose a question next.

2.8 Instead, it is suggested that the AC be reduced from six to three, comprising the Leader or Deputy Leader in their absence, the relevant Portfolio Holder, or another Cabinet Member in their absence, and one Member of the Opposition.

2.9 It would not be usual to have a committee with an even number of Members, because deadlock can occur in the voting, in which case, the Chairman would have to exercise their casting vote. On that basis, having four members of the AC would not be appropriate. If the number of the AC was reduced to five, there would be at least seven panel members asking the candidates questions. Seven or more is still considered to be too large and inappropriate for an interview panel. A reduction from six to three is more realistic, manageable and fairer to the candidates.

2.10 Therefore, it is suggested that the amendments shown in Appendix A to this report be made to paragraph 5 of Section C of Part 2 of the Constitution.

3 SECOND PROPOSED CHANGE TO THE CONSTITUTION

3.1 Also in Part 2 of the Constitution, Section A is about the “Principles of Decision Making”. Paragraph 11 of Section A is about “Types of decision”. In paragraph 11.3 of Section A, it states that “The Appointments Panel shall appoint Heads of Services and members of the Strategic Management Team without further reference to any of the decision-making bodies listed in paragraph 11.1 above, in accordance with the Officer Employment Procedure Rules in Part 3 of this Constitution”.

3.2 Paragraph 11.3 should refer to the Appointments Committee, rather than the Appointments Panel. Also, Paragraph 11.1 refers to Full Council and the Cabinet, amongst others. However, some appointments do need to be ratified by Council, such as the appointment of the Head of Paid Service, s151 Officer and the Monitoring Officer. Also, all of Cabinet are consulted about certain appointments, to ensure that they have no well -founded objections to what is proposed. Therefore, the wording in Paragraph 11.3 is not quite correct.

3.3 For clarify and consistency, it is suggested that paragraph 11.3 of Section A of Part 2 to the Constitution be amended as shown in Appendix B to this report.

4 HOW DOES THIS RELATE TO THE EAST SUFFOLK STRATEGIC PLAN?

4.1 The Council’s Constitution is a key governance document which sets out how the Council operates, and how it carries out its functions and responsibilities. The Constitution regulates how the Council makes its decisions. Sound decision making is key to how the Council carries out its business and delivers against all of the themes in the East Suffolk Strategic Plan. The Council’s Constitution needs to be up to date and accurate, to reflect its business practices and procedures.

5 FINANCIAL AND GOVERNANCE IMPLICATIONS

5.1 It is considered that the changes to the wording will make the Constitution more suitable for good recruitment processes. Therefore, it will assist good governance, whilst having no direct financial implications or costs.

6 OTHER KEY ISSUES

6.1 An equality impact assessment (EIA) has not been carried out, in relation to this report. The changes proposed relate to the internal workings of the Council and are not considered to impact on the services which the Council offers, directly, to the public. They are for clarification or correction, and an EIA was not considered to be necessary.

7 CONSULTATION

7.1 None.

8 OTHER OPTIONS CONSIDERED

8.1 Not to make the changes would not accurately reflect more modern recruitment practices which ought to be carried out by the Council and reflected in its constitution.

9 REASON FOR RECOMMENDATION

9.1 To ensure that the Council's Constitution is up to date, and reflects the Council's needs, working practices and procedures.

RECOMMENDATION

That the Committee approves the proposed changes to the Constitution, as set out in this report, and recommends them to Full Council for approval.

APPENDICES	
Appendix A	suggested amendments to paragraph 5 of Section C of Part 2 of the Constitution.
Appendix B	suggested amendments to paragraph 11.3 of Section A of Part 2 to the Constitution.

BACKGROUND PAPERS – None

Suggested amendments (underlined/bold) to paragraph 5 of Section C of Part 2 of the Constitution.

5. APPOINTMENTS COMMITTEE - Terms of Reference
Appointment/dismissal of Strategic Management Team and Heads of Service

5.1 The Appointments Committee will recommend to Council that a formal offer of appointment be made for the Head of Paid Service and will appoint other members of Strategic Management Team and Heads of Service. That committee or sub-committee must include at least one Member of the Cabinet.

5.2 For the consideration of and advice to Council regarding the dismissal of the Head of Paid Service, Monitoring Officer and Chief Finance Officer, the Appointments Committee will co-opt two independent persons and then will constitute 'the Panel' for the purposes of the Local Authorities (Standing Orders) (England) Regulations 2015 and will act accordingly.

5.3 The Committee will be comprised of **<u>three</u>** Members (politically balanced).

5.4 Membership would normally comprise:

- Leader or Deputy Leader of the Council in their absence.
- Cabinet Member for the Service Area concerned or another Cabinet Member in their absence.
- One Member of the Opposition (or nominated substitute in their absence).

5.5 Each of the **<u>three</u>** Members of the Appointments Committee will have one vote and the Chairman will be the Leader/Deputy Leader of the Council.

5.6 Any Member appointed to the Appointments Committee will be asked to undertake refresher training regarding the interview process, prior to sitting on the Appointments Committee, in accordance with good practice and to ensure that the recruitment process is fair and robust.

5.7 Where External Stakeholder Panels form part of the recruitment process, the Leader may invite other Members to participate in the informal part of the process.

Suggested amendments (underlined/bold) to paragraph 11.3 of Section A of Part 2 to the Constitution

11 Types of decision

11.3 The Appointments **<u>Committee</u>** shall appoint Heads of Services and members of the Strategic Management Team **<u>with reference to some</u>** of the decision-making bodies listed in paragraph 11.1 above, as appropriate, and in accordance with the Officer Employment Procedure Rules in Part 3 of this Constitution.

Agenda Item 6
ES/0704

EASTSUFFOLK
COUNCIL

AUDIT AND GOVERNANCE COMMITTEE

Monday, 15 March 2021

EAST SUFFOLK COUNCIL DRAFT STATEMENT OF ACCOUNTS 2019/20

EXECUTIVE SUMMARY

1. As per the Accounts and Audit Regulations 2015, the draft Statement of Accounts for 2019/20 was originally due to be published by 31 May 2020, with a period of public inspection following that date. However, due to the Coronavirus pandemic, the publication date for the draft Statement of Accounts was delayed by Government. The Accounts and Audit (Amendment) Regulations 2020 amended the relevant sections of the Accounts and Audit Regulations 2015, requiring a new deadline for the publication of the draft Statement of Accounts of 31 August 2020. The Council achieved this deadline and published its draft Statement of Accounts on the Council's website in August 2020.

2. The publication date for final, audited, accounts for 2019/20 was also moved from 31 July 2020 to 30 November 2020, although this is not a statutory deadline. The work of the external auditors – Ernest & Young (EY), has been delayed due to the impact of the Coronavirus pandemic on external audit resourcing. The Council has placed a notice of late publication of the audited accounts for 2019/20 on its website. At this time the audit is substantially completed and EY have issued a Provisional Audit Results Report 2019/20 which is covered under a separate Agenda item at this Committee meeting.

3. Appendix A includes a copy of the Draft Statement of Accounts for 2019/20 as published on the Council's website in August 2020. It does not include any adjustments that have been identified since publication and agreed by the Council and EY.

4. EY aim to finalise their work at the end of March 2021. On completion of the audit, the Audited Statement of Accounts for 2019/20 will be presented to the Committee at the earliest opportunity for comment and approval.

5. The Audit & Governance Committee is recommended to note the East Suffolk Council Draft Statement of Accounts for 2019/20, prior to any adjustments being made on conclusion of the audit by EY.

Is the report Open or Exempt?	Open

Wards Affected:	All Wards in East Suffolk

Cabinet Member:	Councillor Maurice Cook Cabinet Member with responsibility for Resources

Supporting Officer:	Brian Mew Chief Finance Officer and S151 Officer (01394) 444571 Brian.Mew@eastsuffolk.gov.uk

1 INTRODUCTION

1.1 As per the Accounts and Audit Regulations 2015, the Draft Statement of Accounts for 2019/20 was originally due to be published by the 31 May 2020. However, due to the Coronavirus pandemic, the publication date for the Draft Statement of Accounts was delayed by Government.

1.2 The Accounts and Audit (Amendment) Regulations 2020 amended the relevant sections of the Accounts and Audit Regulations 2015, requiring a new deadline for the publication of the Draft Statement of Accounts of 31 August 2020. The Council achieved this deadline and published its Draft Statement of Accounts on the Council's website in August 2020.

1.3 For 2019/20, the Accounts and Audit Regulations 2015 (Amended) require the Council's Chief Finance Officer to sign the Accounts by no later than 31 August 2020 (usually 31 May of the following financial year), certifying that they "present a true and fair view of the financial position of the Council at 31 March 2020 and of its income and expenditure for the year ending on that date".

1.4 The Council's accounts for the year ended 31 March 2020 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In England and Wales, the local authority Code constitutes "proper accounting practice" under the terms of section 21(2) of the Local Government Act 2003

1.5 The audit of the accounts is substantially completed and EY are aiming to finalise their work at the end of March 2021.

2 EAST SUFFOLK COUNCIL'S FINANCIAL PERFORMANCE 2019/20

2.1 On 1 September 2020, Cabinet received a Draft Outturn Report providing an overview of the Council's financial performance for 2019/20 in respect of the General Fund, reserves, the capital programme, the Housing Revenue Account (HRA) and the Collection Fund.

2.2 Key financial information to highlight from the Draft Outturn Report was:

- The General Fund outturn position was a deficit of £0.686m and this was transferred from the in-year savings reserve. However, for outturn, the required use of the reserve was less than expected by £0.391m.
- The total balance on the Council's General Fund earmarked reserves was increased by £1.557m to £46.931m and the General Fund balance was maintained at £6m.
- The 2019/20 capital programme expenditure for the General Fund was £10.851m. The programme was underspent by £15.585m, mainly due to rephrasing of projects to 2020/21.

3 DRAFT STATEMENT OF ACCOUNTS 2019/20

3.1 The East Suffolk Council Draft Statement of Accounts 2019/20 is attached as Appendix A.

4 HOW DOES THIS RELATE TO THE EAST SUFFOLK STRATEGIC PLAN?

4.1 The publication of Audited 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 priorities set out in the Strategic Plan, and the audit process provides external assurance of this.

5 FINANCIAL AND GOVERNANCE IMPLICATIONS

5.1 Included in Sections 2 and 4.

6 OTHER KEY ISSUES

6.1 None.

7 OTHER OPTIONS CONSIDERED

7.1 None.

8 REASON FOR RECOMMENDATION

8.1 The consideration and approval of the Statement of Accounts is a statutory requirement under the Accounts and Audit Regulations 2015.

RECOMMENDATION

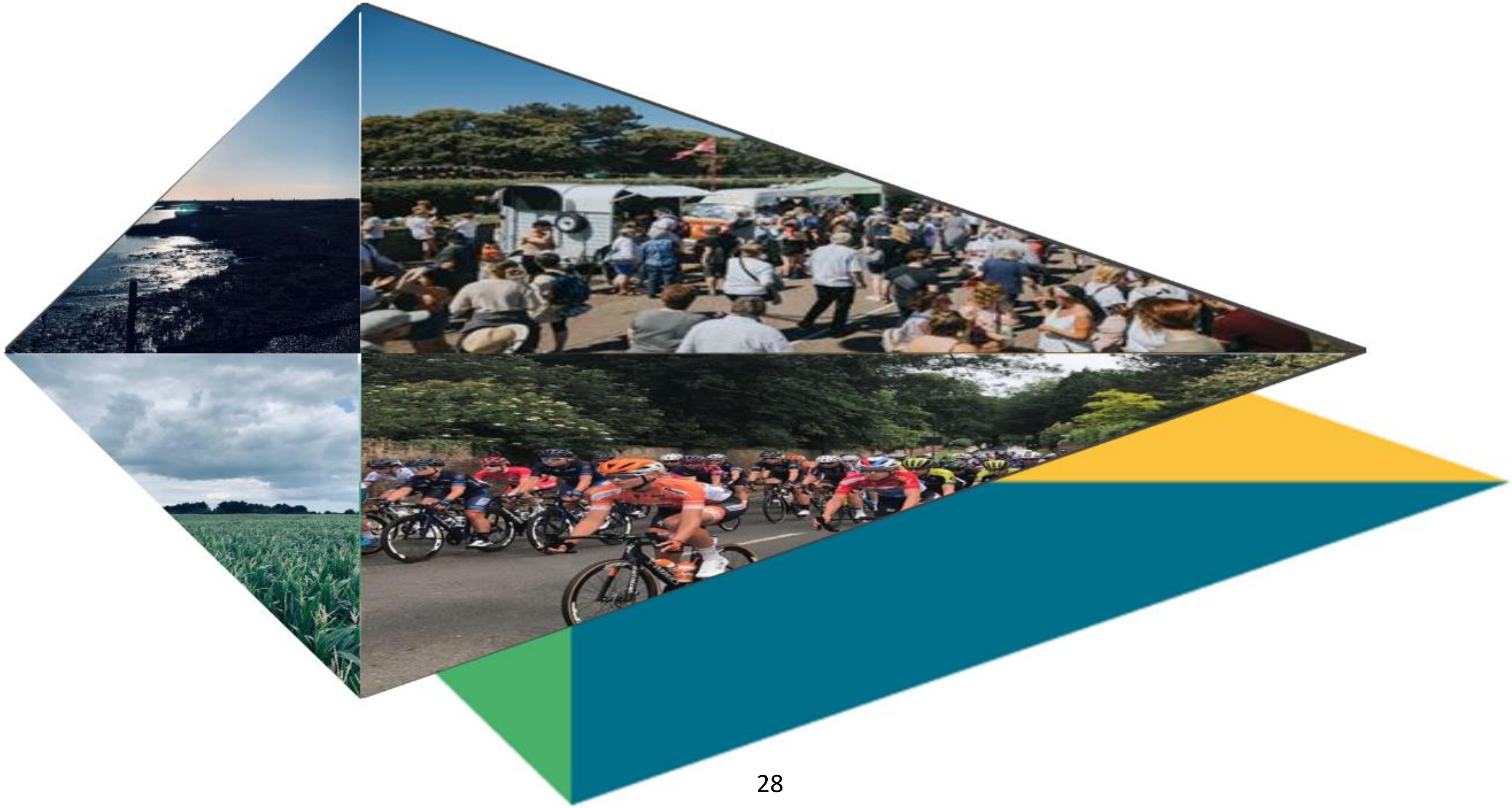
That the Committee notes the East Suffolk Council Draft Statement of Accounts for 2019/20.

APPENDICES	
Appendix A	East Suffolk Council Draft Statement of Accounts for 2019/20

BACKGROUND PAPERS – none

EAST SUFFOLK COUNCIL

STATEMENT OF ACCOUNTS 2019/20



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INTRODUCTION TO THE 2019/20 STATEMENT OF ACCOUNTS

As Cabinet member for Resources I am pleased to present the Council's Statement of Accounts for the financial year ended 31 March 2020. These are the first set of Accounts for East Suffolk Council, following the merger on 1 April 2019 of Suffolk Coastal District Council and Waveney District Council.

As the first year of the new council, 2019/20 has been a momentous year full of both successes and challenges. During the year, the new council continued to build on the track record of its predecessors demonstrating financial prudence in providing high quality services and delivering important new projects and initiatives.

The first elections to East Suffolk Council were held in May 2019 and a new Cabinet and a new set of members set about establishing a new vision for East Suffolk – the East Suffolk Strategic Plan. This was approved by full Council in February 2020 with five key themes:

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

By reporting on the financial performance and management of the Council, this Statement plays an important part in contributing to the theme of Financial Sustainability.

The end of 2019/20 ultimately brought the greatest challenge that both the Council and the country has seen in decades – the Covid-19 pandemic. Thanks to the experience, diligence, and expertise of, our quite outstanding, Finance team, we have been able to react promptly to the crisis.

The Council has been working to support residents and local businesses in these challenging times, and although the impact on the 2019/20 financial year has been limited, the pandemic sets the scene for future financial years and will place additional strain on the budget for 2020/21 and potentially the medium term. Local and national economic impacts are difficult to predict, but there will undoubtedly be a significant impact on the Council's resources, in terms of both increased expenditure and especially reduced income. However, because of astute financial stewardship by our constituent Councils, Waveney and Suffolk Coastal, together with our strategy of Remaining Financially Sustainable, I am confident that the Council is in a strong position to meet these challenges and take advantage of the many future opportunities for the benefit of all in East Suffolk.

Councillor Maurice Cook

Cabinet Member for Resources

FOREWORD BY THE CHIEF FINANCE OFFICER

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

The deadlines for the preparation of the Accounts have been changed for 2019/20 in the light of the COVID-19 pandemic and the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 have amended the Accounts and Audit Regulations 2015. The draft Accounts must now be submitted for audit by 31 August 2020 rather than 31 May 2020 and the timeline for the conclusion of the audit is now 30 November 2020 rather than 31 July 2020.

Prior to approval, the draft Accounts are subject to a single period of 30 working days for the exercise of public rights, where any objection, inspection and questioning of the local auditor must be undertaken. The unaudited Accounts were available to the public on the Council's website from 7 August 2020, so the inspection period will commence on 10 August 2020 and finish on 18 September 2020.

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).

Under the Code of Practice, comparative figures for 2018/19 are not required in respect of the Council's predecessor authorities.

Simon Taylor

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 2019 to 31 March 2020 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 2019/20 (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.

Suffolk Coastal District Council and Waveney District Council originally entered into a shared services partnership in 2008 and the long-term success of that arrangement led to a full merger of the two councils with effect from 1 April 2019, creating East Suffolk Council. The Narrative Report has therefore been prepared in that context, reflecting the outcomes for the Council in its first year and looking forward to 2020/21. The following topics are covered:

- **Introducing East Suffolk Council –** the Council and the district it serves is introduced, including the way in which it is governed and led, and its strategic objectives.
- **Operating Model –** the human and financial resources that the Council has at its disposal and how they are deployed is explained. The external context in which the Council operates is also considered, with particular emphasis on changes in the local government sector and society in general, which are having a major impact on the future supply and demand for resources.
- **Council Performance 2019/20 –** financial performance for the year both in revenue and capital terms and non-financial performance during the year. The strength of the Council’s balance sheet is also considered at the year-end through an assessment of the level of reserves and balances held.
- **Risks and Opportunities –** the corporate risks and opportunities faced by the East Suffolk Council from 1 April 2020 and the way in which they are being managed and explored;
- **Covid-19, Going Concern Issues and Looking Forward** – an analysis of the impact of the Covid-19 pandemic on the Council’s short and medium term financial position;
- **Capital Programme -** a high level overview of the Council’s Capital Programme in the medium term.

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 248,249 (ONS, 2018) 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

Following the first elections to the new Council in May 2019, in 2019/20 the Council was governed by 55 councillors, covering 29 wards. The makeup of the Council for 2019/20 was:

Conservative Party	Labour Party	Green Party	Liberal Democrat Party	Independent
40	**7**	**4**	**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

Towards the end of 2019/20, the Council developed its first 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.

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

Shared services has been very effective in driving out combined savings of over £22m since 2008 and protecting public services in East Suffolk, with the delivery of better outcomes for residents and maximising value-for-money being the overriding consideration in determining service delivery arrangements.

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 Sentinel Leisure Trust 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 2020, there were 778 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.

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 and Business 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.

External Environment

The Council is committed to ensuring that its services evolve and adapt to meet the needs of a constantly changing world. The pace of change in local government has quickened in the last decade, and the impact of the Covid-19 has massively increased uncertainty in respect of local government funding.

Local Government: the funding shift

The Council signed up to a four-year financial settlement from the Government for the period 2016/17 – 2019/20. Whilst this brought a welcome degree of certainty compared to the previous annual settlements, the ‘deal’ also entailed progressive reductions to core funding for the Council. The Government’s aim is to phase out non-specific grant funding completely, e.g. Revenue Support Grant (RSG), and to support local authorities generating additional income locally via council tax, retaining a higher proportion of business rates and fees and charges. However, the Covid-19 pandemic has delayed the Fair Funding Review of local government and consequently the implementation of changes to the business rates system until 2022/23 at the earliest.

New Homes Bonus (NHB) funding was introduced in 2011 to provide an incentive for local authorities to encourage housing growth, including bringing empty homes back into use. NHB has become an extremely important source of funding to support both community projects and initiatives, and potentially the annual budget requirement for the Council. The Government has modified the scheme in recent years, culminating in a one-year only settlement for 2020/21 with no “legacy” payments. The Government had also intended to consult on alternatives to NHB during 2020, but this appears to have also been delayed by Covid-19, and latest indications are that there may be a further one year only settlement for 2021/22.

Changing Demographics: the impact on services

Probably the most significant demographic change that will impact on local government services is the effect of an ageing population. The Office for National Statistics (ONS) predicts that – by 2039 – 1 in 3 of the Suffolk population will be aged 65+ (compared to 1 in 4 for England as a whole). Combined with funding pressures, the effect of this is felt most acutely and directly by authorities responsible for providing adult social care services, which in Suffolk are provided by Suffolk County Council. However, a rising number of older residents has many implication across most of East Suffolk Council’s services, ranging from Housing (e.g. ensuring future housing supply adequately supports independent living) and Benefits (as people live longer, often on low incomes) through to Leisure Services (aimed at maintaining healthy and active lives in later life) and Waste Collection (e.g. assisted bin collections).

4. Council's Performance

The Council's Performance Report is reported quarterly to the Council's Cabinet. The report captures how the Council is performing against the strategic deliverable within the East Suffolk Business Plan, Key Performance Indicators (KPI's), financial updates, corporate risks and performance of partners. Achievements to highlight include:

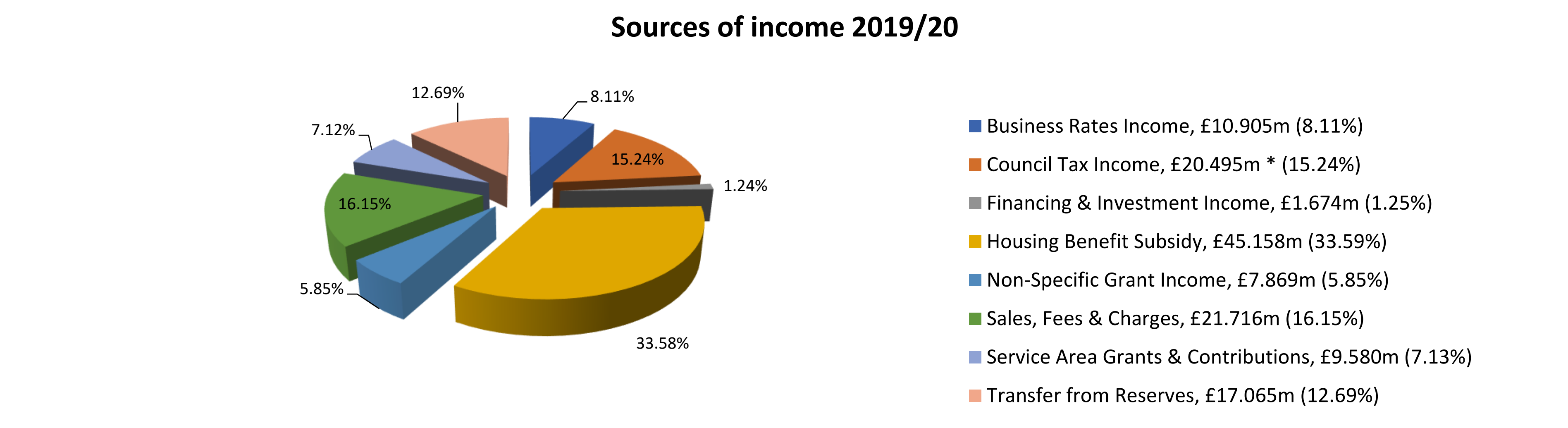
- Economic Development – engaged with 6,929 businesses, including 4,206 engagements in Quarter 4 as a result of the Covid-19 crisis. 595 businesses received direct support. Events held during the year included the East Suffolk Business Festival and the Cultural Conference.
- Inward investment attracted to the district was over £2 million, including £250k to Saxmundham Art Station project from New Anglian Local Enterprise Partnership (NALEP); East Suffolk Smart Towns Project receiving £200k from NALEP innovation fund; £995k from the Coastal Communities Fund for Southwold Town Council; and Lowestoft's town centre received funding of £562,000, to support regeneration and improvements in and around London Road through Historic England's High Street Heritage Action Zones (HSHAZ) programme.
- Retained rates through Enterprise Zones were £60k above forecast amount totalling nearly £500k, due to increased development on EZ sites and increased business occupation.
- Housing - 819 net dwellings were completed in the area for the year, including 209 affordable homes. Covid-19 restrictions during Quarter 4 reduced the number of anticipated completions, but 849 dwellings, including 127 affordable units, were under construction at the end of Quarter 4. The recent adoption of the Local Plan for the former Waveney area and the advanced stage of the Local Plan for the former Suffolk Coastal area will increase certainty for developers and assist in increasing delivery.
- Completion of the Duncans Yard, Blundeston Prison and Albany Road developments securing 54 new units of affordable accommodation for the Council's housing stock.
- Food hygiene rating (percentage at 3-5 rating i.e. rated 'generally satisfactory' or 'better') exceeded its target of 95% with performance achieving 99% for the year. To help small businesses manage their food safety practices, the latest Food Standards Agency's Safer Food, Better Business packs were launched.
- Performance for all planning applications determined consistently exceeded targets throughout 2019/20 with overall performance at:
  - Minor planning applications –75.3% determined in 8 weeks
  - Major planning applications – 88.2% determined in 13 weeks
  - Other planning applications – 86.8% determined in year.
- Household waste sent for reuse, recycling and composting was 44.97% for 2019/20, slightly above target of 44.62%. Residual waste per household performance was 459.33kg successfully under the target of 460.29kg.
- 407 homeless preventions were achieved under the Preventions Duty for the year. 51 applicants in temporary accommodation at end of Quarter 4 and 227 were in temporary accommodation during the year.
- There were 474,332 unique website user visits to the East Suffolk website in year. Facebook posts reached over 6 million, and the Council's Twitter, Instagram, and LinkedIn had over 145,000 followers. ICT network availability continued to exceed its target of 98% throughout the year with overall performance at 99.5%.

- The ‘Framlingham Digital Towns Pilot’ went ahead as the first project to go ahead in the Digital Towns scheme in a partnership led by Framlingham Town Council, Framlingham Business Association, and East Suffolk Council. Framlingham is the first of East Suffolk’s smaller towns to receive free Wi-Fi, and a range of other digital and technological solutions
- Housing Benefit new claims and changes continued to exceed targets throughout the year with overall performance at 5.2 days, and the number of local authority overpayments was better than the target of 0.35% at 0.17%.
- Work to improve access to Felixstowe beach and beach huts was completed at a cost of £250,000. The Dip at Felixstowe was developed to provide space for 16 new beach huts, a separate storage hut for windsurfers and also a new car parking area to help water sports users.
- A new online land charges tool, which provides users with a paperless search service, was launched. The new East Suffolk ‘Public Access Land Charges’ (PALC) system enables people to submit searches directly to the Land Charges team.
- Leiston Leisure Centre had its official reopening ceremony in September 2019 following a £4 million redevelopment, the second project to be completed in East Suffolk Council’s Leisure Programme to improve leisure facilities.
- A £3.4 million scheme to redevelop Bungay Pool and Gym started in Autumn 2019 with re-opening expected between July and September 2020.

5. Financial Performance

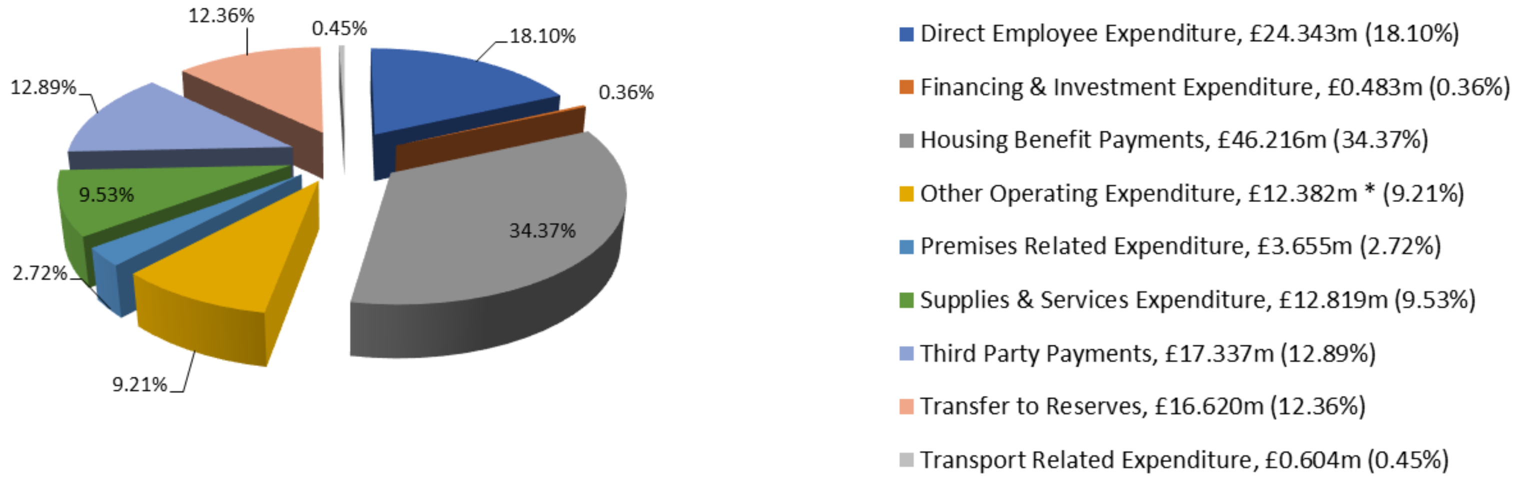
General Fund Revenue Income and Expenditure

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).



* Council Tax income, includes £6.066m of income relating to Town & Parishes (paid over as Parish Precepts)

How the money has been spent 2019/20



* Includes £6.066m paid over as Parish Precepts to Town & Parish Councils

The table below provides the General Fund revenue outturn position for the Council for 2019/20, compared to the revised budget position. The original budget position was approved by the East Suffolk Shadow Authority Shadow Council on 28 February 2019. 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 have to be analysed differently in the Financial Statement than when they are reported in the budget and for the purpose of internal financial management reporting.

General Fund Outturn Summary 2019/20

General Fund Service Area Summary	Original Budget 2019/20 £	Revised Budget 2019/20 £	Actual Outturn 2019/20 £	Variance 2019/20 £
Customer Services, Communications & Marketing	2,006	1,900	1,845	(55)
Communities	1,938	2,477	1,919	(558)
Economic Development & Regeneration	1,385	2,938	1,104	(1,834)
Environmental Services & Port Health	734	337	(313)	(650)
Financial Services, Corporate Performance & Risk Management	863	816	736	(80)
Housing	1,583	1,429	1,155	(274)
ICT Services	2,421	2,560	2,493	(67)
Internal Audit	491	427	380	(47)
Legal & Democratic Service	2,467	2,419	2,247	(172)
Operations	7,523	10,685	11,568	883
Planning & Coastal Management	2,031	1,623	1,790	167
Revenue & Benefits	1,892	2,051	1,744	(307)
Senior & Corporate Management	2,930	3,331	3,064	(267)
Net Cost of Service	**28,264**	**32,993**	**29,732**	**(3,261)**
Non-Cost of Service Expenditure Adjustments				
Direct Revenue Financing (DRF)	6,418	5,162	2,761	(2,401)
Revenue provision for the repayment of debt (MRP)	830	816	815	(1)
Superannuation Backfunding	3,000	2,600	2,600	0
Recharges to the Housing Revenue Account (HRA)	(1,870)	(1,925)	(1,817)	108
Other Accounting Adjustments	35	35	21	(14)
				0
Other Operating Expenditure				0
Town & Parish Precepts	6,066	6,066	6,066	0
Levies	237	237	234	(3)
				0
Financing and Investment Income and Expenditure				0
Interest Payable	463	458	507	49
Other Financing Charges	517	469	469	0
Interest Receivable & Similar Income	(550)	(550)	(1,049)	(499)
HRA Share of Interest Payable & Receivable	(149)	(85)	(34)	51
Investment Property Income & Expenditure	(153)	(139)	(184)	(45)
Other Investment Income	0	(200)	(407)	(207)
				0
Non-Specific Grant Income				0
New Homes Bonus	(2,408)	(2,408)	(2,408)	0
S31 Grant	(4,558)	(4,838)	(4,704)	134
Capital Grants	(114)	(54)	0	54
Other Non-ringfenced Government Grants	0	0	(186)	(186)
				0
Net Budget Expenditure before Reserve Movements	**36,028**	**38,637**	**32,416**	**(6,221)**

General Fund Outturn Summary 2019/20

General Fund Service Area Summary	Original Budget 2019/20 £	Revised Budget 2019/20 £	Actual Outturn 2019/20 £	Variance 2019/20 £
Net Budget Expenditure before Reserve Movements	**36,028**	**38,637**	**32,416**	**(6,221)**
Net Movements on Reserves	0	0	0	0
General Fund Balance	(2,000)	(2,000)	(2,000)	0
Revenue Earmarked Reserves *	(6,778)	(6,468)	(2,446)	4,022
Capital Reserves	4,401	1,915	4,001	2,086
	0	0	0	0
Net Budget Expenditure After Reserve Movements	**31,651**	**32,084**	**31,971**	**(113)**
Financed By:				
Council Tax Income (District Council)	(14,429)	(14,429)	(14,429)	0
Council Tax Income (Town & Parish Precepts)	(6,066)	(6,066)	(6,066)	0
Council Tax Surplus	0	0	0	0
Business Rates Income	(10,585)	(10,857)	(10,744)	113
Business Rates Pilot Income	0	(161)	(161)	0
Revenue Support Grant	(323)	(323)	(323)	0
Rural Services Delivery Grant	(248)	(248)	(248)	0
Total Financing	**(31,651)**	**(32,084)**	**(31,971)**	**113**
* Includes use of In-Year Savings Reserve to balance the budget	(3,019)	(1,077)	(686)	391

An outturn report, providing further details of variances to budget, will be presented to the East Suffolk Council's Cabinet meeting on 1 September 2020.

Housing Revenue Account (HRA)

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

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

The Council's housing stock totalled 4,453 dwellings as at 31 March 2020 (4,446 as at 31 March 2019). During 2019/20 the Council added 38 properties to its housing stock, which included 36 new builds. The remaining net movement in-year was due to properties sold through the Right to Buy Scheme and sold on the open market.

Total Rent arrears as at 31 March 2020 was £0.973m (£1.119m as at 31 March 2019) and represented 4.9% of the HRA's gross collectable income. Predictive analytics software was implemented at the end of 2018/19 for current tenant arrears. This has been successful in reducing the number of cases rent officers.

As illustrated in the table and in the HRA section of the Statement of Accounts, the in-year movement on the HRA working balance was a surplus position of £0.373m, increasing the HRA working balance to £5.233m as at 31 March 2020. The HRA also holds Earmarked Reserves which are set out in Note 10 to the Statement of Accounts. As at 31 March 2020 the total balance on the HRA Earmarked Reserves was £16.316m. £11m of this relates to the HRA Debt Repayment Reserve which is to provide funding for future liabilities for repaying the self-financing debt.

Housing Revenue Account Outturn Summary

	2019/20 Original Budget £'000	2019/20 Revised Budget £'000	2019/20 Outturn £'000	2019/20 Variance £'000
Income				
Dwelling rent	(18,765)	(18,703)	(18,840)	(137)
Non-dwelling rents	(181)	(163)	(184)	(21)
Service charges and facilities	(1,208)	(1,217)	(1,218)	(1)
Leaseholders charges for services	(10)	(10)	(9)	1
Contributions towards expenditure	(33)	(69)	(73)	(4)
Reimbursement of costs	(270)	(279)	(327)	(48)
Interest income	(96)	(140)	(183)	(43)
Total Income	**(20,563)**	**(20,581)**	**(20,834)**	**(253)**
Expenditure				
Repairs & maintenance	4,161	3,964	4,735	771
Supervision and management	3,090	3,167	3,054	(113)
Special services	1,908	1,942	1,928	(14)
Rents, rates and other charges	86	110	123	13
Movement in bad debt provision	(26)	50	(161)	(211)
Contribution to CDC* and pension backfunding	650	552	566	14
Capital charges	3,736	3,339	3,352	13
Interest charges	2,275	2,270	2,258	(12)
Revenue contribution to capital	5,120	2,277	612	(1,665)
Transfers to earmarked reserves	0	2,494	3,994	1,500
Total Expenditure	**21,000**	**20,165**	**20,461**	**296**
Net movement on the HRA for the year	**437**	**(416)**	**(373)**	**43**

** Corporate and Democratic Core (CDC)*

The HRA capital programme consists of capital budgets for housing repairs, project development and the housing development programme. In 2019/20 the HRA capital programme totalled £3.130m, which consisted of £0.769m for the new build programme, £0.257m on the Housing Project Development and £2.104m for housing repairs and improvements. The HRA spending plans, including its capital investment programme, are currently fully funded from existing resources, with no requirement for additional borrowing during 2019/20.

General Fund Capital Programme

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

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

The table below summarises the General Fund Capital Programme outturn for the year. The variance at the end of the year of £15.585m is due to projects being rephrased/slippage to 2020/21 and the budgets will be carried forward accordingly.

The outturn report to Cabinet on 1 September 2020 will provide further information on the Capital Programme performance in 2019/20.

General Fund Capital Programme Outturn

Service Area	2019/20 Original Budget £'000	2019/20 Revised Budget £'000	2019/20 Outturn £'000	2019/20 Variance £'000
Economic Development & Regeneration	2,530	830	617	(213)
Environmental Services & Port Health	100	50	51	1
Financial Services	11,075	5,380	67	(5,313)
Housing Improvement	934	2,148	1,054	(1,094)
ICT Services	400	670	297	(373)
Operations	12,998	11,056	6,827	(4,229)
Planning & Coastal Management	12,257	6,302	1,938	(4,364)
Total General Fund Capital Expenditure	**40,294**	**26,436**	**10,851**	**(15,585)**
Financed By:				
External:				
Grants	2,341	9,150	7,968	(1,182)
Contributions	11,494	50	122	72
Borrowing	8,075	0	0	0
Internal:				
Capital Receipts	0	70	0	(70)
Borrowing	5,618	12,004	0	(12,004)
Reserves	12,766	5,162	2,761	(2,401)
Total General Fund Capital Financing	**40,294**	**26,436**	**10,851**	**(15,585)**

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 a number of 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 at 31 March 2020 the total balance on Earmarked Reserves stood at £46.936m. Earmarked Reserves to highlight include:

- **Business Rates Equalisation Reserve (Balance as at 31 March 2020, £6.296m)** – This is income from Business Rates which is set aside to equalise the fluctuations in recognising Business Rate income due to timing differences, in particular in relation to Business Rates appeals and for year-end surpluses/deficits needing to be estimated in advance.
- **In-Year Savings Reserve (Balance as at 31 March 2020, £4.925m)** – This is prior year savings set-aside to support future year budget pressures. Use of this reserve is planned in 2020/21 as presented in the East Suffolk Council Budget for 2020/21.
- **Business Rate Pilot Reserve (Balance as at 31 March 2020, £2.673m)** – In 2018/19, Suffolk was successful with its bid to pilot 100% Business Rates Retention Scheme. The Council's share of the additional retained Business Rates income was £1.479m. This income has been transferred to this reserve and is to be used to provide funding for agreed projects.
- **Capital Reserve (Balance as at 31 March 2020, £7.950m)** – This reserve provides a source of funding for capital investment projects.
- **New Homes Bonus Reserve (Balance as at 31 March 2020, £5.442m)** – This reserve established from NHB income is used to support community initiatives and also potentially to support the General Fund budget.
- **Port Health (Balance as at 31 March 2020, £5.181m)** – This reserve provides a source of finance to support the future investment and development of te authority's infrastructure at the Port of Felixstowe.

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

Interests in Companies and Other Entities

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. 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 £7.439m in 2019/20 (£7.068m in 2018/19).

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 £8.936m in 2019/20 (£8.514m in 2018/19).

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 2019/20 and are intended to commence trading in 2020/21.

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 £53.445m in 2019/20 (£75.393m for 2018/19). Statutory arrangements for funding the deficit mean the financial position of the Council is not affected by this movement.

The latest triennial actuarial valuation of the assets and liabilities of the Suffolk County Pension Fund was completed on 31 March 2019. The Council has been advised that its share of the pension fund was 98% fully funded at this date. The proposed employers pension contribution rate for 2020/21, 2021/22 and 2022/23 is 34%, 33% and 32% and is a reduction on the current rate for East Suffolk of 35.4%.

Provisions and Contingencies

Through the National Non Domestic Rates (NNDR1) return, the Council has to estimate the business rates income expected to be received in the coming year based on a number of assumptions. The most significant assumption is in relation to the provision for appeals. The Council has reviewed the methodology for appeals in relation to the new check, challenge, appeal process, which has seen a significant reduction in appeals. As a result, the provision significantly decreased for both predecessor authorities in 2018/19. As a result of the Covid-19 pandemic, the national business rates revaluation planned to take effect in April 2021 has been postponed, and the 2017 valuation list will apply for at least another year. As appeals will consequently continue to be potentially made against this list, scope for further reductions to the provision have been limited. The provision for Business Rates appeals is shown in the Collection Fund Note to the Financial Statements. The economic impact of the Covid-19 pandemic and the potential ability for debts to be recovered has also been reflected in increased provisions for doubtful debts in respect of business rates, council tax, housing benefit overpayments, and sundry debtors.

6. Risks and Opportunities

Risks

The Council's approach to risk management is to embed risk management into the organisation so that it is the responsibility of all managers and teams. A detailed review of all corporate risks is undertaken quarterly by Corporate Management Team at Corporate Governance Days, this includes management, monitoring and consideration of risks including the management of the risk process.

All Corporate Risks, significant for the Council, are reported to the Audit and Governance Committee in March. The high-level details as at 31 March 2020 are:

Corporate Risk	Current rating	Target rating	Projected Direction to meet target
Failure of assets to meet financial requirements	Amber	Green	⬆
Medium Term Overview (inc. Annual Budget and Financial Governance)	Amber	Green	➡
Service Delivery Contracts / Partnerships (large/significant)	Amber	Green	➡
Service Delivery Contracts / Partnerships (small/other)	Green	Green	➡
ICT (including Disaster Recovery for ICT)	Amber	Amber	➡
Housing Development Programme	Amber	Green	⬆
Digital Transformational Services	Amber	Green	⬆
General Data Protection Regulation and Data Governance	Amber	Green	⬆
East Suffolk Commercial Partnerships	Amber	Green	⬆
Brexit	Amber	Green	➡
Migration of Universal Credit	Green	Green	⬆
Programme and Project Delivery	Green	Green	➡
Capital Programme	Green	Green	⬆
East Suffolk Strategic Plan	Green	Green	⬆
Ethical Standards	Green	Green	➡
Management of key contracts/partnerships, realise financial benefits	Amber	Green	➡
Fire risk to exterior cladding at tower block at St Peter's Court	Amber	Green	➡

New risks:	Current rating	Target rating	Projected Direction to meet target
Coronavirus	Red	Amber	n/a
Safeguarding – Protecting most vulnerable ensuring they receive appropriate help from others	Amber	Green	n/a
Escalating cost of waste collection/services	Amber	Green	n/a
Flooding and Tidal surges: *(Lowestoft)*	Amber	Green	n/a
(All other locations)	Green	Green	n/a
Coastal Erosion	Amber	Amber	n/a
Climate change	Amber	Green	n/a

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

Opportunities

As outlined in the following section, the impact of the Covid-19 pandemic represents an unprecedented challenge to the Council and the area district. 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 assets 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 is now the largest container port in the UK 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 for Offshore Renewable Engineering (CORE) status by the Government. CORE status is awarded through recognising the existing port infrastructure, skills, supply chain and Local Government support to enable rapid growth within the offshore wind sector.

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

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

7. Covid-19, Going Concern Issues, and Looking Forward

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

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

The Council has considered the impact of the Covid-19 pandemic on its financial position, liquidity and performance during 2020/21 and beyond. This is included in Note 1 Accounting Policies, part (a) General Principles. The assessment has included modelling scenarios that consider the impact on:

- 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.

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

The restrictions in place within the United Kingdom in response to Covid-19 in the early part of 2020/21, and the resulting economic recession, have created significant issues for many businesses and residents. From April 2020 onwards, Council income was affected detrimentally in a range of areas such as car parking and planning, where these services were unable to function normally and generate income from fees and charges. In addition, the Council incurred significant additional costs in the provision of relief efforts in respect of the pandemic, such as the administration of business support and the management of community hubs. Moving into 2021/22, the most significant financial impacts on the Council are expected to be the effect on the collection fund and the council tax base from the awarding of more council tax reduction scheme reliefs, and the potential impact on business rates income. The government has provided some support for lost income and additional costs borne by authorities because of the crisis and the Council has received just over £2.6 million in this regard. In addition, in early July 2020, the Government announced a scheme for reimbursement of lost income, which will significantly assist the financial position in 2020/21.

The Council's Cabinet received a comprehensive report on the financial implications of Covid-19 at its meeting on 7 July 2020. In addition to detailing the various Government support measures to businesses and the community, this report outlined the actual and potential financial impacts on the Council itself. The table below summarises these impacts over the MTFS period of 2019/20 to 2024/25.

General Fund	Actual 2019/20 £'000	Estimated 2020/21 £'000	Estimated 2021/22 £'000	Estimated 2022/23 £'000	Estimated 2023/24 £'000	Estimated 2024/25 £'000
Total Cost Pressure	**43**	**1,356**	**0**	**0**	**0**	**0**
Income Pressures:						
Sales, Fees & Charges Losses	363	5,169	396	2	2	2
Other Income	0	3,819	2,854	1,150	650	150
Total Income Pressure	**363**	**8,988**	**3,250**	**1,152**	**652**	**152**
Net Impact (before Government Funding)	**406**	**10,344**	**3,250**	**1,152**	**652**	**152**
Government Funding Received & Forecast	**(122)**	**(6,323)**	**0**	**0**	**0**	**0**
Net Impact (before Government Funding) *	**284**	**4,021**	**3,250**	**1,152**	**652**	**152**

Covid-19 Impact (as at 17 July 2020)

** Subject to continuous review and therefore change*

The situation on local government and the impact of the Covid-19 pandemic is currently developing rapidly. As shown above, after taking Government funding into account, the net impacts on the Council's General Fund are currently estimated to be £4m in 2020/21, and £3.2m in 2021/22, with reduced and very uncertain impacts over the rest of the MTFS period. These impacts are dependent on the scale and duration of the economic recession, and the speed and nature of economic recovery.

The financial impacts estimated in the current year primarily concern the Council's own income sources, especially car parking and planning, whereas next year's estimated impacts primarily concern council tax as a key external income stream. There will inevitably be an impact on Council Tax income arising primarily from an increase in the number of Local Council Tax Reduction Scheme (LCTRS) claims related to increasing unemployment, but these forecasts are obviously very uncertain.

These estimates do not take into account any impacts on business rates at this stage, other than potential loss of the Pooling Benefit from the Suffolk Business Rates Pool. The position on Business Rates is very uncertain and will also be dependent on recession and recovery impacts, together with Government policy.

Overall, the current estimated net impacts on the Council's General Fund over the Medium Term Financial Strategy (MTFS) period are as shown below in addition to the budget gaps currently forecast in the MTFS:

MTFS Forecast - East Suffolk	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Budget Gap February 2020	0	5,350	6,163	6,676	6,676
Deferral of changes to the Business Rates system until 2022/23	**0**	**(4,884)**	**0**	**0**	**0**
Covid-19 Net Impact (before Government Funding) *	4,021	3,250	1,152	652	152
Forecast Budget Gap (17 July 2020)	**4,021**	**3,716**	**7,315**	**7,328**	**6,828**

** See previous table for Covid-19 impact*

Reforms to the local government finance system have been deferred until 2022/23 at the earliest and the planned national business rates revaluation exercise has also been postponed. The continuation of the current arrangements into 2021/22 is of significant financial benefit to the Council, given its advantageous position under the current system.

As at 31 March 2020, the Council had the following Earmarked Reserves available to largely enable it to absorb this shock to its income streams in the short term:

In Year Savings Reserve £4.925m

Busines Rates Equalisation Reserve £6.296m

However, a prolonged and sustained recession, combined with the need to close the already forecast budget gap could put pressure on other earmarked reserves and Council projects and services. There is a need for the Council to work up a savings plan to deliver a sustainable financial position and replenish reserves enabling key recovery projects to be undertaken.

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.

8. Capital Programme

The Council's Capital Programme has been affected to some extent by the Covid-19 pandemic and will need to be reviewed over the coming year with regard to both the re-phasing of projects and re-evaluation of priorities.

The Capital Programme has been 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 2020, a General Fund Capital Programme of £126m was approved for East Suffolk Council for the period 2020/21 to 2023/24, including the following key projects in 2020/21:

- *Lowestoft Flood Risk Management/Tidal Barrier (£13.4million)* – currently the highest value scheme that the Council has with a budget allocation of £9.5 million included for Phase 1 works (Tidal Walls, Pluvial and Fluvial) and £3.9 million for Phase 2 works (the Tidal Gate);
- *Felixstowe Regeneration Project (£10.0 million)* – major investment in Felixstowe and progression of an overall £21 million regeneration initiative;
- *Land Acquisitions (£2.5 million)* - a block allocation to finance strategic land acquisitions, aimed at advancing the Council's housing and regeneration priorities;
- *Commercial Investment (£2.5 million)* - to progress the Council's Commercial Investment Strategy;
- *Lowestoft Beach Hut Replacement (£2.5 million)* – replacement of beach huts along with the demolition, reconstruction and enhancement of the adjoining café and amenity block;
- *East Point Pavilion (£1.5 million)* – development of new restaurant/café premises; and
- *Bungay Leisure Centre (£1.8 million)* – major redevelopment of leisure centre.

The HRA capital programme totals nearly £53m million over the period and includes £32.4 million 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 2019/20* (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.

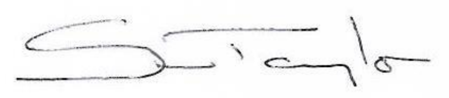
The Chief Finance Officer has also:

- 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 2020 and its income and expenditure for the year ending on that date.

Simon Taylor (CPFA)
Chief Finance Officer and S151 Officer, East Suffolk Council – 7 August 2020



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 councils 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. This is not a primary statement. Comparative figures for 2018/19 are not required in respect of the Council's predecessor authorities.

	2019/20 (Note 7)					
	Net Expenditure in the Comprehensive Income & Exependiture Statement	**Adjustments between the Funding & Accounting Basis**				**Net Expenditure Chargeable to GF & HRA Balances**
		Capital	Pensions	Other	**Total Adj**	
	£'000	£'000	£'000	£'000	**£'000**	**£'000**
Communities	2,053	-	174		174	2,227
Customer Services	1,901	(1)	266		265	2,166
Economic Development and Regeneration	1,414	(34)	185		151	1,565
Environmental Services and Port Health	483	(26)	672		646	1,129
Financial Services, Corporate Performance and Risk Management	2,107	(245)	2,748		2,503	4,610
Housing Operations and Landlord Services	75	1,273	237		1,510	1,585
Housing Revenue Account	(9,540)	2,973	882		3,855	(5,685)
ICT Services	2,782	(301)	205		(96)	2,686
Internal Audit	409	-	75		75	484
Legal and Democratic Services	2,393	(3)	171		168	2,561
Operations	19,703	(8,214)	218		(7,996)	11,707
Planning and Coastal Management	4,094	(1,737)	665		(1,072)	3,022
Revenue and Benefits	2,241	-	457		457	2,698
Senior and Corporate Management	3,109	-	394		394	3,503
Cost of Services	**33,224**	**(6,315)**	**7,349**	**-**	**1,034**	**34,258**
Other Operating Expenditure	6,085	727	-	-	727	6,812
Financing and Investment Income and Expenditure	4,732	3,797	(13,089)	(1,164)	(10,456)	(5,724)
Taxation and Non-Specific Grant Income	(53,335)	12,278	-	1,787	14,065	(39,270)
(Surplus) or Deficit on Provision of Services	**(9,294)**	**10,487**	**(5,740)**	**623**	**5,370**	**(3,924)**
Opening General Fund and HRA Balance						(70,554)
Less/Plus Surplus of (Deficit) on General Fund and HRA Balance in Year						(3,924)
Closing General Fund and HRA Balance at 31 March						**(74,478)**

COMPREHENSIVE INCOME AND 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. Comparative figures for 2018/19 are not required in respect of the Council's predecessor authorities.

	Authority 2019/20			Group 2019/20
	Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure
Cost of Services				
Communities	3,200	(1,147)	**2,053**	**2,053**
Customer Services	1,904	(3)	**1,901**	**1,901**
Economic Development and Regeneration	2,688	(1,274)	**1,414**	**1,414**
Environmental Services and Port Health	6,582	(6,099)	**483**	**483**
Financial Services, Corporate Performance and Risk Management	2,934	(827)	**2,107**	**2,107**
Housing Operations and Landlord Services	4,235	(4,160)	**75**	**75**
Housing Revenue Account	11,110	(20,650)	**(9,540)**	**(9,540)**
ICT Services	2,790	(8)	**2,782**	**2,782**
Internal Audit	529	(120)	**409**	**409**
Legal and Democratic Services	3,056	(663)	**2,393**	**2,393**
Operations	31,210	(11,507)	**19,703**	**19,703**
Planning and Coastal Management	7,940	(3,846)	**4,094**	**4,094**
Revenue and Benefits	50,668	(48,427)	**2,241**	**2,241**
Senior and Corporate Management	3,688	(579)	**3,109**	**3,109**
Total Cost of Services	**132,534**	**(99,310)**	**33,224**	**33,224**
Other Operating Expenditure (note 11)			**6,085**	**6,085**
Financing and Investment Income and Expenditure (note 12)			**4,732**	**4,732**
Taxation and Non-Specific Grant Income (note 13)			**(53,335)**	**(53,335)**
(Surplus) or Deficit on Provision of Services			**(9,294)**	**(9,294)**
Share of (Surplus)/Deficit on the Provision of services by Associates (note 31)			**-**	**20**
Tax expenses of Associates (note 31)			**-**	**(10)**
(Surplus)/Deficit			**(9,294)**	**(9,284)**
Surplus or deficit on revaluation of non-current assets (note 21)			**(10,284)**	**(10,284)**
Remeasurement of the net defined benefit liability / (asset) (note 21)			**(27,686)**	**(27,686)**
Other Comprehensive Income and Expenditure			**(37,970)**	**(37,970)**
Total Comprehensive Income and Expenditure			**(47,264)**	**(47,254)**

MOVEMENT IN RESERVES STATEMENT

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. No Movement in Reserves Statement is shown for 2018/19 in respect of the Council's predecessor authorities.

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked Housing Revenue Account Reserves £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	**Total Authority Reserves £'000**	Council's share of Reserves of Associates £'000	**Total Group Reserves £'000**
Balance at 31 March 2019	**(7,999)**	**(45,374)**	**(4,860)**	**(12,321)**	**(19,629)**	**(4,459)**	**(18,434)**	**(113,076)**	**(168,181)**	**(281,258)**	**(118)**	**(281,376)**
Movement in reserves during 2019/20												
(Surplus) or deficit on provision of services	(1,247)	-	(8,047)	-	-	-	-	(9,294)	-	**(9,294)**	-	**(9,294)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(37,970)	**(37,970)**	-	**(37,970)**
Total Comprehensive Income and Expenditure	**(1,247)**	**-**	**(8,047)**	**-**	**-**	**-**	**-**	**(9,294)**	**(37,970)**	**(47,264)**	**-**	**(47,264)**
Adjustment between Group and Authority Accounts:												
- Purchase of Goods and Services from Associate (note 31)	-	-	-	-	-	-	-	-	-	**-**	10	**10**
Net (Increase) / Decrease before Transfers	**(1,247)**	**-**	**(8,047)**	**-**	**-**	**-**	**-**	**(9,294)**	**(37,970)**	**(47,264)**	**10**	**(47,254)**
Adjustments between accounting basis and funding basis under regulations (note 9)	1,690	-	3,680	-	(1,173)	(1,824)	(5,476)	(3,103)	3,103	**-**	-	**-**
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**443**	**-**	**(4,367)**	**-**	**(1,173)**	**(1,824)**	**(5,476)**	**(12,397)**	**(34,867)**	**(47,264)**	**10**	**(47,254)**
Transfer to / from Earmarked Reserves (note 10)	1,556	(1,556)	3,994	(3,994)	-	-	-	-	-	**-**	-	**-**
(Increase) / Decrease in Year	**1,999**	**(1,556)**	**(373)**	**(3,994)**	**(1,173)**	**(1,824)**	**(5,476)**	**(12,397)**	**(34,867)**	**(47,264)**	**10**	**(47,254)**
Balance at 31 March 2020 carried forward	**(6,000)**	**(46,930)**	**(5,233)**	**(16,315)**	**(20,802)**	**(6,283)**	**(23,910)**	**(125,473)**	**(203,048)**	**(328,522)**	**(118)**	**(328,640)**

BALANCE SHEET

The Balance Sheet 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 21 to the Council's Core Financial Statements. Comparative figures for 2018/19 are not required in respect of the Council's predecessor authorities.

		Assets & Liabilities	
		Authority	Group
	Note	2019/20	2019/20
		£'000	£'000
Property, Plant and Equipment	14	**363,593**	**363,593**
Investment Property	15	2,900	2,900
Heritage Assets		588	588
Intangible Assets		149	149
Long Term Investments	16 + 33	18,676	18,676
Investment in Associates	31	-	118
Long Term Debtors	16	1,392	1,392
Long Term Assets		**387,298**	**387,416**
Short Term Investments	16	84,388	84,388
Current Assets held for sale		4	4
Inventories		105	105
Short Term Debtors	17	19,164	19,164
Cash and Cash Equivalents	Cash Flow	19,718	19,718
Current Assets		**123,379**	**123,379**
Short Term Creditors	18	(38,294)	(38,294)
Short Term Capital Grants Receipts in Advance	20	(151)	(151)
Current Liabilities		**(38,445)**	**(38,445)**
Long Term Creditors	32	(6,644)	(6,644)
Long Term Provisions	19	(2,603)	(2,603)
Long Term Borrowing	16	(77,413)	(77,413)
Long Term Capital Grants Receipts in Advance	20	(3,606)	(3,606)
Other Long Term Liabilities - Pension Liability	28	(53,445)	(53,445)
Long Term Liabilities		**(143,711)**	**(143,711)**
Net Assets		**328,521**	**328,639**

	Note	Reserves Authority 2019/20 £'000	Group 2019/20 £'000
<u>Capital Reserves</u>			
Capital Receipts Reserve		(6,283)	(6,283)
Capital Grants Unapplied		(23,910)	(23,910)
Major Repairs Reserve		(20,802)	(20,802)
Share of Reserves of Associates	31	-	(118)
<u>Revenue Reserves</u>			
General Fund			
- Fund Balance		(6,000)	(6,000)
- Earmarked Reserves		(46,930)	(46,930)
Housing Revenue Account			
- Fund Balance		(5,233)	(5,233)
- Earmarked Reserves		(16,315)	(16,315)
Usable reserves		**(125,473)**	**(125,591)**
Unusable reserves	21	(203,048)	(203,048)
Total Reserves		**(328,521)**	**(328,639)**

Simon Taylor (CPFA) Chief Finance Officer and Section 151 Officer 7 August 2020

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. Comparative figures for 2018/19 are not required in respect of the Council's predecessor authorities.

		2019/20 £'000
Net (surplus) or deficit on the provision of services		**(9,294)**
Adjust net surplus or deficit on the provision of services for non cash movements:		
- Depreciation and Amortisation of Non Current Assets	(8,791)	
- Impairment and Downward valuations	(1,040)	
- Impairment for Bad Debts	(323)	
- Change in Creditors	(2,164)	
- Change in Debtors	(4,063)	
- Change in Inventory	25	
- Pension Liability	(5,738)	
- Other non-cash items charged to Surplus / Deficit on Provision of Services	2,278	
- Carrying value of Non-Current Assets disposed	(1,581)	
- Movement in Investment Property Values	18	
		(21,379)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		16,898
Net cash flows from Operating Activities		**(13,775)**
Investing Activities:		
- Purchase of property, plant and equipment, investment property and intangible assets	12,672	
- Purchase of short-term and long-term investments	223,200	
- Other payments for investing activities	288	
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,592)	
- Proceeds from short-term and long-term investments	(210,700)	
- Other receipts from investing activities	(12,955)	
		9,913

		2019/20 £'000
Financing Activities:		
- Other receipts from financing activities	(4)	
- Cash payments for the reduction of the outstanding liabilities relating to finance leases	262	
- Repayments of short- and long-term borrowing	10,161	
- Other payments for financing activities	2,468	
		12,887
Net increase or decrease in cash and cash equivalents		**9,025**
Cash and cash equivalents at the beginning of the reporting period		(28,743)
Cash and cash equivalents at the end of the reporting period		**(19,718)**
- Cash held by officers		1
- Short-term deposits		7,000
- Bank current account		12,717
Sub-Total - Cash and Cash Equivalents		**19,718**
- Other bank balances (overdrafts)		-
Cash and cash equivalents at the end of the reporting period		**19,718**
The cashflows for operating activities include the following items:		
- Interest received		916
- Interest paid		(3,060)
- Dividends received		267

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts, by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2019/20*, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. Preparer's materiality has been set at £2.650m and only accounting policies and disclosures that exceed this materiality level have been provided, with the exception of politically sensitive areas of the Statement of Accounts, such as Members Allowance (Note 22) and Officers Remuneration (Note 25).

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.

The Council has considered the impact of the Covid-19 pandemic on its financial position, liquidity and performance during 2020/21 and beyond. The assessment has included modelling scenarios that consider the impact on:

- 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.

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

The restrictions in place within the United Kingdom in response to Covid-19 in the early part of 2020/21, and the resulting economic recession, have created significant issues for many businesses and residents. From April 2020 onwards, Council income was affected detrimentally in a range of areas such as car parking and planning, where these services were unable to function normally and generate income from fees and charges. In addition, the Council incurred significant additional costs in the provision of relief efforts in respect of the pandemic, such as the administration of business support and the management of community hubs. Moving into 2021/22, the most significant financial impacts on the Council are expected to be the effect on the collection fund and the council tax base from the awarding of more council tax reduction scheme reliefs, and the potential impact on business rates income. The government has provided some support for lost income and additional costs borne by authorities because of the crisis and the Council has received just over £2.6 million in this regard. In addition, in early July 2020, the Government announced a scheme for reimbursement of lost income, which will significantly assist the financial position in 2020/21.

The Council's Cabinet received a comprehensive report on the financial implications of Covid-19 at its meeting on 7 July 2020. In addition to detailing the various Government support measures to businesses and the community, this report outlined the actual and potential financial impacts on the Council itself. The table below summarises these impacts over the MTFS period of 2019/20 to 2024/25.

Covid-19 Impact (as at 17 July 2020)

General Fund	Actual 2019/20 £'000	Estimated 2020/21 £'000	Estimated 2021/22 £'000	Estimated 2022/23 £'000	Estimated 2023/24 £'000	Estimated 2024/25 £'000
Total Cost Pressure	**43**	**1,356**	**0**	**0**	**0**	**0**
Income Pressures:						
Sales, Fees & Charges Losses	363	5,169	396	2	2	2
Other Income	0	3,819	2,854	1,150	650	150
Total Income Pressure	**363**	**8,988**	**3,250**	**1,152**	**652**	**152**
Net Impact (before Government Funding)	**406**	**10,344**	**3,250**	**1,152**	**652**	**152**
Government Funding Received & Forecast	**(122)**	**(6,323)**	**0**	**0**	**0**	**0**
Net Impact (before Government Funding) *	**284**	**4,021**	**3,250**	**1,152**	**652**	**152**

** Subject to continuous review and therefore change*

The situation on local government and the impact of the Covid-19 pandemic is currently developing rapidly. As shown above, after taking Government funding into account, the net impacts on the Council's General Fund are currently estimated to be £4m in 2020/21, and £3.2m in 2021/22, with reduced and very uncertain impacts over the rest of the MTFS period. These impacts are dependent on the scale and duration of the economic recession, and the speed and nature of economic recovery.

The financial impacts estimated in the current year primarily concern the Council's own income sources, especially car parking and planning, whereas next year's estimated impacts primarily concern council tax as a key external income stream. There will inevitably be an impact on Council Tax income arising primarily from an increase in the number of Local Council Tax Reduction Scheme (LCTRS) claims related to increasing unemployment, but these forecasts are obviously very uncertain.

These estimates do not take into account any impacts on business rates at this stage, other than potential loss of the Pooling Benefit from the Suffolk Business Rates Pool. The position on Business Rates is very uncertain and will also be dependent on recession and recovery impacts, together with Government policy.

Overall, the current estimated net impacts on the Council's General Fund over the Medium Term Financial Strategy (MTFS) period are as shown below in addition to the budget gaps currently forecast in the MTFS:

MTFS Forecast - East Suffolk	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**	**2023/24 £'000**	**2024/25 £'000**
Budget Gap February 2020	0	5,350	6,163	6,676	6,676
Deferral of changes to the Business Rates system until 2022/23	**0**	**(4,884)**	**0**	**0**	**0**
Covid-19 Net Impact (before Government Funding) *	4,021	3,250	1,152	652	152
Forecast Budget Gap (17 July 2020)	**4,021**	**3,716**	**7,315**	**7,328**	**6,828**

** See previous table for Covid-19 impact*

Reforms to the local government finance system have been deferred until 2022/23 at the earliest and the planned national business rates revaluation exercise has also been postponed. The continuation of the current arrangements into 2021/22 is of significant financial benefit to the Council, given its advantageous position under the current system.

As at 31 March 2020, the Council had the following Earmarked Reserves available to largely enable it to absorb this shock to its income streams in the short term:

In Year Savings Reserve £4.925m

Busines Rates Equalisation Reserve £6.296m

However, a prolonged and sustained recession, combined with the need to close the already forecast budget gap could put pressure on other earmarked reserves and Council projects and services. There is a need for the Council to work up a savings plan to deliver a sustainable financial position and replenish reserves enabling key recovery projects to be undertaken.

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.

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 in 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 sums receivable have 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.

d) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

e) 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.

f) 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 as a result of 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 and are charged on an accrual basis to the appropriate service segment or, where applicable, to a corporate service segment 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.

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 2019/20 accounts is 2.3% which is derived from a Corporate bond yield curve constructed from yields on high quality bonds based on the constituents of the iBoxx £ Corporates AA index and using the UBS delta curve fitting methodology
- The assets of the Suffolk County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price;
  - unquoted securities - professional estimate;
  - unitised securities - current bid price; and
  - property - market value.

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

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

g) 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

h) Financial Instruments

Financial liabilities

Financial liabilities 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 and carried at their amortised cost.

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 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 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.

i) Government Grants and Contributions

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

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

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

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

j) Interests in Companies and Other Entities

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

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

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

The Group Accounting information for Waveney Norse Limited and Suffolk Coastal Norse Limited is based on their financial results at their accounting date of 1 April 2020. Further detailed information regarding the agreement is set out in the Notes to the Core Financial Statements (Interests in Companies and Other Entities).

East Suffolk Holdings Limited is wholly owned by the Council and was incorporated on 24 October 2019. East Suffolk Holdings is the sole shareholder of East Suffolk Construction Services Limited, East Suffolk Property Developments Limited, and East Suffolk Property Investments Limited, all of which were incorporated on 26 November 2019. All these companies were dormant in 2019/20 and are intended to commence trading in 2020/21.

k) 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.

l) Leases

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

The Council as Lessee – Finance leases

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

Lease payments are apportioned between:

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

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

m) 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.

n) Fair Value Measurement

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

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

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

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

o) Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance), and expenditure below a de-minimis level of £10,000, is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

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

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. The effective date of revaluation of those assets revalued in 2019/20 is:

- 31 December 2019 for assets measured at current value;
- 31 December 2019 for assets measured at fair value and those assets at risk of material movements in their valuation during the year; and
- 31 March 2020 for assets measured at social housing discount.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a revaluation or impairment loss previously charged to a service.

Where decreases in value are identified, the revaluation loss is accounted for as follows:

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

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

Impairment

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

Where impairment losses are identified they are accounted for as follows:

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

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

Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. Irrespective of the timing of any decision an asset is surplus; the accounting treatment will apply from 1 April in that year. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

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

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

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

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

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

p) 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 a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. Where the obligation is expected to be settled within 12 months of the Balance Sheet date the provision is recognised as a Current Liability in the Balance Sheet. Other provisions are recognised as Long Term Liabilities.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

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

Contingent liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent assets

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

q) 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 is incurred, 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 to manage the accounting processes for 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.

r) 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.

s) 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 have not yet been adopted

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

- *IFRS 16 Leases* will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021.
- *IAS 19 Employee Benefits* will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact

3. Critical Judgements in applying accounting policies

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

- The Council has examined its leases and classified them as either operational or finance leases. In some cases, the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease, the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.
- Suffolk Coastal Norse Limited and Waveney Norse Limited are recognised as Associates in the Council's financial statements and Group Accounts have been prepared in 2019/20. The Council's arrangement for leisure services provision with Sentinel Leisure Trust which commenced in 2011/12 has been assessed as not requiring Group Accounting, following a review against the guidance in the Code. East Suffolk Holdings Limited is wholly owned by the Council and was incorporated on 24 October 2019. East Suffolk Holdings is the sole shareholder of East Suffolk Construction Services Limited, East Suffolk Property Developments Limited, and East Suffolk Property Investments Limited, all of which were incorporated on 26 November 2019. All these companies were dormant in 2019/20 and are intended to commence trading in 2020/21. Consequently, these companies have been assessed as not requiring Group Accounting in 2019/20. 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 2019, the Council had to estimate the business rates income expected to be received in 2019/20 based on a number of assumptions. The most significant assumption was in relation to the provision for appeals. This was the first return for the new council and the total provision for appeals was the combined total for Suffolk Coastal District Council and Waveney District Council. These provisions were 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 before 31 March 2017. The relevant percentages used as a result of this were 4.04% for Suffolk Coastal and 3.28% for Waveney.

- With the new check, challenge, appeal process, there has been a significant reduction in appeals in respect of bills issued since 2017/18, so a new methodology has been adopted with effect from the 2018/19 NNDR3 year-end return. A provision of 4.04% has been calculated for the two large hereditaments within the Council’s valuation list and then for the remaining liabilities, this has been based on all those appeals that were successful in relation to the 2010 valuation list, by taking the rateable value of the successful appeals, multiplying this by the business rates multiplier to get the income due, applying the 4.04% or 3.28% trend analysis referred to above and then finally taking 25% of the value as the provision.

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	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. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £79k for non-housing properties and £73k for council dwellings for every year that useful lives had to be reduced. Whilst this risk is inherent in the valuation process, any change to the useful lives of assets and the subsequent depreciation charge will not impact on the Council's usable reserve balances, as depreciation charges do not fall on the taxpayer and are removed in the Movement in Reserves Statement.
Pensions liability	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.	Whilst the effects on the net pensions 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.
Arrears and Provisions for Doubtful Debts	In the light of the economic impacts of the Covid-19 pandemic on business and household finances, the impairment allowances for doubtful debts have been reviewed. Provisions for doubtful debts have been increased in respect of council tax, business rates; housing benefit overpayments; and sundry debtors.	If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required. If necessary such a sum could be met from reserves and balances in the short term. Monitoring of the Council's debt will be intensified in the light of the Covid-19 pandemic.
Housing benefit subsidy	In preparing the accounts for the year the Council has submitted a grant claim to the Department for Work and Pensions in relation to Housing Benefit paid in the year to the value of £36.5 million. The grant claim is	If the auditor identifies errors or system weakness within the grant claim there is a risk the grant income shown within the accounts is over-stated. If this were to be the case, any shortfall would reduce the General Fund balance.

	subject to detailed audit and the accounts have been prepared on the basis that all entries on the claim have been correctly stated.	
Business rates appeals	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%). Changes have been made by the Government in a number of 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 makes the assumption that there will be no further significant in-year changes and fundamental changes to the system in the medium term. The Council has to make a number of 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.	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 Suffolk Coastal District Council in future years based on their distribution proportions.
Fair value measurements	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 *similar* assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. 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.	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.

5. Comprehensive Income and Expenditure Statement - Material Items of Income and Expense

When items of income and expense 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 2019/20, there is one item to disclose.

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 through the use of its own department codes. Active Suffolk has its own independent Board made up of 12 individuals who shall direct the affairs of Active Suffolk (previously named Suffolk Sport) in accordance with its objectives and Rules. It will be responsible for maintaining the focus of Active Suffolk and driving the business forward.

Active Suffolk is funded through grant funding provided by Sports England and contributions from each of the Suffolk Local Authorities. The Council does not make any decisions of how this funding is spent; it is the responsibility of the Active Suffolk Board.

Active Suffolk	
	2019/20
	£,000
Income:	
Educational Courses	(22)
Leisure Activity Fees	(7)
Contributions from Local Authorities	(125)
Contributions from NHS	(15)
Contributions from other entities	(872)
	(1,041)
Expenditure:	
Employee expenses	726
Transport costs	4
Supplies and services	151
Grants and subscriptions	56
	937
(Surplus) transferred to earmarked reserves	**(104)**

6. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 7 August 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There were no adjusted Post Balance Sheet Events for the 2019/20 Accounts.

Where events taking place before this date did not relate to conditions at the Balance Sheet date but provided information that is relevant to an understanding of the Council's financial position, these events are disclosed as part of this note. In these Accounts, this note relates to the impact of the Covid-19 pandemic and the lockdown measures announced on 23 March 2020, which effectively closed down a significant part of the economy. These measures gradually began to be eased from June 2020 onwards, but the full economic, financial, and social outcomes of the pandemic and the resulting economic recession are yet to be ascertained. It is anticipated that there will be significant impacts upon both the UK and global economy in at least the short to medium term.

The financial impact for 2020/21 and subsequent financial years may be greater than currently forecast and there could be further implications and considerations for the Council's Balance Sheet in relation to asset impairments and pension fund liability valuations.

Following a review of the Balance Sheet as at 31 March 2020, the following areas have been identified where asset or liability values are likely to be impacted materially by COVID-19:

• Property, plant and equipment and investment property – It is likely that property assets held at current value and fair value will experience significant downwards revaluations. Valuations tend to be based upon the level of income generated by the property, either through rental income or provision of services (e.g. car park charges), and both of these are likely to be negatively impacted by the current situation.

• Pension fund liability – The value of the liability is highly sensitive to the actuarial assumptions used in its calculation, as set out at note 28. On 11 March 2020, the Bank of England lowered its base rate by 0.50% to 0.25%. The rate was then further reduced to 0.10% on 19 March 2020. Any corresponding decrease in the discount rate applied to the pension fund would result in a significant increase in the liability. Conversely, changes to mortality assumptions could result in a decrease in the liability.

At the present time, the level of uncertainty is such that it is not possible to reliably quantify the impact on the above areas, although it should be noted that whilst any future financial implications of such valuation movements would be recognised within the comprehensive income and expenditure statement in the year to which they relate, in accordance with proper accounting practice, they would be adjusted for within the Movement in Reserve Statement - Adjustments between Accounting Basis & Funding Basis under Regulations, to negate any financial impact on the Council tax payer.

7. Note to the Expenditure and Funding Analysis

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** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **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.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net change for the pensions 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

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

	2019/20 £'000
Expenditure	
Employee benefits expenses	33,764
Other service expenses	88,940
Dereciation, amortisation, impairment	9,813
Interest payments	5,022
Net (gains)/losses on financial assets at fair value through profit and loss	1,164
Impairment Losses including Reversals of Impairment Losses or Impairment Gains	323
Precepts and levies	6,302
Payments to Gov Housing Capital Receipts Pool	430
Business rates tariff payment and levy	27,522
Gain or loss on the disposal of assets	(646)
Total expenditure	**172,634**
Income	
Fees, Charges and other service income	(99,615)
Interest and investment income	(1,456)
Income from council tax, non-domestic rates, district rate income	(60,710)
Government grants and contributions	(20,147)
Total income	**(181,928)**
Surplus or deficit on the provision of services	**(9,294)**

9. Movement In Reserves Statement - Adjustments between Accounting Basis and Funding Basis Under Regulations

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.

2019/20	Usable Reserves						
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments Involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
- Charges for depreciation and impairment of non current assets	(5,300)	-	(3,308)	-	-	**(8,608)**	8,608
- Revaluation losses on Property, Plant and Equipment	(4,013)	2,973	-	-	-	**(1,040)**	1,040
- Movements in the market value of Investment Properties	18	-	-	-	-	**18**	(18)
- Amortisation of intangible assets	(160)	-	(23)	-	-	**(183)**	183
Expenditure capitalised under Approvals:							
- Capital grants and contributions that have been applied to capital financing	663	-	-	-	-	**663**	(663)
- Revenue expenditure funded from capital under statute	(1,425)	-	-	-	-	**(1,425)**	1,425
- Revenue expenditure funded from community infrastructure levies	(504)	-	-	-	-	**(504)**	504
- Revenue expenditure funded from section 106 receipts	(218)					**(218)**	218
- Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(81)	(1,500)	-	-	-	**(1,581)**	1,581
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
- Statutory provision for the financing of capital investment	815	-	-	-	-	**815**	(815)
- Capital expenditure charged against the General Fund and HRA balances	2,761	612	-	-	-	**3,373**	(3,373)
Adjustment involving the Capital Grants Unapplied Account:							
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	13,636	308	-	-	(13,944)	**-**	-
- Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	8,468	**8,468**	(8,468)

2019/20	Usable Reserves						
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000
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	135	2,177	-	(2,312)	-	**-**	-
- Use of the Capital Receipts Reserve to finance new capital	-	-	-	54	-	**54**	(54)
- Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(4)	-	-	4	-	**-**	-
- Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(430)	-	-	430	-	**-**	-
Adjustments involving the Major Repairs Reserve							
Use of the Major Repairs Reserve to fund new capital expenditure	-	-	2,158	-	-	**2,158**	(2,158)
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	(1,164)	-	-	-	-	**(1,164)**	1,164
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	(11,317)	(1,772)	-	-	-	**(13,089)**	13,089
- Employer's pensions contributions and direct payments to pensioners payable in the year	6,469	882	-	-	-	**7,351**	(7,351)
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.	1,788	-	-	-	-	**1,788**	(1,788)
Total Adjustments	**1,690**	**3,680**	**(1,173)**	**(1,824)**	**(5,476)**	**(3,103)**	**3,103**

10. Movement in Reserves Statement – Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and Housing Revenue Account balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and Housing Revenue Account expenditure in 2019/20.

	Balance 31 March 2019 £'000	Transfers Out 2019/20 £'000	Transfers In 2019/20 £'000	Balance 31 March 2020 £'000	Purpose of the Earmarked Reserve
Actuarial Contributions	**637**	-	863	**1,500**	To provide a source of finance to meet budget pressures arising from lump sum pension costs associated with redundancies and retirements.
Additional Disabled Facilities Grant(DFG) funding (Non-Ringfenced)	**8**	-	21	**29**	To support additional Disabled Facilities Grant works above the standard Disabled Facilities Grants. Externally funded, with conditions attached.
Air Quality	**97**	(23)	12	**86**	To provide a source of finance for Air Quality Management Areas. Funding provided by DEFRA.
Better Broadband	**36**	(24)	-	**12**	External funding received to support the delivery of Broadband to local residents and businesses.
Brexit	**35**	(35)	55	**55**	External funding received for expenditure incurred as a result of Brexit.
Budget Carry Forwards	**212**	(211)	202	**203**	Approved requests for unspent revenue budgets to be carried forward.
Building Control	**519**	(4)	-	**515**	A statutory fund to ensure Building Control expenditure works on a break even basis over a rolling annual period.
Business Incentive	**97**	(95)	-	**2**	External Funding to support economic development throughout the district.
Business Rates Equalisation	**8,476**	(4,651)	2,471	**6,296**	Business rates income set aside to provide a source of finance to equalise fluctuations in business rate income, e.g. timing issues arising from the accounting treatment.
Business Rates Pilot	**3,011**	(499)	161	**2,673**	Income received from the business rate retention pilot scheme (2018/19) which has been set aside to fund agreed projects across economic development, housing, leisure and communities.
Capital Reserve	**3,761**	(1,743)	5,932	**7,950**	To provide a source of finance for capital investment plans.
Climate Change (includes Suffolk Energy Link)	**58**	(20)	40	**78**	To provide an additional source of finance for initiatives to reduce climate change and to promote energy efficiency (includes external funding). £30k held as potential match funding for bids for Climate change/Environmental activities as no ongoing core budget to that level for match funding.
Coastal Management - Revenue Works	**222**	(56)	-	**166**	To provide a source of finance to fund revenue expenditure on coastal defences in the district.
Coastal Protection - Capital Works	**176**	-	-	**176**	To provide a source of finance to fund capital expenditure on coastal defences in the district.
Communities	**899**	(771)	54	**182**	External Funding to provide a source of finance to support anti-social behaviour and crime reduction initiatives.
Community Health	**35**	(35)	-	**-**	Funding provided to support the delivery of Community Health projects.
Community Housing Fund	**2,191**	(57)	-	**2,134**	To enable local community groups to deliver affordable housing units.
County Sports Partnership	**761**	(19)	123	**865**	Funding received to support the delivery of the County Sports Partnership.
COVID-19 Response	**-**	-	99	**99**	Government funding received in response to the COVID-19 pandemic.
Customer Services	**156**	-	-	**156**	To support projects requiring post implementation review which may incur consultancy fees and service review costs.

	Balance 31 March 2019 £'000	Transfers Out 2019/20 £'000	Transfers In 2019/20 £'000	Balance 31 March 2020 £'000	Purpose of the Earmarked Reserve
Deployment of Flood Barrier	**88**	-	-	**88**	To providing funding towards the cost of deployment of the flood barrier in Lowestoft.
District Elections	**403**	(323)		**80**	To support costs of future elections.
Domestic Violence Support Funding	**53**	-	93	**146**	Funding received to provide support to schemes supporting those affected by domestic violence.
East Suffolk Partnership	**123**	(123)	-	**-**	Funding received to support the delivery of projects and initiatives of the East Suffolk Partnership.
Economic Development	**99**	(16)	572	**655**	Funding provided to support the delivery of Economic Development projects.
Economic Regeneration	**153**	(56)	172	**269**	Funding to support business activities and the recovery of the Lowestoft Seafront following the December 2013 floods.
Empty Properties & Houses in Disrepair	**190**	(57)	-	**133**	To provide a source of finance for the Council to assist in bringing empty properties situated within the District back into use.
Enterprise Zone	**684**	(669)	625	**640**	Enterprise Zone income is generated through business rates from development which occurs within each zone. East Suffolk Council is the collecting authority and by default the administrators of the funds.
Felixstowe Forwards	**33**	(7)	7	**33**	External funding received to fund projects in Felixstowe.
Flood Prevention	**12**	(6)	-	**6**	Following the Tidal Surge of 2013, this reserve has been established and provides a source of finance for flood prevention assistance.
Great Places	**13**	(13)	-	**-**	To fund new ways of working, building capacity, research, consultations and developing partnerships within Lowestoft.
Growth Programme	**184**	(44)	-	**140**	External funding received to fund work on Suffolk Design Concepts.
Gypsy & Traveller	**-**	(2)	27	**25**	Fund for macerator at Kessingland site and external funding to find a new suitable site.
Heritage Action Zone North	**-**	-	30	**30**	Funding received to deliver the North Heritage Action Zone project.
Homelessness Prevention	**313**	(191)	316	**438**	Homelessness prevention revenue grants received in advance to be matched with its related expenditure in subsequent years.
Homes & Communities Agency (HCA) - Area Action Plan (AAP) Land Contamination Grant	**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**	Funding received for the Adastral Park development.
Housing Benefits Administration				**-**	To support Housing Benefits administration costs.
Housing and Planning Delivery	**182**	(182)	-	**-**	To provide a source of finance to fund service improvements in these service areas.
Housing Benefits Verification				**-**	To provide a source of finance to implement Government legislative changes, including the roll out of Universal Credit.
Housing Benefit (HB) Subsidy	**352**	(52)	-	**300**	To provide a source of finance to meet budget pressures due to fluctuations with HB subsidy and implementation/changes due to Government legislation.
Housing Condition Survey & Improvements	**97**	(6)	-	**91**	To meet the cost of the periodic survey of Private Sector Housing within the district.
Individual Electoral Registration	**266**	-	112	**378**	To meet the additional cost for administration of Individual Electoral Registration.
Indoor Leisure	**120**	(120)	50	**50**	To provide a source of finance to support the closure cost of Deben Leisure Centre during the refurbishment period.
Insurance	**166**	-	-	**166**	To provide a source of finance for any uninsured losses.
In-Year Contingency	**400**	(400)	-	**-**	To provide in-year contingency provision.
In-Year Savings	**5,606**	(686)	-	**4,920**	In-Year savings set aside to support future year budget gaps.

	Balance 31 March 2019 £'000	Transfers Out 2019/20 £'000	Transfers In 2019/20 £'000	Balance 31 March 2020 £'000	Purpose of the Earmarked Reserve
Key Capital Programme	**200**	(18)	-	**182**	To provide a source of finance to support the revenue costs associated with the delivery of key capital projects.
Land Charges	**372**	(222)	-	**150**	To support the General Fund from losses in future Land Charges income.
Landguard	**-**	-	16	**16**	Funding for the Landguard Governance review.
Local Development Framework	**477**	(472)	-	**5**	To meet the costs arising from the periodic preparation and adoption of the Local Development Framework.
Lowestoft Rising	**90**	(24)	35	**101**	Funding received to deliver earmarked work under the Lowestoft Rising project.
New Homes Bonus	**4,594**	(1,560)	2,408	**5,442**	Supporting community initiatives across East Suffolk.
Planning	**-**	(65)	465	**400**	To provide a source of finance for planning appeals, local plans and planning challenges.
Planning & Building Control	**51**	(51)	-	**-**	To provide a source of finance for professional training and development needs of the service.
Planning Legal	**-**	-	200	**200**	To provide for legal costs in respect of planning appeals.
Planning Policy	**255**	(255)	-	**-**	To support development work and audit of the Local Plan.
Port Health	**4,623**	(101)	659	**5,181**	To provide a source of finance to support the future investment and development of the Authority's infrastructure at the Port of Felixstowe.
Private Sector Housing	**41**	-	13	**54**	Grants repaid to be set aside for empty property/home improvement initiatives.
Private Sector Housing	**872**	(62)	-	**810**	Grants repaid set aside to fund future renovation works.
Rent Guarantee Scheme	**15**	-	-	**15**	To provide a source of finance for landlord claims.
Revenue & Benefits	**191**	-	52	**243**	To provide a source of finance for budget pressures on the administration of Revenues & Benefits.
S106 Interest	**-**	-	30	**30**	Contingency related to Affordable Housing S106 should conditions not be met.
Short Life Assets	**588**	(784)	596	**400**	To fund the purchase of short life assets. In order to maintain the level of the reserve any capital funding will be repaid from revenue budgets.
Southwold Beach Huts	**175**	-	-	**175**	Receipt of monies from letting of new beach hut sites in Southwold in 2014/15 approved to be used within Southwold.
Stepping Homes	**68**	(53)	47	**62**	External funded received to support hospital patients to return home (Stepping Home project).
Strategic Plan Delivery	**234**	-	16	**250**	To provide a source of finance to facilitate the delivery of the Council's Strategic Plan, including any emerging priorities.
Transformation	**1,322**	(185)	-	**1,137**	To provide funding for efficiency (invest to save) initiatives and to support the delivery of the Strategic Plan.
Warmer Homes Healthy People	**35**	(15)	46	**66**	To provide a source of finance to fund grants towards heating of homes.
Youth Leisure	**10**	-	-	**10**	Project funding received to support Active Leisure for young people.
Total General Fund	**45,374**	**(15,063)**	**16,620**	**46,931**	

	Balance 31 March 2019 £'000	Transfers Out 2019/20 £'000	Transfers In 2019/20 £'000	Balance 31 March 2020 £'000	Purpose of the Earmarked Reserve
Housing Revenue Account:					
Hardship Reserve	**500**	-	-	**500**	Recognising the need to provide financial help to tenants who find themselves in financial hardship due to the welfare reforms.
Debt Repayment Reserve	**10,000**	-	1,000	**11,000**	To set aside funds to meet future liabilities for repaying the Self-Financing debt.
Impairment/Revaluation Reserve	**256**	-	-	**256**	To provide for potential impairment and revaluation losses to HRA assets due to current and future changes in Accounts and Audit Regulations.
Municipal Mutual Insurance Limited (MMI) Reserve	**66**	(6)	-	**60**	To provide for potential liabilities relating to Municipal Mutual Insurance Limited (MMI).
Acquisition & Development	**1,500**	-	3,000	**4,500**	To fund Housing development programme that has reprogrammed for later years.
Total Housing Revenue	**12,322**	**(6)**	**4,000**	**16,316**	
Total	**57,696**	**(15,069)**	**20,620**	**63,247**	

11. Comprehensive Income and Expenditure Statement - Other Operating Expenditure

	2019/20 £'000
Parish Council precepts	6,066
Payments to the Government Housing Capital Receipts Pool	430
Gains/losses on the disposal of non current assets	(646)
Levies	235
Total	**6,085**

12. Comprehensive Income and Expenditure Statement - Financing and Investment Income and Expenditure

	2019/20 £'000
Interest payable and similar charges	3,017
Net interest on the net defined benefit liability	1,886
Interest receivable and similar income	(1,049)
Net (gains)/losses on financial assets at fair value through profit and loss	1,164
Impairment Losses including Reversals of Impairment Losses or Impairment Gains	323
Income and expenditure in relation to investment properties and changes in their fair value	(202)
Other Investment Income	(407)
Total	**4,732**

13. Comprehensive Income and Expenditure Statement – Taxation and Non-Specific Grant Income and Expenditure

	2019/20 £'000
Council tax income	(20,564)
Non domestic rates	(37,022)
Tariff payment to Suffolk County Council	21,837
Share of (surplus)/deficit on collection fund	(1,168)
Share of pooling benefit with other Suffolk Councils	(1,795)
Levy payment to Suffolk Business Rates Pool	5,685
Share of Pilot Pooling Benefit with other Suffolk Councils	(161)
Non-ring fenced government grants	(7,869)
Capital grant and contributions	(12,278)
Total	**(53,335)**

14. Property, Plant and Equipment

Movements in 2019/20:	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction: Construction £'000	Assets Under Construction: Land £'000	Total PPE £'000
Cost or Valuation									
At 1 April 2019	203,758	93,012	16,367	54,487	1,784	1,527	13,013	3,690	**387,638**
Additions	2,438	637	950	239	(35)	55	8,307	-	**12,591**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,813	(983)	-	-	-	3,705	-	-	**6,535**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,718	(3,500)	-	-	-	(941)	-	-	**(2,723)**
Derecognition - Disposals	(1,512)	(24)	(241)	-	-	-	-	-	**(1,777)**
Derecognition - Other	(1)	-	(528)	-	-	(15)	1	-	**(543)**
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	2,143	-	-	**2,143**
Other movements in Cost or Valuation	5,238	2,758	-	(39)	(1)	-	(7,114)	(839)	**3**
At 31 March 2020	**215,452**	**91,900**	**16,548**	**54,687**	**1,748**	**6,474**	**14,207**	**2,851**	**403,867**
Accumulated Depreciation and Impairment									
At 1 April 2019	-	1,964	10,829	24,988	-	18	57	-	**37,856**
Depreciation charge	3,133	2,521	1,212	1,718	-	25	-	-	**8,609**
Depreciation written out to the Revaluation Reserve	(1,903)	(1,833)	-	-	-	(14)	-	-	**(3,750)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,253)	(421)	-	-	-	(9)	-	-	**(1,683)**
Derecognition - Disposals	(12)	-	(241)	-	-	-	-	-	**(253)**
Derecognition - Other	-	-	(506)	-	-	-	-	-	**(506)**
Other movements in Depreciation and Impairment	35	7	(1)	1	-	-	(41)	-	**1**
At 31 March 2020	**-**	**2,238**	**11,293**	**26,707**	**-**	**20**	**16**	**-**	**40,274**
Net Book Value									
At 31 March 2020	**215,452**	**89,662**	**5,255**	**27,980**	**1,748**	**6,454**	**14,191**	**2,851**	**363,593**
At 31 March 2019	**203,758**	**91,048**	**5,538**	**29,499**	**1,784**	**1,509**	**12,956**	**3,690**	**349,782**

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 Assets

Fair Value Hierarchy - All the Councils' surplus assets have been assessed as having level 2 inputs as at 31 March 2020. Valuation Techniques used to determine Level 2 Fair Values for Surplus Assets was 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 2020 was £6.474 million.

Capital commitments – At 31 March 2020, the Council had contractual commitments of £21 million relating to the Lowestoft Flood Risk Management Project Phase 1

Effects of changes in estimates - There were no material changes to accounting estimates for property, plant and equipment.

Revaluations

The following statement shows the progress of the Council's programme of revaluation of property, plant and equipment. The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years. All valuations, with the exception of Council dwellings were carried out by the Council's in-house valuers. NPS Property Services Ltd carried out the beacon valuations of Council Dwellings. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The basis for valuation of non-current assets is set out in the Statement of Accounting Policies. There were no significant assumptions made by the valuer in the year. The effective date of revaluation of those assets revalued during 2019/20 was:

- 31 December 2019 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 2020 for assets measured at social housing discount.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction		Total PPE
							Construction	Land	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost			16,548	54,687	1,748	-	14,207	2,851	90,041
Value at current value as at:									
31 March 2020	215,452	37,414	-	-	-	6,474	-	-	259,340
31 March 2019		17,985	-	-	-	-	-	-	17,985
31 March 2018		18,420	-	-	-	-	-	-	18,420
31 March 2017		7,064	-	-	-	-	-	-	7,064
31 March 2016		11,017	-	-	-	-	-	-	11,017
Total Cost or Valuation	**215,452**	**91,900**	**16,548**	**54,687**	**1,748**	**6,474**	**14,207**	**2,851**	**403,867**

15. 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:

	2019/20
	£'000
Rental income from investment properties	304
Direct operating expenses arising from investment properties	(120)
Net gain/(loss)	**184**

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:

	2019/20
	£'000
Balance at 1 April	2,882
Net gains/losses from fair value adjustments	18
Balance at 31 March	**2,900**

Fair Value Measurement of Investment Properties

Fair Value Hierarchy - all the Council's investment properties have been assessed as having level 2 inputs as at 31 December 2019.

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.

16. 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 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.

Financial Assets

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

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

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

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

Balances

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

Financial Liabilities	Long-term 2019/20 £'000	Short-term 2019/20 £'000
Loans at amortised cost:		
Principle sum borrowed	77,413	-
Total Borrowing	**77,413**	**-**
Liabilities at amortised cost:		
Creditors	7	7,118
Finance Leases	6,079	280
Financial Liabilities in Creditors	**6,086**	**7,398**
Non Financial Liabilities	**60,212**	**31,047**
Total Financial Liabilities	**143,711**	**38,445**

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

Financial Assets	Long-term 2019/20 £'000	Short-term 2019/20 £'000
At amortised cost:		
Principle	-	84,000
Accrued Interest	-	388
At fair value through profit and loss:		
Principle	18,676	-
Total Investments	**18,676**	**84,388**
At amortised cost:		
Principle	-	19,718
Total Cash & Cash Equivalents	**-**	**19,718**
At amortised cost:		
Debtors	236	6,036
Lease Receivables	4	-
Loss Allowance	-	(744)
Financial Assets in Debtors	**240**	**5,292**
Non Financial Assets	**1,152**	**13,981**
Total Assets	**20,068**	**123,379**

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-20		
	Gross Assets (Liabilities) £'000	**(Liabilities) assets set off £'000**	**Net Position on Balance Sheet £'000**
Bank accounts in credit	18,675	-	18,675
Bank overdrafts	-	(5,958)	(5,958)
Total Financial Assets (Liabilities)			**12,717**

Gains and Losses

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

	2019/20		
	Amortised cost **£'000**	Fair Value through Profit and Loss **£'000**	**Total £'000**
Interest expense	3,017	**-**	**3,017**
Losses from change in fair value		1,164	**1,164**
Impairment losses	323	-	**323**
Interest payable and similar charges	**3,340**	**1,164**	**4,504**
Interest income	(1,049)	-	**(1,049)**
Interest and investment income	**(1,049)**	**-**	**(1,049)**
Net gain / (loss) for the year	**2,291**	**1,164**	**3,455**

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 2020, 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-20	
	Carrying Amount £000s	**Fair Value £000s**
PWLB Loans (Level 2)	77,413	91,738

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-20 Fair Value £000s**
Fair Value through Profit & Loss			
CCLA Property Fund	1	Unadjusted quotes prices in active markets for idential shares	9,270
CCLA Diversified Income Fund	1	Unadjusted quotes prices in active markets for idential shares	4,404

Risks

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

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

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

The main risks covered are:

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

Credit Risk: Treasury Investments

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

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

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-20	
	Long-term £'000	Short-term £'000
AAA	18,676	84,000
AA+		
AA		
AA-		
A+		
A		
A-		
BBB+		
Unrated local authorities		
Total Investments	18,676	84,000

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.

	2019/20
	£,000
Past due < 3 months	4,827
Past due 3-6 months	340
Past due 6-12 months	39
Past due 12+ months	433
Total Receivables	5,639

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:

		31-Mar-20	
	Range of allowances set aside	**Gross Receivables £'000**	**Loss Allowance £'000**
Trade Receivable	4%-100%	2,877	(653)

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

Liquidity Risk

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

The maturity analysis of financial instruments is as follows:

	2019/20
	£'000
Analysis by Lender:	
Public Works Loan Board	**77,413**
Analysis by Maturity:	
Repayable within	
2 years	**11,286**
2 to 5 years	**2,000**
5 to 10 years	**10,007**
over 10 years	**54,120**
	77,413
Fair Value of PWLB Loans at the year-end	**91,738**

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

Market Risks: Interest Rate Risk

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

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

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

Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2020, £17.35m of net principal borrowed (i.e. borrowing net of investments) was exposed to fixed rates.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

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

*No impact on Comprehensive Income and Expenditure.
The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Market Risks: Price Risk

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £9.27m. A 5% fall in commercial property prices at 31st March 2020 would result in a £0.464m 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 £4.40m. A 5% fall in commercial property prices at 31st March 2020 would result in a £0.220m 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.

17. Debtors

	2019/20
	£'000
Central Government bodies	3,039
Other Local Authorities	3,106
NHS bodies	423
Council Taxpayers	2,286
Other entities and individuals	16,369
Prepayments	359
Total	**25,582**
less Bad Debt Impairment Provisions:	
Council Taxpayers	(1,121)
Other service debtors	(5,297)
Total	**19,164**

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:

	2019/20
	£'000
Less than 12 months	1,540
More than one year	2,467
	4,007

18. Creditors

	2019/20 £'000
Central Government bodies	5,740
Other Local Authorities	14,831
NHS bodies	3
Other entities and individuals	8,272
Receipts in Advance	9,448
Total	**38,294**

19. Provisions

	Other £'000	Business Rates Appeals £'000	Total £'000
Long Term Provisions			
Balance at 1 April 2019	**5**	**6,117**	**6,122**
100% Pilot Provision Movement		**(3,059)**	**(3,059)**
Movement in Provision in 2019/20	**(16)**	**1,177**	**1,161**
Amounts used in 2019/20	**-**	**(756)**	**(756)**
Unused amounts reversed in 2019/20	**16**	**(881)**	**(865)**
Balance at 31 March 2020	**5**	**2,598**	**2,603**

Outstanding Legal Cases

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

Provisions

As part of the National Non Domestic Rates (NNDR1) return in January 2019, the Council had to estimate the business rates income expected to be received in 2019/20 based on a number of assumptions. The most significant assumption was in relation to the provision for appeals. This was the first return for the new council and the total provision for appeals was the combined total for Suffolk Coastal District Council and Waveney District Council. These provisions were 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 before 31 March 2017. The relevant percentages used as a result of this were 4.04% for Suffolk Coastal and 3.28% for Waveney.

With the new check, challenge, appeal process, there has been a significant reduction in appeals in respect of bills issued since 2017/18, so a new methodology has been adopted with effect from the 2018/19 NNDR3 year-end return. A provision of 4.04% has been calculated for the two large hereditaments within the Council's valuation list and then for the remaining liabilities, this has been based on all those appeals that were successful in relation to the 2010 valuation list, by taking the rateable value of the successful appeals, multiplying this by the business rates multiplier to get the income due, applying the 4.04% or 3.28% trend analysis referred to above and0 then finally taking 25% of the value as the provision.

20. Grant Income

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

	2019/20 £'000
Credited to Taxation and Non Specific Grant Income	
Non-ringfenced grants:	
Revenue Support Grant	(322)
New Homes Bonus	(2,408)
Business Rates Reliefs	(4,704)
Other Non-ringfenced grants	(435)
Capital grants and contributions:	
Coastal Management/ Protection	(7,741)
HRA Developments	(308)
Community Infrastructure Levy	(3,971)
s106 contributions	(248)
Other capital grants and contributions	(10)
Total	**(20,147)**
Credited to Services	
Housing Benefits Subsidy	(45,158)
Benefits Administration Grant	(870)
Disabled Facilities Grants	(2,255)
Discretionary Housing Payments Grant	(429)
Homelessness Grants	(783)
European Union Exit Grants	(356)
Other Grants	(1,169)
Total	**(51,020)**

The Council has received a number of 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 to the giver. The balances at the year-end are as follows:

	2019/20 £'000
Capital Grants Receipts in Advance (Short-Term)	
s106 Contributions	151
Total	**151**
Capital Grants Receipts in Advance (Long-Term)	
Other grants	26
s106 Contributions	3,580
Total	**3,606**

21. Unusable Reserves

	2019/20
	£'000
Revaluation Reserve	(61,601)
Capital Adjustment Account	(190,945)
Financial Instruments Adjustment Account	703
Pooled Investment Funds Adjustment Account	1,309
Deferred Capital Receipts Reserve	(4)
Pensions Reserve	53,445
Collection Fund Adjustment Account	(5,955)
Total Unusable Reserves	**(203,048)**

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.

	2019/20
	£'000
Balance at 1 April	**(52,621)**
Upward revaluation of assets	(12,944)
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	2,660
Surplus or deficit on revaluation of non-current assets posted to the Surplus or Deficit on the Provision of Services	**(10,284)**
Difference between fair value depreciation and historical cost depreciation	1,225
Accumulated gains on assets sold or scrapped	79
Amount written off to the Capital Adjustment Account	**1,304**
Balance at 31 March	**(61,601)**

Pooled Investment Funds Adjustment Account

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

	2019/20
	£'000
Balance at 1 April	**145**
Financial Instruments held under Fair Value through Profit and Loss subject to MHCLG statutory over-ride	1,164
Balance at 31 March	**1,309**

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.

	2019/20
	£'000
Balance at 1 April	**(187,651)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
- Charges for depreciation and impairment of non current assets	8,608
- Revaluation losses on Property, Plant and Equipment	1,040
- Amortisation of intangible assets	183
- Revenue expenditure funded from capital under statute	1,671
- Revenue expenditure funded from section 106 receipts	218
- Revenue expenditure funded from community infrastructure levies	258
- 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	1,581
Adjusting amounts written out of the Revaluation Reserve:	
- Difference between fair value depreciation and historical cost depreciation in Revaluation Reserve	(1,225)
- Amounts written out on disposal of assets	(79)
Net written out amount of the cost of non current assets consumed in the year	**12,255**

	2019/20
	£'000
Capital financing applied in the year:	
- Use of Capital Receipts Reserve to finance new capital expenditure	(54)
- Application of grants to capital financing from the Capital Grants Unapplied Account	(8,468)
- Statutory provision for the financing of capital investment charged against the General Fund and and HRA balances	(815)
- Application of grants to capital financing from Receipts in Advance	(663)
- Use of Major Repairs Reserve to fianance new capital expenditure	(2,158)
- Capital expenditure charged against the General Fund and HRA balances	(3,373)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(18)
Balance at 31 March	**(190,945)**

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.

	2019/20
	£'000
Balance at 1 April	**724**
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)
Balance at 31 March	**703**

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.

	2019/20
	£'000
Balance at 1 April	**75,393**
Remeasurements of the net defined benefit liability / (asset)	(27,686)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	13,089
Employer's pensions contributions and direct payments to pensioners payable in the year	(7,351)
Balance at 31 March	**53,445**

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.

	2019/20
	£'000
Balance at 1 April	**(4,167)**
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.	(1,788)
Balance at 31 March	**(5,955)**

22. Members' Allowances

There are 55 elected members of the Council. The Council paid the following amounts to elected Members during the year.

	2019/20
	£'000
Basic, Attendance and Special Responsibility Allowances	595
Subsistence and Expenses	38
Total	**633**

23. 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.

	2019/20
	£'000
Fees payable to the Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the year	60
Additional fees payable to the Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the previous year	64
Fees payable to the Ernst and Young LLP for the certification of grant claims and returns for the year	41
Additional fees payable to the Ernst and Young LLP for the certification of grant claims and returns for the previous year	26
Total	**190**

24. Related Parties

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

Central Government

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

Suffolk County Council

Transactions included 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 £1.702m with a year-end debtor of £0.000m.

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 2019/20 is shown in note 22. The Council made payments in 2019/20 totalling £0.438m (with a year-end creditor of £0.119m) to other organisations in which Members had an interest. The Council also received income from other organisations totalling £0.046m (with a year-end debtor of £0.003m) in which members

had an interest. Any contracts were entered into in full compliance with the Council's standing orders, and any grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to awarding of the contract or grant.

Levies Paid to other Authorities

Rivers and Drainage Authorities £0.235m as shown in note 11.

Waveney Norse Ltd

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

Suffolk Coastal Norse Ltd

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

East Suffolk Holdings Limited

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

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.

25. Officers' Remuneration and Exit Packages

The remuneration paid to senior employees is set out in the table below. No bonuses were paid in 2019/20.

		Salary, Fees and Allowances £	Benefits in Kind (e.g. Car Allowances) £	Compensation for Loss of Office £	Total Excluding Pension Contributions £	Employer's Pension Contribution £	Total including Pension Contributions £	Additional Council Pension Contributions £
Chief Executive	**2019/20**	**149,503**	**3,906**	**-**	**153,409**	**34,087**	**187,496**	**-**
Strategic Director	**2019/20**	**102,211**	**-**	**-**	**102,211**	**23,304**	**125,515**	**-**
Strategic Director	**2019/20**	**99,234**	**-**	**-**	**99,234**	**22,625**	**121,859**	**-**
Chief Finance Officer & S151 Officer	**2019/20**	**78,044**	**-**	**-**	**78,044**	**17,794**	**95,838**	**-**
Head of Communities	**2019/20**	**70,364**	**-**	**-**	**70,364**	**16,043**	**86,407**	**-**
Head of Customer Services, Communications & Marketing *	**2019/20**	**36,161**	**-**	**-**	**36,161**	**8,239**	**44,400**	**-**
Head of Economic Development & Regeneration	**2019/20**	**70,364**	**-**	**-**	**70,364**	**16,043**	**86,407**	**-**
Head of Environmental Services & Port Health	**2019/20**	**82,535**	**-**	**-**	**82,535**	**18,818**	**101,353**	**-**
Head of Housing	**2019/20**	**80,867**	**-**	**-**	**80,867**	**18,438**	**99,305**	**-**
Head of ICT	**2019/20**	**71,002**	**-**	**-**	**71,002**	**15,691**	**86,693**	**-**
Head of Internal Audit	**2019/20**	**70,364**	**-**	**-**	**70,364**	**16,043**	**86,407**	**-**
Head of Legal & Democratic Services	**2019/20**	**76,277**	**-**	**-**	**76,277**	**17,391**	**93,668**	**-**
Head of Operations	**2019/20**	**70,364**	**-**	**-**	**70,364**	**16,043**	**86,407**	**-**
Head of Planning & Coastal Management	**2019/20**	**82,535**	**-**	**-**	**82,535**	**18,818**	**101,353**	**-**

* postholder commenced employement September 2019

No employees were paid in excess of £150,000 in the year; therefore no additional disclosure of employee names is required. The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration band	2019/20 Number of employees	
	Total	Left in Year
£55,000 - £59,999	-	-
£60,000 - £64,999	-	-
£65,000 - £69,999	4	-
£70,000 - £74,999	1	-
£75,000 - £79,999	5	-
£80,000 - £84,999	2	-
£85,000 - £89,999	3	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	1	-
£105,000 - £109,999	1	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£140,000 - £144,999	-	-
£145,000 - £149,999	-	-
£150,000 - £154,999	1	-
	18	**-**

The above numbers include officers who were made redundant voluntarily during the 2019/20 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 24, Related Parties.

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
	2019/20	2019/20	2019/20	2019/20
£				£
0 to 20,000	4	2	6	25,185
20,001 to 40,000	-	-	-	-
40,001 to 60,000	1	-	1	50,099
60,001 to 80,000	-	-	-	-
80,001 to 100,000	-	-	-	-
Total	**5**	**2**	**7**	**75,284**

The total cost in the above table covers exit packages (also known as termination benefits) that have been agreed, accrued for and charged to the Council's Comprehensive Income and Expenditure Statement for the disclosed financial year. The figures exclude payments made for ill-health retirements, of which there were costs of £6,514 as they are not discretionary and do not therefore meet the definition of termination benefits under the CIPFA Code of Practice.

26. 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.

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

	2019/20
	£'000
Opening Capital Financing Requirement	**115,553**
Capital investment	
Property, Plant and Equipment*	12,591
Heritage Assets	12
Revenue Expenditure Funded from Capital under Statute	2,147
Property, Plant and Equipment written out to Revenue	
Total Capital Investment	**14,750**
Sources of finance	
Capital receipts	53
Government grants and other contributions	9,131
Sums set aside from revenue:	
Direct revenue contributions	3,372
Minimum Revenue Provision	815
Major Repairs Reserve	2,158
Closing Capital Financing Requirement	**114,774**
Explanation of movements in year	
Increase in underlying need to borrowing (unsupported by government financial assistance)	(779)
Increase/(decrease) in Capital Financing Requirement	**(779)**

27. 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 2019 are carried as property, plant and equipment in the Balance Sheet at the net amount of £8.190m.

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:

	2019/20
	£'000
Finance lease liabilities (net present value of	
- current	280
- non current	6,079
Finance costs payable in future years	3,869
Minimum lease payments	**10,228**

The minimum lease payments will be payable

	Minimum Lease Payments	Finance Lease Liabilities
	2019/20	2019/20
	£'000	£'000
Not later than one year	731	280
Later than one year and not later than five years	2,922	1,335
Later than five years	6,575	4,744
	10,228	**6,359**

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 2019/20.

In relation to one of the Council's finance leases, the Lessor had to secure financing to be able to fulfil the capital project it was undertaking for the Council. It was agreed between the Lessor and Santander, that as part of the Council's monthly lease payment, the Council would make direct payment to Santander to cover the cost of the Lessor's monthly repayment of the financing

Operating Leases

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

	Other Land and Buildings
	2019/20
	£'000
Not later than one year	97
Later than one year and not later than five years	149
Later than five years	328
	574

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:

	2019/20
	£'000
Not later than one year	1,446
Later than one year and not later than five years	5,077
Later than five years	29,551
	36,074

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

There were no material contingent rents receivable by the Council under operating leases for 2019/20. All assets provided under operating lease assets by the Council are shown within the movements included within Property, Plant and Equipment (Note 14).

28. 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 £53.445m in 2019/20. 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 2020/21, 2021/22 and 2022/23 is 34%, 33% and 32% and is a reduction on the current rate for East Suffolk of 35.4%

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:

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme 2019/20 £'000
Cost of Services:	
- Current service cost	9,541
- Past Service cost	1,662
- (Gains) / loss from settlements	-
Financing and investment income and expenditure:	
- Net interest expense	1,886
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	13,089

The Past Service Costs figure includes £819,000 which represents the actuaries' allowance for the approximate impact of the McCloud judgement.

Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	Local Government Pension Scheme 2019/20 £'000
Remeasurement of the net defined benefit liability comprising:	
- Return on plan assets (excluding the amount included in the net interest	20,013
- Actuarial gains and losses arising on changes in demographic	(6,222)
- Actuarial gains and losses arising on changes in financial assumptions	(22,765)
- Other	(18,685)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(27,659)
Movement in Reserves Statement:	
- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(13,089)
Actual amount charged against the General Fund Balance for pensions in the year:	
- Employers' contributions payable to scheme	7,378

Pensions 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
	2019/20
	£'000
Present value of the defined benefit obligation	(274,771)
Fair value of plan assets	221,326
Net liability arising from defined benefit obligation	**(53,445)**

Reconciliation of the movements in the fair value of the scheme (plan) assets:	Local Government Pension Scheme
	2019/20
	£'000
Opening fair value of scheme assets	236,247
Interest Income	5,659
Effect of Settlements	
Remeasurement gain / (loss):	
- The return on plan assets, excluding the amount included in net interest	(20,013)
- Other	
Contributions from employer	7,378
Contributions by employees into the scheme	1,376
Benefits paid	(9,321)
Closing fair value of scheme assets	**221,326**

Reconciliation of present value of the scheme liabilities (defined benefit obligation):	
Opening balance 1 April	311,640
Current service cost	9,541
Interest cost	7,545
Contributions from scheme participants	1,376
Remeasurement (gains) and losses:	
- Actuarial gains / losses arising from changes in demographic	(6,222)
- Actuarial gains / losses arising from changes in financial	(22,765)
- Other	(18,685)
Past service costs	1,662
Benefits paid	(9,321)
Closing balance at 31 March	**274,771**

Local Government Pension Scheme assets comprised: (Active Markets unless otherwise stated)	Fair Value of Scheme Assets
	2019/20
	£'000
Equity instruments:	
- Consumer	5,583
- Manufacturing	2,374
- Energy and Utilities	1,056
- Financial Institutions	2,577
- Health and Care	1,706
- Information Technology	908
- Other	1,857
	16,061
Debt Securities:	
- Corporate (Investment Grade)	49,568
Private Equity (includes Non-active Market - 7,766)	9,605
Real Estate:	
- UK Property	21,416
Investment Funds & Unit Trusts:	
- Equities	73,970
- Bonds	17,926
- Hedge Funds	13,183
- Infrastructure (Non-active Market)	12,010
- Other (Non-active Market)	3,848
	120,937
Derivatives:	
- Foreign exchange	92
Cash and cash equivalents	3,647
Total Assets (Non-active Market 2019/20 - 12,359)	221,326

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 new roll forward from the 2019 formal valuation.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme 2019/20
Mortality assumptions:	
Longevity for current pensioners:	
- Men	21.9
- Women	24.1
Longevity for future pensioners:	
- Men	22.7
- Women	25.6
Rate of inflation	1.9%
Rate of increase in salaries	2.6%
Rate of increase in pensions	1.9%
Rate for discounting scheme liabilities	2.3%

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 principle assumption used to measure the scheme liabilities are set out below:

Change in assumptions at 31 March 2020	Approx % increase to Defined Benefit Obligation
0.5% decrease in Real Discount Rate	9%
0.5% increase in the Salary Increase Rate	1%
0.5% increase in the Pension Increase Rate (CPI)	8%

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 £7.085m in contributions to the scheme in 2020/21.

29. Contingent Liabilities

As at 31 March 2020, the Council had no material contingent liabilities.

30. Contingent Assets

As at 31 March 2020, the Council had no material contingent assets.

31. Interests in Companies and Other Entities

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

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

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

Waveney Norse Limited and Suffolk Coastal Norse Limited

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

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

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

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

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 is 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 £7.439min 2019/20 and included in the Accounting Statements as follows:

	2019/20
	£'000
Housing Operations and Landlord Services	669
Legal and Democratic Services	9
Operations	6,762
Planning and Coastal Management	38
	7,477

j) Details of Waveney Norse Limited's draft annual financial results to 31 March 2020 are set out below.

	2019/20 Waveney Norse	2019/20 Council Investment (19.9%)
	£000	£000
Current Assets		
Stock	**127**	25
Debtors	**3,141**	625
Gross Assets	**3,268**	650
Creditors falling due within one year	**(962)**	(191)
Net Assets / Shareholder's Funds	**2,306**	459
Turnover	**10,424**	2,074
Profit on ordinary activity before taxation	**158**	31
Tax on profit on ordinary activity	**(25)**	(5)
Profit for the Financial Period	**133**	26

	2019/20 Waveney Norse	2019/20 Council Investment (19.9%)
Tax components included in the above figures are as follows:		
	£000	£000
Debtors		
- Deferred Tax asset	**24**	5
Creditors falling due within one year		
- Corporation Tax	**27**	5
Tax on profit on ordinary activity		
- Current Tax	**(26)**	(5)
	(26)	(5)

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 £8.936m in 2019/20 and included in the Accounting Statements as follows:

	2019/20
	£'000
Planning & Coastal Management	13
Legal & Democratic Services	2
Housing Operations & Landlord services	1
Operations	8,972
	8,988

l) Details of Suffolk Coastal Norse Limited’s draft annual financial results to 31 March 2020 are set out below.

	2019/20 Suffolk Coastal Norse Ltd £'000	2019/20 Council Investment (20%) £'000
Current Assets		
Stock	138	28
Debtors	4,946	989
Cash at Bank	133	27
	5,217	**1,044**
Creditors falling due within one year	(1,207)	(241)
Defined Benefit Pension Scheme Liability	(4,664)	(933)
Net Assets / Shareholder's funds	**(654)**	**(130)**
Share of Actuarial Gains/(Losses)	(1,494)	(299)
Turnover	14,247	2,849
Loss on ordinary activity before taxation	(257)	(51)
Tax on profit on ordinary activity	75	15
Loss for the Financial Period	**(182)**	**(36)**

	2019/20 Suffolk Coastal Norse Ltd £'000	2019/20 Council Investment (20%) £'000
Tax components included in the above figures are as follows:	**£'000**	**£'000**
Debtors		
- Deferred Tax asset	903	181
Creditors falling due within one year		
- Corporation Tax	56	11
Tax on profit on ordinary activity		
- Current Tax	55	11
- Deferred Tax	(130)	(26)
	(75)	**(15)**

Sentinel Leisure Trust

With effect from 1 April 2011, Waveney District Council transferred the management and operation of its leisure operations to the newly formed Sentinel Leisure Trust. Seven volunteers were initially appointed as Trustees and Directors of the new Trust and were joined by two Council representatives on the Board. The Council has a 15-year partnership management agreement with Sentinel. The facilities and equipment remain the property of the Council throughout the Partnership, with the Trust operating under a lease. The Council gave Sentinel 12 months’ notice in respect of the Waterlane Leisure Centre in October 2019. In respect of the Bungay Leisure Centre, Sentinel were given 12 months’ notice of a major re-development in June 2019.

32. Long Term Creditors

	2019/20
	£'000
Creditors	7
Finance Leases	6,079
Receipts in Advance	558
	6,644

33. Long Term Investments

As at 31 March 2019, both Waveney District Council and Suffolk Coastal District Council had long term investment balances of £2.429m each in the CCLA LAMIT Property Fund which transferred over to East Suffolk Council. During the 2019/20 financial year, the Council invested a further £5m in the CCLA LAMIT Property Fund and £5m into the CCLA Diversified Income Fund an element of which was used to fund legal costs and Stamp Duty Land Tax. 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.

	2019/20
	£'000
Other Local Authorities	5,000
Other Entities	13,676
	18,676

During 2019/20, the Council has received dividends on the investments and the principal invested has depreciated in value, the Property Fund by £730k and the diversified income fund by £596k. This was charged to Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement and added to the long term investment balance resulting in the balance decreasing to £9.270m for the Property Fund and £4.404m for the Diversified Income Fund.

34. Prior Period Adjustment

There are no prior period adjustments to report in respect of 2019/20.

HOUSING REVENUE ACCOUNT

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	2019/20
		£'000
Income		
Gross rental income:		
- Dwelling rents		(18,839)
- Non-dwelling rents		(184)
Charges for services and facilities		(1,218)
Lease holders charges for services and facilities		(9)
Contributions towards expenditure		(73)
Reimbursement of costs		(327)
Total income		**(20,650)**
Expenditure		
Repairs, maintenance and management:		
- Repairs and maintenance		4,735
- Supervision and management		3,934
- Special Services		1,929
- Redundancy and associated pension costs		9
Rents, rates and other charges		124
Movement in the allowance for bad debts		(161)
Depreciation of HRA non-current assets:		
- Dwellings	8	3,133
- Other assets	8	198
Revaluation & impairment of HRA non-current assets		(2,973)
Debt management costs	4	21
Total expenditure		**10,949**
Net expenditure or (income) of HRA services as included in the whole authority CIES		**(9,701)**

	HRA Note		2019/20 £'000
- HRA share of Corporate and Democratic Core			89
Net expenditure or (income) of HRA services			**(9,612)**
HRA share of the operating income and expenditure included in the whole authority CIES:			
- (Gain) or loss on sale of HRA non-current assets			(679)
- Interest payable and similar charges	4		2,258
- Pension Cost Contribution			477
- HRA interest and similar income	4		(183)
- HRA Capital Grants & Contributions			(308)
(Surplus) or deficit for the year on HRA services			**(8,047)**
Movement on the HRA Statement			
HRA balance brought forward			**(4,860)**
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(8,047)	
Adjustments between accounting basis and funding basis under statute (Note 9 to the Core Statements)		3,680	
Net (increase) or decrease before transfers to or from reserves		**(4,367)**	
Transfers (from) or to HRA Earmarked Reserves (Note 10 to the Core Statements)		3,994	
(Increase) or decrease in year on the HRA			**(373)**
Balance on the HRA at the end of the year			**(5,233)**

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. 2019/20 is a 53 week rent year. Charges for Services and Facilities relate to heating, warden and other communal services provided to residents in sheltered accommodation.

	2019/20
Average dwelling rent per week (£)	81.43
Arrears at 31 March (£'000)	973
Arrears at 31 March as % of the gross income collectable	4.9%
Provision for bad debts at 31 March (£'000)	661

2. Major Repairs Reserve (MRR)

	2019/20
	£'000
The movement on the Major Repairs Reserve (MRR) for the financial year is analysed below:	
MRR opening balance	19,629
Amounts transferred to the MRR during the year	3,331
Debits to the MRR during the year in respect of HRA capital expenditure	(2,158)
MRR closing balance	**20,802**

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 9 to the Core Statements.

3. Capital Receipts – Disposal of Council Dwellings

	2019/20
Capital receipts from sales of council houses (Right to Buys) can be summarised as follows:	
- Number of disposals under Right to Buy	28
- Value of disposals under Right to Buy (£'000)	2,090
Value of capital receipts from the disposal of other HRA land, houses and property	256

4. Capital Related Charges

	2019/20
	£'000
Depreciation charge	3,331
Debt management expenses	21
Interest payable	2,247
Premium charges for early repayment of debt	10
Transfer to Capital Financing Account via MRR	2,158
Interest income on notional cash balances	(183)

5. Housing Stock

	2019/20
The stock of dwellings has changed as follows:	
Opening stock of dwellings	4,446
Add: new build/purchases/additions	38
Less: sales	(31)
Closing stock of dwellings	**4,453**
Analysis of closing stock numbers:	
Houses	2,007
Bungalows	1,210
Flats	1,236
	4,453

6. Capital Expenditure

	2019/20
	£'000
Dwellings	2,179
Dwelling acquisitions	176
Other Land and Buildings	47
Assets Under Construction	725
Capital Prepayment	3
	3,130
Financed by:	
Usable capital receipts	53
Revenue contributions	612
Grants and contributions	307
Major Repairs Reserve	2,158
	3,130

7. Non-Current Assets

The Balance Sheet value of land, dwellings and other property within the HRA as at 1 April 2019 in the financial year and the closing Balance Sheet value as at 31 March 2020 is included within Note 14 to the Core Statements. The Balance Sheet values of HRA non-current assets are disclosed below:

	2019/20
	£'000
Council dwellings	215,452
Other land and buildings	1,911
Vehicles, plant, furniture and equipment	289
Assets under construction	1,779
Land Awaiting Development	1,835
Assets held for sale	4
Total Balance Sheet value of HRA non-current assets (PPE)	**221,270**
Intangibles	30
Total Balance Sheet value of HRA non-current assets	**221,300**
Dwellings - Vacant Possession Value	566,979

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

8. Depreciation

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

	2019/20 £'000
Council dwellings	3,133
Other land and buildings	73
Vehicles, plant, furniture and equipment	102
Total charge for depreciation within the HRA (PPE)	**3,308**
Intangibles	23
Total charge for depreciation within the HRA	**3,331**

9. Revaluation and Impairment Charges

The 2019/20 financial results include £2.973m credit for Revaluation Gains or Losses against HRA Assets charged to the Comprehensive Income and Expenditure Statement.

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

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	2019/20	
		Business Rates	**Council Tax**
		£'000	**£'000**
Income			
Income from council tax	1	-	(153,544)
Transfer from General Fund - council tax benefits		-	(4)
Transitional relief		-	-
Income from business rates	2	(96,470)	-
Transitional protection payments		(2,089)	-
		(98,559)	**(153,548)**

	Notes	2019/20	
		Business Rates	**Council Tax**
		£'000	**£'000**
Expenditure			
Precepts, demands and shares:			
- Central Government		43,584	-
- Suffolk County Council		8,717	112,099
- Police and Crime Commissioner for Suffolk		-	18,458
- East Suffolk Council		36,897	20,496
Transitional protection payments		6,396	-
Charges to Collection Fund			
- Write offs of uncollectable amounts		231	262
- Increase / (decrease) in bad debt provision		502	1,737
- Increase / (decrease) in provision for appeals		(1,151)	-
- Cost of collection allowance		462	-
Apportionment of previous years surplus / (deficit)			
- Central Government		(396)	-
- Suffolk County Council		104	-
- Police and Crime Commissioner for Suffolk		-	-
- East Suffolk Council		416	
		95,762	**153,052**
(Surplus) / deficit for year	3	**(2,797)**	**(496)**
Balance brought forward - (surplus) / deficit		(4,069)	(2,909)
Balance carry forward - (surplus) / deficit		**(6,866)**	**(3,405)**

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.

		2019/20
		£
The average Band D Council Tax set was:		**1,741.13**
The Council estimated its Tax Base for 2019/20 as follows:	Chargeable dwellings	Band D Equivalents
Valuation Band		
A	23,262	15,508
B	27,087	21,068
C	20,600	18,311
D	16,541	16,541
E	10,432	12,750
F	4,958	7,162
G	2,680	4,467
H	192	383
	105,752	**96,190**
Less: local council tax reduction scheme		(8,753)
provision for bad and doubtful debts (1.0%)		(874)
Add: Ministry of Defence properties		192
Tax Base 2019/20 (Band D equivalents)		**86,755**

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.

	2019/20
The rateable value at 31 March was	**£232.2m**
The multiplier was	**50.4p**

3. Collection Fund Balances

The Collection Fund in year (surplus) / deficit comprises the following:

(Surplus) / Deficit relating to:	**2019/20** **£'000**
<u>Council Tax</u>	
Suffolk County Council	(344)
Police and Crime Commissioner for Suffolk	(84)
East Sufffolk Council	(68)
Total Council Tax	**(496)**
<u>Business Rates</u>	
Central Government	(1,856)
Suffolk County Council	(188)
East Sufffolk Council	(753)
Total Business Rates	**(2,797)**

GLOSSARY OF FINANCIAL TERMS

Accounting Period

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

Accounting Policies

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

Accruals

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

Business Rates (Non Domestic Rates)

The system of local taxation on business properties also called non domestic rates (NDR).

Capital Adjustment Account

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

Capital Charge

A charge to service accounts to reflect the cost of non-current assets used in the provision of services, usually comprising depreciation charges, impairment and any associated write down of capital grant financing.

Capital Expenditure

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

Capital Receipts

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

Capital Receipts Reserve

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

CIPFA (Chartered Institute of Public Finance and Accounting)

CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the Code, which defines proper accounting practice for local authorities.

Collection Fund

This Fund records the collection of the council tax and non domestic rates and its distribution.

Community Assets

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings. See new paragraph regarding change from Community Assets to Heritage Assets from 1 April 2011.

Community Charge

The system of local taxation prior to council tax.

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 thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. It includes cost 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 in order to calculate the number of Band D equivalent properties in the area. The calculation allows for exemptions, discounts, appeals, local council tax reduction scheme and a provision for non-collection.

Council Tax Benefit

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

Creditors

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

Debt

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

Debtors

An amount of money owed to the District Council at 31 March. Long-term debtors comprise loans against mortgaged property and loans to other local authorities.

Deferred Capital Receipts

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

Depreciation

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

Direct Revenue Financing

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

Earmarked Reserves

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

General Fund

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

Government Grants

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

Heritage Assets

Heritage Assets are a distinct class of asset which is reported separately from property, plant & equipment. It is expected that these assets would previously have been classified as community assets prior to 1st April 2011 (see earlier paragraph). The CIPFA Code defines a tangible heritage asset as: *a tangible asset with historical, artistic, scientific, technological, geophysical, or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.* An intangible heritage asset is: *an intangible asset with cultural, environmental or historical significance.*

Housing Advances

Loans by an authority to individuals towards the cost of acquiring or improving their homes.

Housing Benefit

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

Housing Revenue Account (HRA)

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

Impairment

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

Infrastructure Assets

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

All leases are categorised as either finance leases or operating leases. A finance lease transfers substantially all of the risks and rewards of ownership to the lessee. An operating lease, in contrast, is similar to a rental agreement in nature, and all operating lease rentals are treated as revenue.

Levies

Payments made to Internal Drainage Boards.

Minimum Revenue Provision

A prudent sum required by law to be set aside from revenue for the repayment of loan debt.

Net Book Value

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

Non-Current Assets

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

Net Realisable Value

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

Operational assets

Non-current assets 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, arising after 1 April 2007, the establishment date of the reserve.

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.

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.

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.

Statement of Standard Accounting Practice (SSAP)

Accounting practice recommended by the former Accounting Standards Committee of the joint accountancy bodies for adoption in the preparation of accounts to ensure a true and fair view. These have now been adopted by the Accounting Standards Board and many superseded by Financial Reporting Standards.

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.

Abbreviations used in the Accounts

CIPFA	Chartered Institute of Public Finance and Accountancy
GAAP	Generally Accepted Accounting Principles
HRA	Housing Revenue Account
IFRS	International Financial Reporting Standards
MRP	Minimum Revenue Provision
NDR	Non-Domestic Rates
SSAP	Statement of Standard Accounting Practice

AUDIT AND GOVERNANCE COMMITTEE

Monday, 15 March 2021

EAST SUFFOLK COUNCIL – PROVISIONAL AUDIT RESULTS REPORT 2019/20

EXECUTIVE SUMMARY

1. The Comptroller and Auditor General's Code of Audit Practice requires Ernst and Young LLP (EY) to report to this Committee on the work they have carried out in respect of East Suffolk Council to discharge their statutory audit responsibilities together with any governance issues identified.

2. At this time, the audit of East Suffolk Council's Statement of Accounts for 2019/20 is substantially completed. As stated in the attached EY Provisional Audit Results Report 2019/20, no issues have been identified to date that would lead to a qualified opinion. There are also no audit matters arising with regards to arrangements to secure economy, efficiency and effectiveness of the Council's use of resources.

3. To date, the work of EY has not identified any unadjusted audit differences which the Council has chosen not to adjust for. Since the publication of the Draft Statement of Accounts, the Council has identified three adjustments to be made and the audit work of EY has identified one further adjustment which has been agreed with the Council. Please refer to Section 4 of the Provisional Audit Results Report for further details.

4. EY are aiming to finalise their work at the end of March 2021. On completion of the audit, the Audited Statement of Accounts for 2019/20 will be presented to the Committee at the earliest opportunity for comment and approval. This will include an update on any further audit differences not reported at this stage.

5. The Audit & Governance Committee is recommended to note the external auditors' findings within the Provisional Audit Results Report 2019/20.

Is the report Open or Exempt?	Open

Wards Affected:	All Wards in East Suffolk

Cabinet Member:	Councillor Maurice Cook Cabinet Member with responsibility for Resources

Supporting Officer:	Brian Mew, Chief Finance Officer and S151 Officer (01394) 444571 Brian.Mew@eastsuffolk.gov.uk

1 INTRODUCTION

1.1 The audit of the Council's Draft Statement of Accounts for 2019/20 is substantially completed. The external auditors' (EY) Provision Audit Results Report 2019/20, is attached in **Appendix A**. The Audit Results Report includes findings and messages arising from the audit of the financial statements and the results of the work they have undertaken to assess arrangements to secure value for money in the use of resources.

2 AUDIT FINDINGS

2.1 Subject to EY completing their outstanding areas for review, EY expects to issue an unqualified audit opinion.

2.2 To date, the work of EY has not identified any unadjusted audit differences which the Council has chosen not to adjust for. Since the publication of the Draft Statement of Accounts, the Council has identified three adjustments to be made. The audit work of EY has identified one adjustment which has been agreed with the Council. Please refer to Section 4 of the Provisional Audit Results Report for further details.

2.3 EY states within Section 7 of their report that they have not identified any significant weaknesses in the design or operation of East Suffolk Council's internal controls that might result in a material error within the financial statements.

2.4 Regarding Value for Money, EY have judged that there are no issues to report in relation to the Council's arrangements for Value for Money. This is covered in Section 5 of EY's report.

3 CONSULTATION

3.1 There have been ongoing updates during the financial year with the Audit team and key stakeholders.

4 HOW DOES THIS RELATE TO THE EAST SUFFOLK STRATEGIC PLAN?

4.1 The Audit Results Report is a statutory requirement by the Local Audit and Accountability Act 2014. The Audit Results Report does not link directly to the Strategic Plan, but through securing external assurance over the Council's governance, financial statements and value for money, this will help to achieve the priorities set out in the Strategic Plan.

5 FINANCIAL AND GOVERNANCE IMPLICATIONS

5.1 Included in Sections 2 and 4.

6 OTHER KEY ISSUES

6.1 None.

7 OTHER OPTIONS CONSIDERED

7.1 None.

8 REASON FOR RECOMMENDATION

8.1 The consideration of the external auditors' report is a statutory requirement under the Local Audit and Accountability Act 2014.

RECOMMENDATION

That the Committee notes the external auditors' findings to date within the Provisional Audit Results Report for 2019/20.

APPENDICES

Appendix A	EY - East Suffolk Council's Provisional Audit Results Report 2019/20

BACKGROUND PAPERS

None

East Suffolk Council

Provisional audit results report

Year ended 31 March 2020

2 March 2021

Building a better working world

2 March 2021

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

Dear Committee Members

We are pleased to attach our Provisional Audit Results Report for the forthcoming meeting of the Audit and Governance Committee on 15 March 2021. This report summarises our preliminary audit conclusion in relation to the audit of East Suffolk Council for 2019/20.

We have substantially completed our audit of East Suffolk Council for the year ended 31 March 2020. Please refer section “Executive Summary” for further details on status of work. In the timetable in our Audit Planning Report, we aimed to issue our Audit Result Report in January 2021. Due to the increased focus on certain audit risk areas (as outlined in this report), our work is still in progress and we aim to finalise our audit by the end of March 2021. We will circulate a further update on our audit results if anything significant arises during finalisation of our audit procedures on outstanding areas, such as land and building valuations.

We confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

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

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

We welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee meeting on 15 March 2020.

Yours faithfully

Debbie Hanson

Debbie Hanson

Associate Partner
For and on behalf of Ernst & Young LLP

Enc.

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01 Executive Summary
02 Areas of Audit Focus
03 Audit Report
04 Audit Differences
05 Value for Money

06 Other reporting
07 Assessment of Control
08 Data Analytics
09 Independence
10 Appendices

Public Sector Audit Appointments Ltd (PSAA) have issued a ‘Statement of responsibilities of auditors and audited bodies’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

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

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

01 Executive Summary

Executive Summary

Scope update

In our Provisional Audit Planning Report, presented at the 22 September 2020 Audit and Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this Plan, with the following exceptions:

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.

Audit procedures on Group accounts

We have carried out additional audit procedures on Group accounts as the Council has investment in two associates (i.e. Suffolk Coastal Norse Limited & Waveney Norse Limited). These are disclosed in the Financial Statements using the Equity method of accounting. This additional work was not noted in our Audit Plan.

Changes to the scope of our audit as a result of Covid-19

As detailed in our Audit Planning Report, presented at 22 September 2020 Audit and Governance Committee, we set out the following changes to our risk assessment.

Additional inherent risks:

- Bad debt provision – the provision is open to judgement and estimation and will need to reflect the economic uncertainty as a result of Covid-19.
- Disclosures on going concern – Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Council may not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Council's actual year end financial position and performance.

Other areas to bring to your attention as a result of Covid-19 are as follows:

- Valuation of land and buildings and council dwellings (part of the property, plant and equipment balance in the accounts) and investment property- The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. We consider that the material uncertainties due to Covid-19 situation gave rise to an additional risk relating to disclosures on the valuation of land and buildings, council dwellings and investment property. We identified the valuation of these assets as a higher inherent risk in our plan.
- Adoption of IFRS16 – The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2021. The Council will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20. We may consider this to be an area of audit focus for 2020/21.

Executive Summary

Scope update

Changes in materiality

We have not changed our planning materiality assessment further to our Audit Planning Report as presented on 22 September 2020.

Materiality for 2019/20 has been set at £2.86 million. This represents 2% of the gross expenditure on provision of services. We set our performance materiality at £1.43 million which represents 50% of planning materiality. We set at 50% to reflect the fact that 2019/20 is the first year of existence of East Suffolk Council. Our audit difference threshold is set at 5% of our materiality (i£143K).

Information Produced by the Entity (IPE):

We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agree IPE to scanned documents or other system screenshots.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19:

The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform. In addition, following the government's decision to enforce an initial lockdown, all audit firms implemented a moratorium on the majority of their auditor reports. Whilst the moratorium was lifted in mid-April, the Government imposed a 2nd lockdown in December 2020. Because of the ongoing uncertainty Covid-19 presents to the financial statements, EY (in common with other firms) introduced a rigorous consultation process for all auditor reports to ensure that we are providing the appropriate assurance to the readers of accounts.

We have noted an impact of the above issues on the costs to provide our services which will have impact on our audit fee. We are in a process of making an assessment of the fee impact, which will be communicated to you once we have completed our audit procedures. All fee increases will need to be approved by PSAA.

Executive Summary

Status of the audit

We have substantially completed our audit of East Suffolk Council's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our Audit Planning Report. We have set out in this report the areas that remain to be completed and the reasons. Based on the work completed to date, we have not identified any issues that would lead to a qualified audit opinion. However, until all of our work is complete, and we have completed our procedures in relation to the main outstanding areas of land and buildings, council dwellings, investment property valuations, business rates appeals provision and impact of Covid-19 on financial statement disclosures, we are not able to confirm the final form of our audit report, but have included a draft at Section 3.

We will need to consult internally on whether our audit opinion will need to include an emphasis of matter in relation to the following areas. An emphasis of matter is not a modification or qualification of our audit report and merely direct a readers attention to a disclosure in the Council's financial statements:

Going concern disclosure:

There is presumption that the Council will continue as a going concern. However, the current and future uncertainty over local government funding as a result of Covid-19 increases the need for the Council to undertake a detailed assessment to support its assertion and evaluate its financial resilience, and to include commentary in the accounts about the risks and uncertainties regarding its financial position. We are currently in the process of reviewing these disclosures and supporting information.

Land and buildings and investment property valuations:

The Council's valuers have followed the RICS guidance and have included reference to a material uncertainty in valuations in their valuation reports for the year ended 31st March 20. We are currently carrying out our procedures to satisfy ourselves that the property valuations are reasonable. For this purpose, we have also engaged our internal valuation experts to provide us with their assessment of the valuation reports provided by management. Our work in this area has not identified any issues to date, but has not yet been finalised and hence issues may be identified once the work is complete.

Executive Summary

Status of the audit

The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Property, plant & equipment and investment property valuations work remains in progress, with sample testing of a number of individual valuations to be concluded on by both our audit team and our internal valuers;
- Audit procedures in relation to assessment of business rates appeals provision;
- Review and challenge of the Council's going concern assessment and cash flow projections;
- Internal consultation procedures on going concern assessment and disclosure and the material uncertainty in relation to land and building and investment property valuations valuation as noted above;
- Final review of audit work by the Associate Partner, certain areas which are pending completion of documentation and Manager's review; and
- Receipt of signed accounts, statement of responsibilities and management representation letter.

Audit differences

To date we have not identified any unadjusted audit differences which management has chosen not to adjust. As the audit is not yet fully complete, further differences may be identified in relation to the outstanding areas noted above. An update will be provided to the Committee on any new differences identified subsequent to the release of this report.

Subsequent to the preparation of draft financial statements, management has identified certain adjustments to be reflected in financial statements. Furthermore, we have identified an adjustment during our audit procedures on investment in associates. we have discussed and agreed those adjustments to be reflected in the final version of financial statements. Please refer Section 4 of this report for further details of these adjustments.

Executive Summary

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of East Suffolk Council's financial statements This report sets out our observations and conclusions. the work noted below is still subject to Associate Partner review and further issues may be identified as part of this process. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

Risk	Findings & Conclusions
Misstatements due to fraud or error (management override)	We have completed our audit work in respect of journal entries, estimates and unusual transactions. We have not identified any indications of management override of controls.
Incorrect capitalisation of revenue expenditure	We have completed our audit work on capital additions and have not identified any misstatements.
Pensions liability valuation	We have reviewed the accounting entries and disclosures in the draft financial statements and assessed the work of the actuary. We have not identified any issues. On 16 July 2020, HM Treasury issued a consultation regarding transitional arrangements for public sector pensions to eliminate discrimination as identified through the McCloud case. Whilst the changes to the arrangements were not material to East Suffolk Council for the year ended 31 March 2020, the financial statements will reflect the required adjustment for McCloud judgment.
Valuation of land & buildings, dwellings and investment properties	We are in the process of completing our work in this area.
Establishment of East Suffolk Council and determining opening balances	We have completed our audit procedures on opening balances and have not identified any misstatements.
Bad debt and business rates appeal provision valuation	Our work on business rates appeal provision is still in progress. We have completed our work on the bad debt provision on other areas and are satisfied that management has appropriately reflected the uncertainty as a result of Covid-19 in the calculation of provisions. We have not identified any misstatements from our work to date.
Going concern disclosure	Management included a going concern disclosure within the draft financial statements. We are in a process of completing our documentation and reviewing the assessment and supporting evidence to reflect the impact of Covid-19 and its disclosures in the financial statements.
Establishment of East Suffolk Council and determining opening balances	We have completed our audit work on opening balances and have not identified any misstatements.

Executive Summary

Areas of audit focus

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we noted that we had not completed our value for money planning risk assessment for 2019/20. We have now completed our planning and risk assessment procedures and did not identify any significant risks. We therefore have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your WGA return. The extent of our review, and the nature of our report, is specified by the NAO. As the Council falls below the £500 million threshold for review as per the NAO's group instructions, we do not have to undertake any procedures.

Independence

Please refer to Section 9 for our update on Independence.

02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error (management override)

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.
As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

We have not identified a heightened risk of management override overall, but we have identified a specific area where management override might occur: incorrect capitalisation of revenue spending. Our specific response to this risk is set out in the next slide.

What judgements are we focused on?

We focussed on testing key areas that are susceptible to management bias including journal entries, material accounting estimates, and unusual transactions.

What did we do?

- Identified fraud risks during the planning stages;
- Asked management about risks of fraud and the controls put in place to address those risks;
- Understood the oversight given by those charged with governance of management's processes over fraud;
- Considered the effectiveness of management's controls designed to address the risk of fraud;
- Determined an appropriate strategy to address those identified risks of fraud; and
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

What are our conclusions?

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

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

Our testing of journals is completed and we have not identified adjustments outside of the normal course of business. All journals tested have appropriate rationale.

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

This work is subject to Associate Partner review.

Significant risk

Incorrect capitalisation of revenue expenditure

What is the risk?

In considering how the risk of management override may present itself, we concluded that this is primarily through management taking action to override controls and manipulate in year financial transactions that impact the medium to longer term projected financial position.

A key way of improving the revenue position is through the inappropriate capitalisation of revenue expenditure. The Council has a significant fixed asset base and capital expenditure and therefore has the potential to materially impact the revenue position through inappropriate capitalisation.

What judgements are we focused on?

How management decides on appropriate capitalisation of revenue expenditure.

Confirming additions to property, plant and equipment has been correctly classified and meet the relevant criteria.

What did we do?

We:

- Sample tested additions to property, plant and equipment and intangible assets to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised.
- Identified the controls the Council has in place to prevent incorrect capitalisation of revenue expenditure.
- Considered the effectiveness of management's controls designed to address the risk.
- Tested year end journals which move expenditure from revenue to capital.

What are our conclusions?

We have completed our work on additions and have not identified any additions that were incorrectly capitalised.

This work is subject to Associate Partner review.

Other areas of audit focus

What is the risk/area of focus?	What did we do and what are our conclusions?
Pension liability valuation The Council's pension fund deficit is a material estimated balance and the Code requires that this net liability be disclosed on the Council's balance sheet. At 31 March 2020 this totalled £53.445 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary Hymans Robertson. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	To address this risk we: • liaised with the auditors of the Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Council; • assessed the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PwC, being the Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY Pensions actuarial team; • assessed the controls over the triennial valuation; • considered impact of the emphasis of matter included in the audit report for Suffolk Pension Fund in relation to the material uncertainty on the valuation of property unit trusts as at 31 March 2020; • considered the impact of the McCloud consultation and any new rulings on the IAS19 liability; • Considered the movement in fund asset values between the actuary's estimate and year end; and • Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. As part of our subsequent events review, we will also consider whether management has considered whether the post balance sheet events disclosure needs to be updated to reflect the recent events.

Other areas of audit focus (continued)

What is the risk/area of focus?	What did we do and what are our conclusions? (continued)
Pension liability valuation (continued)	We concluded that: ➢ Based on the information provided by the pension fund auditor and the EY Pensions actuarial team and are satisfied ourselves on information supplied to the actuary and the assumptions applied. ➢ We are satisfied that the movement in fund asset values between the actuary's estimate and year end are not material for the Council. ➢ We are satisfied that the controls over the triennial valuation were adequate. ➢ We are satisfied that the emphasis of matter included in the pension fund auditor's report does not have a material impact on the pension fund liability in the Council's accounts, taking into account the proportion of the overall pension fund assets held in property unit trusts (9.6%) and the overall proportion of the pension fund related to East Suffolk (7.9%). ➢ Our EY Pensions team has reviewed the approach adopted by the Fund actuary to the consultation and confirmed that the allowance they have made is reasonable. Although the impact is not material, the Council plans to amend the financial statements to reflect the figures in the updated IAS19 report (see Section 4). ➢ We are satisfied that the accounting entries and disclosures in the accounts are appropriate. Therefore no adjustments have been proposed. This work is subject to Associate Partner review.

Other areas of audit focus (continued)

What is the risk/area of focus?	What did we do and what are our conclusions?
Land and buildings and investment properties valuations Property, plant and equipment (PPE) (of which land and buildings & dwellings represent the vast majority) and investment property are significant balances in the Council's accounts, with PPE totalling £363.6 million and investment property £2.9 million as at 31 March 2020. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. There is a risk these balances may be under/overstated or the associated accounting entries incorrectly posted. The valuation of land and buildings and investment property at 31 March 2020 is also likely to be impacted by Covid-19, with valuers disclosing a material uncertainty in relation to their year end valuations. The Council will need to consider the impact of this material uncertainty on the land and building balances in their accounts as well as in relation to their disclosures relating to estimation uncertainty and key judgements. Covid-19 is expected to have a greater impact on valuation for properties measured at fair value (i.e. investment properties) since rental income may fall as tenants' potentially default on their rents and seek to negotiate rent reductions as they can no longer trade effectively. There is a therefore a risk that land and buildings and investment property may be under/overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.	To address this risk we: • Assessed the classification of the assets and whether the appropriate valuation basis has been applied; • Identified and obtained evidence to support any material increases or impairments that arise during the year; • Considered the work performed by the valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; • Sample tested key asset information used by the valuer in their valuation, and agreed this to what had been recorded in the fixed asset register and general ledger; • Considered if there were any specific changes to assets that have occurred and that these had been communicated to the valuer; • Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme for property, plant and equipment and annually for investment property assets as required by the Code; • Reviewed assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated; • Tested accounting entries had been correctly processed in the financial statements; • Ensured that appropriate disclosure had been made in the accounts concerning the material uncertainty relating to year end valuations.

Other areas of audit focus (continued)

What is the risk/area of focus?	What did we do and what are our conclusions? (continued)
Land and buildings and investment properties valuations (continued)	Our work in this area is still in progress and we have set out below the status of our audit procedures: ➢ We employed our internal valuation expert to support our work in relation to the valuation of land and buildings and investment properties, and to assess the impact of the material uncertainty issued by the Council's valuer in their valuation report due to the impact of Covid-19. Our expert has not finalised their work at the time of issuing this report. ➢ We are also in the process of finalising our other procedures in relation to the valuation of land and buildings and investment properties and will update the Committee on any findings once this work is concluded. ➢ Once we have completed our procedures, we will need to follow our internal consultation process in relation to the disclosures relating to the material valuation uncertainty reported by the Council's valuer and whether we need to include an emphasis of matter in our audit report to draw attention to this. Based on the initial procedures, our internal valuers (EYRE) has raised some queries and requested some additional information from the Council's valuers. We are awaiting the requested information from the Council's valuers at the date of this report.

Other areas of audit focus (continued)

What is the risk/area of focus?	What did we do and what are our conclusions?
Bad debt and business rates appeal provision valuation Each year the Council makes an allowance for debts that may not be recovered. The bad debt provision is open to judgement and estimation which will need to reflect the current economic environment and uncertainty. In the current environment, additional provisions may be required to reflect the economic difficulties some residents and suppliers may be experiencing as a result of Covid-19. The Council's accounts also include a provision of £2.6 million for business rates appeals, reduced from £6.1 million as at 31 March 2019 due to the introduction of the 100% pilot scheme in 2019/20. The calculation of the provision is based on a number of estimates and judgements which may therefore be open to error or misstatement.	We: • Reviewed the calculation of the bad debt provision and assessed the reasonableness of the approach. • Challenged management assumptions supporting the calculation, particularly where historic collection rates have been used as a prediction for future collectability. • Reviewed and assessed the accuracy and completeness of any disclosures related to estimation uncertainty in the accounts. As already noted, we are yet to complete our work on the business rates appeal provisions, once completed the work will be subject to Manager's and Associate Partner's review. Hence issues may be identified as part of this process. For the remaining provisions, we are satisfied that management had appropriately reflected the possible impact of Covid-19 within their provision assumptions. No misstatements have been identified.

Other areas of audit focus (continued)

What is the risk/area of focus?	What did we do and what are our conclusions?
Going concern disclosures Covid-19 has created a number of financial pressures throughout Local Government. It is creating financial stress through a combination of increasing service demand leading to increased expenditure in specific services, and reductions in income sources. There is currently not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19. There have been a number of media stories in both the national press and trade publications raising the possibilities of an increase in Chief Financial Officers using their s114 powers. This could be under s114(3), insufficient resources to fund likely expenditure. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 states that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis. However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.	We: • Reviewed management's going concern assessment in the draft financial statements. We are currently in the process of completing this. Our work will include stress testing of assumptions and cash flow forecasts and ensuring the going concern disclosure within the financial statements is consistent with management's going concern assessment and that there is no material uncertainty which requires disclosure. • Once we have completed our review, we will need to comply with our internal consultation processes in relation to whether our audit opinion will need to include an emphasis of matter in relation to the going concern disclosures in the Council's accounts. An emphasis of matter is not a modification or qualification of our audit report and merely direct a readers attention to a disclosure in the Council's financial statements. We will update the Audit Committee if any further issues arise as a result of the consultation.

Other areas of audit focus (continued)

What is the risk/area of focus?	What did we do?
Establishment of East Suffolk Council and determining opening balances The establishment of East Suffolk Council from the former Districts Council of Suffolk Coastal and Waveney from the 1 April 2019 has necessitated the establishment of opening balances for the new Council as well as the merger of accounting systems and processes. As the establishment of these opening balances is a one off and unusual exercise we have concluded that there is a risk of error in establishing the opening balances in East Suffolk Council. We have not identified this as a significant risk due to the fact that the predecessor councils have been aligning for some time and used the same general ledger and chart of accounts and new ledger codes have been created for East Suffolk Council.	We: • Reviewed the process the Council has adopted to produce the 2019/20 accounts and established opening balances; • Tested the opening balance sheet position for East Suffolk Council and the process for merging balances of the demised Councils; • Compared the opening reserve balance position to the Council's budget; • Reviewed accounting disclosures relating to Council's opening balances disclosed in the Statement of Accounts and comparing this to the disclosures required by the CIPFA Code of Practice; and • Used our testing of journals to identify transactions not appropriately included in the Council's statement of accounts, such as those denoted Suffolk Coastal or Waveney Council, which should be part of East Suffolk Councils statement of accounts. We are satisfied that the management has adopted adequate procedures to ensure the completeness and accuracy of opening balances. No issues were noted and hence no adjustments have been proposed. This work is subject to Associate Partner review.

03 Audit Report

Draft audit report

Our draft opinion on the financial statements is included below. Note that we have been unable to determine the going concern impact on our opinion as we have not received management's going concern assessment.

Our draft opinion on the financial statements

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

Opinion

We have audited the financial statements of East Suffolk Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Movement in Reserves Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- Related notes 1 to 34 and the Expenditure and Funding Analysis on page 19;
- Housing Revenue Account and related noted 1 to 9;and
- Collection Fund Income and Expenditure Account and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of east Suffolk Council and Group as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

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

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

Emphasis of matter – impact of Covid-19 (if required to be included)

We draw attention to Note 1a) 'Going Concern' of the financial statements, which describe the financial and operational consequences the Council is facing as a result of COVID-19 and the additional pressure that this presents to expenditure and funding. Our opinion is not modified in respect of this matter.

We also draw attention to Note 4 of the financial statements, which describes the valuation estimation uncertainty the Council is facing as a result of Covid-19 in relation to property valuations. Our opinion is not modified in respect of this matter.

Our opinion on the financial statements

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the East Suffolk Council Statement of Accounts 2019/20, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information.

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, with the exception of the matters reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, East Suffolk Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Audit Report

Our opinion on the financial statements

Responsibility of the Chief Finance Officer

As explained more fully in the Statement of the Chief Finance Officer Responsibilities set out on page 18, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether East Suffolk Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether East Suffolk Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Audit Report

Our opinion on the financial statements

Certificate

We certify that we have completed the audit of the accounts East Suffolk Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

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

Debbie Hanson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
London
XX/XX/2020

04 Audit Differences

Audit Differences

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

As the audit is not yet fully complete, further differences may be identified in relation to the outstanding areas noted above. An update will be provided to the Committee on any new differences identified subsequent to the release of this report.

Summary of adjusted differences

Our audit work completed to date has identified one audit adjustment that management has agreed to adjust. The accounts have been well prepared with a very low level of error.

The one difference identified is in relation to investment in associates. The adjustment will increase the amount of investment in associate by £212k, along with a respective increase in the Council's share of reserves of associates.

Subsequent to the preparation of draft financial statements, management has identified certain adjustments to be reflected in financial statements. Furthermore, we have identified an adjustment during our audit procedures on investment in associates. We have discussed and agreed these with management and the changes will be reflected in its final version of Council's financial statements.

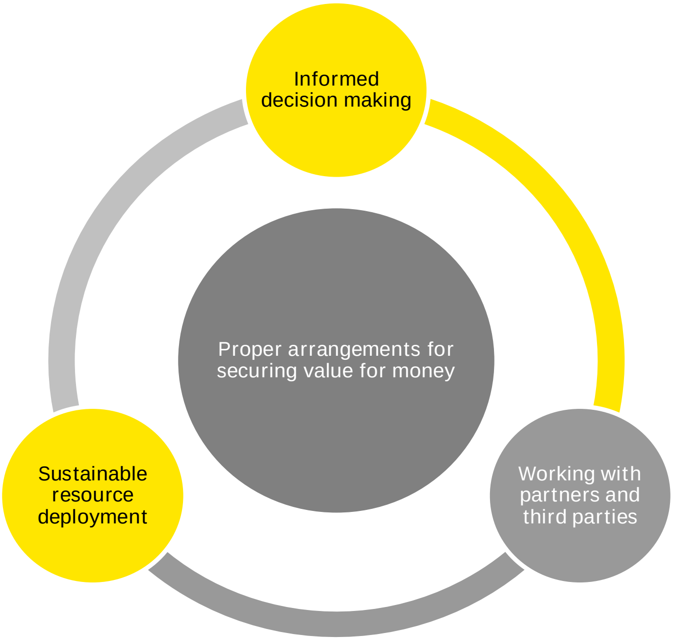
1. £546k decrease to the pension liability to reflect the figures in the revised IAS19 report for the McCloud consultation. The draft financial statements were based on the initial IAS 19 report.
2. An adjustment to the opening balance as at 1 April 2019 was made to reflect the Felixstowe dock business rates appeal provision adjustment which decreased the provision balance in 2018/19. This was reflected in the audited 2018/19 financial statements of Suffolk Coastal District Council. As the draft 2019/20 financial statements for East Suffolk Council were prepared before the audit of Suffolk Coastal District Council was complete, this was not reflected in the draft financial statements.
3. An adjustment has been identify by management in relation to Suffolk County Council Coastal Defence capital spend of £994k, which was included in Asset Under Construction in 2019/20 but should have been revenue expenditure financed from capital under statute (REFCUS). This adjustment has no impact on the financial position of the Council.

Summary of unadjusted differences

We have not identified any misstatements to the financial statements and/or disclosures which will not be corrected by management based on our work completed to date.

05 Value for Money

Value for Money



Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Impact of covid-19 on our Value for Money assessment

On 16 April 2020, the National Audit Office published an update to auditor guidance in relation to the 2019/20 value for money assessment in the light of Covid-19.

This clarified that in undertaking the 2019/20 value for money assessment auditors should consider Local Authorities' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019/20 value for money arrangements conclusion.

Overall conclusion

We did not identify any significant risks in relation to our value for money conclusion at planning stage. We did not identify any additional risks as a result of Covid-19.

There are no issues to report in relation to the Council's arrangements for value for money.

06 Other reporting issues

Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts for the year 2019/20 with the audited financial statements.

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

Financial information in the East Suffolk Council's Statement of Accounts 2019/20 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your WGA return. The extent of our review, and the nature of our report, is specified by the NAO. As the Council falls below the £500 million threshold for review as per the NAO's group instructions, we are not required to undertake any procedures.

Other powers and duties

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

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

Other reporting issues

Other matters

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

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have no significant matters to report in relation to the above (subject to the pending work as noted earlier in this report).

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

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

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

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

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

08 Data Analytics

Data analytics

Analytics Driven Audit

Data analytics

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

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

In 2019/20, our use of these analysers in the Council's audit included testing journal entries to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

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

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

Payroll analysis
We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.

09 Independence

Independence

Confirmation and analysis of Audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Planning Report dated 10 September 2020.

We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you and your Audit Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit and Governance Committee.

We confirm we have undertaken non-audit work outside of the Statement of responsibilities of auditors and audited bodies as per our external audit engagement letter. We have adopted the necessary safeguards in our completion of this work.

Our fees set out here do not include the scale fee review which is currently underway with PSAA to agree whether the scale fees for Local Government need to be rebased to account for the increased audit and quality requirements as well as increased regulatory challenge on the depth and quality of assurance provided by audit suppliers. There is now greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. Discussions with PSAA regarding the scale fees remain ongoing.

For 2019/20, the scale fee will also be impacted by a range of factors, for example the valuations of land and buildings, investment properties and pension obligations which will result in additional work. The impact of Covid-19 has also impacted on the work that is required.

As part of our reporting on our independence, we set out below a summary of the fees due for the year ended 31 March 2020.

We confirm that we have undertaken the non-audit services for the year ended 31 March 2020 set out in the table below.

Description	Planned Fee 2019/20 £
Total Scale Fee – Code work	69,964
Additional work required due to changes in scope and as a result of Covid-19 including additional work on the audit report	TBC (Note 2)
Non-audit Fee – Housing Subsidy claim (estimate)	15,829
Total audit fees	TBC

Note 1: As a result of Covid-19, we identified increased risk and work required in a number of areas, including the higher risk related to the valuation of the bad debt provision and going concern disclosures as well as the work to address the material uncertainty in the valuer's report relating to the valuation of land & buildings and investment properties. As part of our response to this risk we have engaged EY Real Estate to review a sample of valuations of land & buildings and investment properties. Additional time will also be required for internal consultation processes on the audit report as a result of Covid-19. As these procedures have not yet been completed we are currently unable to quantify the impact on our audit fee.

Note 2: The planned fee for the certification of the Council's 2019/20 Housing Benefits claim is the base fee for the certification work and assumes no errors. If errors are identified, this would result in extended testing which would result in an additional charge, depending on the level and nature of the error identified.

Relationships, services and related threats and safeguards

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

There are no relationships from 01 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
    - Tax advocacy services
    - Remuneration advisory services
    - Internal audit services
    - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Independence

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2020

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2020/ey-uk-2020-transparency-report.pdf

10 Appendices

Appendix A

Audit approach update

We summarise below our approach to the audit of the balance sheet.

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

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

Appendix B

Summary of communications

Date	Nature	Summary
Throughout the year	Meetings, calls and emails.	The Manager and Associate Partner have been in regular contact with the Section 151 Office and the finance team in respect of the audit risks, accounts closedown and the audit approach.
Ad hoc	Meeting	The Manager and Associate Partner have met with the Section 151 Officer on a regular basis throughout the year to discuss audit matters up to the date of issue of this report.
Throughout the year	Audit and Governance Committee	The Associate Partner attended those meetings of the Audit Committee noted opposite through the financial year and to the date of issue of this report. Specific reports issued and communications with the Committee are detailed in Appendix C.

In addition to the above specific meetings and letters the audit manager and other team members met with the management team multiple times throughout the audit to discuss audit findings.

Appendix C

Required communications with the Audit Committee

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

Required communications	What is reported?	Our Reporting to you When and where
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Planning Report dated 10 September 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Planning Report dated 10 September 2020
Significant findings from the audit	• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report dated 2 March 2021, Further updates on Audit Result Report to follow subsequent to completion of our all audit procedures pending as of the date of this Audit Result Report.

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements	Audit Planning Report dated 10 September 2020. Audit Results Report dated 2 March 2021, Further updates on Audit Result Report to follow subsequent to completion of our all audit procedures pending as of the date of this Audit Result Report.
Misstatements	• Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management	Audit Results Report dated 2 March 2021, Further updates on Audit Result Report to follow subsequent to completion of our all audit procedures pending as of the date of this Audit Result Report.
Subsequent events	• Asking the Audit and Governance Committee where appropriate about whether any subsequent events have occurred that might affect the financial statements.	Audit Results Report dated 2 March 2021, Further updates on Audit Result Report to follow subsequent to completion of our all audit procedures pending as of the date of this Audit Result Report.
Fraud	• Asking the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Council, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Audit and Governance Committee responsibility.	Audit Results Report dated 2 March 2021, Further updates on Audit Result Report to follow subsequent to completion of our all audit procedures pending as of the date of this Audit Result Report.

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	Significant matters arising during the audit in connection with the Council's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the Council	Audit Results Report dated 2 March 2021, Further updates on Audit Result Report to follow subsequent to completion of our all audit procedures pending as of the date of this Audit Result Report.
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit Planning Report dated 10 September 2020. Audit Results Report dated 2 March 2021, Further updates on Audit Result Report to follow subsequent to completion of our all audit procedures pending as of the date of this Audit Result Report.

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	• Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures.	All confirmations requested have been received.
Consideration of laws and regulations	• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	• Significant deficiencies in internal controls identified during the audit.	Audit Results Report dated 2 March 2021, Further updates on Audit Result Report to follow subsequent to completion of our all audit procedures pending as of the date of this Audit Result Report.

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we request from management and/or those charged with governance	• Written representations we request from management and/or those charged with governance	Audit Results Report dated 2 March 2021, Further updates on Audit Result Report to follow subsequent to completion of our all audit procedures pending as of the date of this Audit Result Report.
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	• Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report dated 2 March 2021, Further updates on Audit Result Report to follow subsequent to completion of our all audit procedures pending as of the date of this Audit Result Report.
Auditors report	• Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report dated 2 March 2021, Further updates on Audit Result Report to follow subsequent to completion of our all audit procedures pending as of the date of this Audit Result Report.
Fee Reporting	• Breakdown of fee information when the audit planning report is agreed • Breakdown of fee information at the completion of the audit • Any non-audit work	Audit Planning Report dated 10 September 2020. Audit Results Report dated 2 March 2021, Further updates on Audit Result Report to follow subsequent to completion of our all audit procedures pending as of the date of this Audit Result Report.
Certification work	• Summary of certification work	Audit Results Report dated 2 March 2021, Further updates on Audit Result Report to follow subsequent to completion of our all audit procedures pending as of the date of this Audit Result Report.

Management representation letter

Please note that the representation letter below is a draft version and could be subject to change.

Management Rep Letter - DRAFT

[To be prepared on the entity's letterhead]

[Date]

Debbie Hanson
Associate Partner
Ernst & Young
400 Capability Green, Luton, LU1 3LU

This letter of representations is provided in connection with your audit of the council financial statements of East Suffolk Council (the Council) for the year ended 31st March 20. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the financial position of Council as of 31st March 20 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2029/20.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the council financial statements. We believe the council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and are free of material misstatements, including omissions. We have approved the council financial statements.
3. The significant accounting policies adopted in the preparation of the Council financial statements are appropriately described in the Council financial statements.
4. As members of management of the Council, we believe that the Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 that are free from material misstatement, whether due to fraud or error.

Management representation letter

Management Rep Letter

5. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

6. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and council financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because [specify reasons for not correcting misstatement]. OR There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

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

1. We acknowledge that we are responsible for determining that the Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the Council financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and council financial statements, including those related to the COVID-19 pandemic

3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: [list date]

Management representation letter

Management Rep Letter

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt
7. From [the date of our last management representation letter] through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed all guarantees that we have given to third parties.
4. No claims in connection with litigation have been or are expected to be received.

E. Subsequent Events

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

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the narrative report and the annual governance statement and the Council's financial statements.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Going Concern

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

Management representation letter

Management Rep Letter

H. Ownership of Assets

1.Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.

2.There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

I. Reserves

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

J. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the council financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the consolidated and council financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

- Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, exam nations by taxing authorities, [continue listing as appropriate]) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the council financial statements or as a basis for recording a loss contingency.

K. Use of the Work of a Specialist

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

L. Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We confirm that the significant assumptions used in making the property, plant and equipment, provisions and pensions valuations appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the council financial statements with respect to the accounting estimate(s) are complete, including the effects of the COVID-19 pandemic on the financial statements and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Management representation letter

Management Rep Letter

4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the council financial statements due to subsequent events, including due to the COVID-19 pandemic.

M. Retirement Benefits

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

Yours faithfully,

____

(Chief Financial Officer/Finance Director)

____

(Chairman of the Audit Committee)

Accounting and regulatory update

Accounting update

Since the date of our last report to the Audit and Governance Committee, there have been a number of exposure drafts, discussion papers and other projects issues. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on East Suffolk Council
IFRS 16	• The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2021. The Council will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20.	IFRS 16 – leases introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. In particular, full compliance with the revised standard for 2021/22 is likely to require a detailed review of existing lease and other contract documentation prior to 1 April 2021 in order to identify: • all leases which need to be accounted for • the costs and lease term which apply to the lease • the value of the asset and liability to be recognised as at 1 April 2021 where a lease has previously been accounted for as an operating lease. We will discuss progress made in preparing for the implementation of IFRS 16 – leases with the finance team over the course of our 2020/21 audit.

Appendix E

Regulatory update

Since the date of our last report to the Audit and Governance Committee, there have been a number of regulatory developments. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on East Suffolk Council
Code of Audit Practice 2020	• The updated Code of Audit Practice issued by the National Audit Office has introduced some significant changes to the requirements regarding auditors' work on the value for money conclusion, which will be applicable from 2020/21.	• The NAO are currently updating the Auditor Guidance Notes which will set out how the new Code of Audit Practice should be applied when carrying out value for money work. As such, the impact remains to be confirmed. • Further updates will be provided when possible.
Going Concern - ISA (UK) 570 (Revised September 2019)	• The standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, however EY expects to early-adopt the revised standard for all of our audits of periods ending on or after 30 June 2020. • This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.	• Practice Note 10, which sets out how the auditing standards are applied in a public sector context, is currently being revised, including in light of the updated standard for Going Concern. As such, the impact is not clear at this stage. • Further updates will be provided when possible.
Independence	• The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and will be effective from 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to companies that are UK Public Interest Entities (PIEs) . This prohibition will also extend to any UK parent and apply to all worldwide subsidiaries. A narrow list of permitted services will continue to be allowed.	• We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under the FRC Revised Ethical Standard 2019 which will be effective from 15 March 2020. Non-audit services which are in progress as at 15 March 2020 and are permitted under the existing ethical standard will be allowed to continue under the existing engagement terms until completed. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

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EASTSUFFOLK
COUNCIL

AUDIT AND GOVERNANCE COMMITTEE

Monday, 15 March 2021

CORPORATE ANTI-FRAUD BUSINESS PLAN 2021-2022

EXECUTIVE SUMMARY
1. The Corporate Anti-Fraud Business Plan 2021-2022 details the Council's proposed approach to the prevention, detection and prosecution of fraud and corruption. The plan sets out the high-level desired outcomes and management processes aligned to the Council's strategic themes and objectives. 2. This report is presented to the Audit and Governance Committee in compliance with its terms of reference to 'Monitor Council policies on ... Anti-Fraud and Corruption'.

Is the report Open or Exempt?	Open

Wards Affected:	All

Cabinet Member:	Councillor Maurice Cook Cabinet Member with responsibility for Resources

Supporting Officer:	Mrs Siobhan Martin Head of Internal Audit 01394 444254 siobhan.martin@eastsuffolk.gov.uk

1. INTRODUCTION

1.1 A key responsibility within the Audit and Governance Committee's terms of reference is to 'Monitor Council policies on… Anti-Fraud and Corruption'. The Corporate Anti-Fraud Business Plan at Appendix A represents the planned corporate wide anti-fraud work for the financial year 1 April 2021 to 31 March 2022.

1.2 The Corporate Fraud Service will continue to focus its anti-fraud activities in the areas of prevention, detection, and prosecution work, directed by the Head of Internal Audit, who also leads this service area at Ipswich Borough Council. In addition to this, Covid 19 Business grants will continue to feature highly in our fraud enquires, also to assist completion of the Department for Business, Energy and Industrial Strategy (BEIS) returns to Government in respect of grants paid out whether any fraud or error occurred etc.

1.3 The financial year ahead will continue to be a year of further development and enhancement in the field of corporate anti-fraud activity given the ever-changing face of fraud given the COVID 19 (Coronavirus Pandemic) where fraud has increased substantially along with Brexit potentially changing some elements of anti-fraud work.

2. BACKGROUND

2.1 The Council maintains a zero-tolerance approach towards fraud and corruption, and the existence of a professional Corporate Fraud Service demonstrates the Council's commitment to this objective.

2.2 Fraud is an act of deception carried out for personal gain or to cause loss, or a loss to another party. In the Public Sector fraud can be committed internally by workers or externally by suppliers, contractors, and members of the public. Fraud covers a wide spectrum of activities and can affect all departments. The Coronavirus Pandemic has enabled fraudulent activity, specifically in relation to grant payments distributed by the Government. The Corporate Fraud Service is involved with preventing, pursuing and prosecuting any irregularity in such areas.

2.3 The Public Sector Audit Appointments Ltd, along with other designated post holders e.g. Head of Paid Service, Section 151 Officer, Monitoring Officer and Head of Internal Audit, requires local authority services to have in place an effective counter fraud strategy and plan. This report demonstrates that the Council has such a plan in place. Each year the Council's external auditors and Central Government quasi bodies note and comment upon the proactive and reactive work undertaken by the Council.

2.4 The Corporate Anti-Fraud Business Plan 2021-2022 is a direct contribution to meeting the Council's objectives and a key contributor to enabling the Government's austerity measures in reducing public expenditure by reducing fraud, especially as the Coronavirus Pandemic has had a devasting impact across the globe.

3. HOW DOES THIS RELATE TO THE EAST SUFFOLK STRATEGIC PLAN?

3.1 This report underpins the entire delivery of the East Suffolk Strategic Plan 2020-2024 by supporting the governance environment in which it operates. The Corporate Anti-Fraud Business Plan aims to deliver a mechanism to prevent, detect and prosecute fraudulent behaviour, and thus provide improved value for money given the finite local government resources available.

3.2 The work of the Corporate Fraud Service is directly aligned to protecting the public purse and has been designed to address the areas of concern identified locally and nationally.

4. FINANCIAL AND GOVERNANCE IMPLICATIONS

4.1 The Corporate Anti-Fraud Business Plan 2021-2022 works in conjunction with other fundamental documents; these form the foundations for Corporate Anti-fraud activity across the Council. Key supporting documents can be found on the Council's intranet and are listed as follows:

- Anti-Bribery Policy
- Anti-Fraud and Corruption Strategy (incorporating Prosecution & Sanction Policy)
- Whistleblowing Policy
- Regulation of Investigatory Powers Act 2000 (RIPA) Policy, currently being refreshed and entitled Covert Investigation Policy
- Code of Corporate Governance
- Anti-Money Laundering Policy

5. RISK MANAGEMENT

Risk Description	Consequence of risk	Risk Controls	Actions to mitigate risk (not exhaustive)
1. Failure to prevent and detect fraud.	Financial Loss. Inability to provide services to those in need. Reputational damage.	Investigations undertaken by Corporate Fraud Service through referrals. Preventative due diligence measures implemented across service processes. Professional Corporate Fraud Service raising awareness of fraud.	Referrals risk assessed and investigations conducted where appropriate. Sanctions publicised where appropriate. Due diligence measures undertaken as part of business as usual to prevent and deter fraud in the first instance. Fraud clinics held for staff. Responsible for promoting the International Fraud Awareness Week
2. Lost opportunity to work with Registered Social Landlords (RSL's) and neighbouring Councils.	Loss of income	Regular meetings with RSL's and neighbouring Councils.	Member of Tenancy Fraud Forum Promoting Corporate Fraud Services to social Landlords and other Councils currently being undertaken
3. Failure to undertake mandatory National Fraud Initiative data matching exercise.	Reputational damage. Financial cost	Matches co-ordinated by Internal Audit and Corporate Fraud Services.	Included as part of Internal Audit and Corporate Fraud Business Plans. Shown to produce savings across the Service area by this data matching

6. OTHER KEY ISSUES

6.1 This report does not require an Equality Impact Assessment, a Sustainability Impact Assessment, or a Partnership Impact Assessment.

7. CONSULTATION

7.1 Consultation has taken place with the Chief Executive and relevant Cabinet Member.

8. OTHER OPTIONS CONSIDERED

8.1 No further options have been considered.

9. REASON FOR RECOMMENDATION

9.1 To apprise Members of the planned corporate anti-fraud work to be undertaken at the Council. To ensure Members of the Committee discharge their duties and responsibilities in accordance with the Committee's terms of reference.

RECOMMENDATION

That the Committee comments upon and endorses the Corporate Anti-Fraud Business Plan 2021-2022.

APPENDICES

Appendix A: Corporate Anti-Fraud Business Plan 2021-2022

BACKGROUND PAPERS

Please note that copies of background papers have not been published on the Council's website, but copies of the background papers listed below are available for public inspection free of charge by contacting the relevant Council Department.

Date	Type	Available From
April 2020	Fighting Fraud and Corruption Locally Strategy 2020 (issued by Local Government Associated and others)	Head of Internal Audit
February 2020	International Public Sector Fraud Forum 'A Guide to Managing Fraud for Public Bodies'	Head of Internal Audit
July 2020	National Fraud Initiative Report 2020	Head of Internal Audit
Summary 2019	CIPFA Fraud and Corruption Tracker Report	Head of Internal Audit

EASTSUFFOLK
COUNCIL

Corporate Anti-Fraud Business Plan 2021-2022

Contents

1. Introduction

2. International, National and Regional Context

3. Aims and Objectives

4. Defining Fraud

5. Resources

6. Key Activities 2021-2022

7. Performance

8. Fighting Fraud and Corruption Methodology

1. **INTRODUCTION**

1.1 The Corporate Anti-Fraud Business Plan represents the Council's strategic response to counter fraud and corruption.

1.2 The Leader of the Council, his Cabinet and Senior Managenment Team set the tone of zero tolerance approach towards all fraud actioned against the Council, its customers and all stakeholders.

1.3 East Suffolk Council's Corporate Fraud Team will continue to create an anti-fraud culture and enhance services in the field of corporate anti-fraud activity across all Council services and with all partners aligned directly to the five key strategic themes detailed the Council's Strategic Plan 2020-2024, see diagramme below:

1.4 The Team will acknowledge, prevent and persue fraudulent behaviour in order to support the Council to help grow the economy, enable our communities, remain financially sustainable, deliver digital transformation and care for the environment, whilst ensuring a zero tolerance approach to all fraud issues.

1.5 The foreword of The Chartered Institute of Public Finance & Accountancy (Fraud and Corruption Tracker) Summary Report 2019 (CIPFA) states: *"As stewards of public money, it's the responsibility of each and every public sector organisation to take an active role in the fight against corruption, bribery and fraud. The impact of financial crime is enormous. The diversion of funding from vital public services undermines public trust, financial sustainability, organisational efficiency and makes vulnerable people in our communities much worse off."*

1.6 All Councillors, officers, employees, consultants, partnership staff, volunteers and agency staff, etc are committed to a zero tolerance approach towards fraud and corruption in the administration of its responsibilities, whether internally or externally, caputured within the relevant contracts and codes of conduct.

1.7 The Corporate Fraud Team are professionally qualified and experienced Investigators undertaking dedicated fraud prevention, detection, investigation and prosecution services, including intelligence gathering activities and fraud awareness training.

1.8 The Corporate Fraud Team receive fraud referrals from internal staff, contractors, partnership staff, external agencies, and other government departments along with anonymous referrals from members of the public.

1.9 A confidential telephone **fraud 'hotline'** (**01394 444444**), is available for all to report any suspicion of fraud. **Currently due to Covid restrictions and working from home the hotline is not answered personally by a team member, but is checked regularly throughout the day and responded too accordingly when a message is left. Reports can also be made via the Council's website on fraud@eastsuffolk.gov.uk.**

1.10 In addition there is a legal requirement for anyone wanting to report any **whistleblowing concerns on the confidential whistleblowing hotline (without fear of reprisal) on 01394 444222.**

2. INTERNATIONAL, NATIONAL AND REGIONAL CONTEXT

2.1 The International Public Sector Fraud Forum 'A Guide to Managing Fraud for Public Sector Bodies' (February 2019) sets out an international unified approach based upon anti fraud principles and practices which the Council has embraced for a number of years. The Council acknowledges that fraud has no geographic boundaries particularly in the growing cyber technology world. This is very apparent during the Coronavirus Pandemic where fraud risks have substantially increased. The combination of financial and health threats in a crisis makes people more vunerable and creates opportunities for fraudsters.

2.2 Tackling fraud in Local Government continues to remain high profile; driven by the duty to ensure public stewardship of Council resources and enable the Council to provide services to those in need whilst facing significent reductions in government funding.

2.3 The Corporate Fraud Team has connections and links to many external agencies all sharing the same objective to prevent crime, which are valuable assets during crisis times.

2.4 The loss and harm caused by fraud in the public sector is significant. The National Fraud Initiative Report dated July 2020, suggests that fraud cost the public sector from 1 April 2018 to 4 April 2020 was £215.8 million. This does not take into account the social harm caused by fraud across the communities.

2.5 Fighting Fraud and Corruption Locally (FFCL) Strategy 2020 was launched in March 2020. East Suffolk Council (along with Ipswich Borough Council) have assisted the FFCL Board in creating the new strategy by working with a representative of the FFCL Board in a regional workshop.

2.6 The Corporate Fraud Team also consider and incorporate elements of the Government's Economic Crime Plan 2019-2022 within its operations.

3. AIMS AND OBJECTIVES

3.1 The Corporate Fraud Team at East Suffolk Council is committed to:

- Raising awareness of the importance of identifying and tackling fraud accross the Council and its corporate partners.
- Focus on post payment verification checks as per BEIS Fraud risks for Covid 19 Government Business grants.

- Focus on prevention and deterrence risk assessement as a cost effective means of reducing fraud losses to protect vital public resources.

- To continue the programme for fraud awareness training for staff, Councillors and partners etc.

- Improve the Council's fraud Intelligence IT framework.

- To undertake partnership data hubmatching across borders.

- Investigate potential fraudulent or corrupt activity with integrity and ethics are at the forefront.

- Use Proceeds of Crime Act 2002 legislation to recover losses from fraud with confiscation / compensation action.

- To work with other Governement Organisations, partners, and investigatative bodies to strengthen and continiously improve resilence to fraud and corruption.

- Encourage individuals to report suspicions of fraudulent or corrupt behaviours.

- To publish when appropriately fraud and corruption cases.

4. DEFINING FRAUD

4.1 What is Fraud?

The Fraud Act 2006 details the legal definations of fraud, and is used for the criminal prosecution of most fraud offences. The Council also deals with fraud in non-criminal matters. For this purpose fraud is defined as:

"the intentional distortion of financial statement or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assest or therwise to gain".

The defination covers various offences including deception, forgery, theft, misappropriation, collusion and misrepresentation.

4.2 What is Corruption?

Corruption is defined as:

"the offering, giving, soliciting or acceptance of an inducement or reward that may influence the action of any person. These inducements can take many forms including cash, holidays, event tickets, meals etc".

4.3 What is Bribery?

The Bribery Act 2010 creates offences where**:**

"an individual or commercial organisation offers or receives a bribe to bring about or reward the improper performance of a function or activity".

Bribery can be acceptance of gifts, money, and hospitality in return for providing something of value to the briber.

4.4 **<u>What is Theft</u>?**

The Theft Act 1968 defines the legal definition of theft. For the purpose of this statement theft is defined as:

"the taking without consent and with the intention of not returning any property belonging to the Councill or which has been entrusted to it e.g. clients funds, including cash, equipment, vehicles, data etc."

Theft does not necessarily require fraud to be committed. Theft can also include the taking of property belonging to our staff or members whilst on Council property.

4.5 **<u>What is Financial Malpractice /Irregularity</u>?**

"any actions that represent a deliberate serious breach of accounting principles, financial regulations or any of the Council's financial governance arrangements".

These actions do not have to result in personal gain.

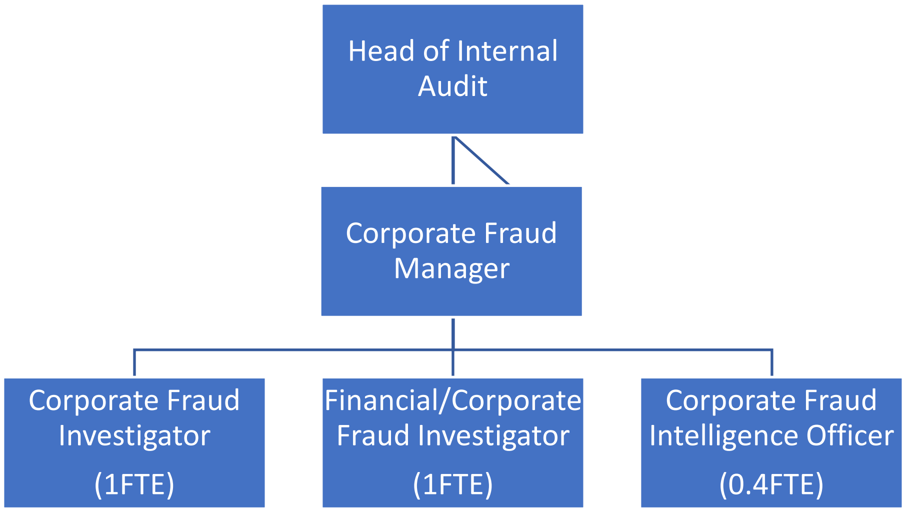
It is a fact that some people will look to make gain where there is opportunity, and Councils need robust processses in place to prevent, detect and respond to fraud and corruption.

Preventing fraud through effective counter fraud practices reduces the loss and reputational damage (although this can be difficult to measure). It also requires less resources than an approach focused on detection and recovery.

4.6 Defining fraud all three elements must usually be present:

5. RESOURCES

5.1 The Corporate Fraud Team (Service) sits within the Audit Section and forms part of the Audit Services Partnership with Ipswich Borough Council.



5.2 The Corporate Fraud Team has one Investigator that is also qualified as a Financial Investigator - authorised by the National Crime Agency (NCA), whose skills are being utilised across the partnership, in respect on Proceeds of Crime Act 2002 and the Money Laundering Regulations 2017. The Head of Internal Audit is also authorised by the NCA as a Senior Authorised Officer. All of the above staff are directly employed by East Suffolk Council.

5.3 Partnership arrangements provide an opportunity to share training, knowledge and expertise, with a further two full time equivalent Financial Investigators appointed at Ipswich Borough Council. This provides a signficant advantage to the Council as it enables us to recover finanancial losses due to criminal activity, as well as the ability to tackle broader criminal conduct cross boundary. These specialised Investigators delve into an alternative world of investigations and we have the possibility of utilising their skills for compensation and/or confiscation cases.

5.4 To be effective, the Council will continually adapt its resources and continue to be agile in order to face the changing nature of the threat and the changing nature of its own business. The Coronavirus Pandemic has identified emerging fraud risks which all Council staff and their partnerships need to be fully aware of in order to safeguard public money, and also support the public.

5.5 Fighting fraud and corruption is a not a one-off cost, it requires ongoing investment which flexes with the scale of risk and threat that the Council faces, which the Coronavirus Pandemenic has identified.

6. KEY ACTIVITIES 2021-22

6.1 Workstreams for the Corporate Fraud Team planned for 2021-22 have been aligned to common themes set out within a number of national anti-fraud networks eg Fighting Fraud and Corruption Locally 2020 publication, the Credit Industry Fraud Avoidance System (CIFAS), the National Crime Agency and the National Cyber Security Centre. This also aligns to the East Suffolk Council's Strategic Plan 2020-2024.

In addtion to these workstreams the Team will be working on areas identified within the BEIS grant fraud risk returns to investigate and conclude.

6.2 Corporate fraud investigations may fall within any of the following key areas, but is not limited to areas identified by the National Fraud Initiative Report July 2020. Each area may have proactive and reactive exercises taking place:

- Coronavirus Pandemic related grant fraud
- Cyber Crime – a method used to commit crime across any area of the Council
- National Non-Domestic Rates – linked to grant fraud
- Tenancy/Housing fraud
- Right to Buy
- Council Tax Single Person Discount/Reduction Scheme
- Procurement
- Car Park Enforcement/Blue Badge Scheme (in partnership with Suffolk County Council)
- National Fraud Initiative Matches 2020/21
- Whistleblowing Investigations
- Regulation of Investigatory Powers Act/Investigatory Powers Act
- Anti-Money Laundering

6.3 To be instrumental and actively promote the re-instatement of the Council's Enforcement Officers Group and assist Legal with revising the Enforcement Officers Policy across the Council's Enforcement Teams. Currently delayed due to the Coronavirus Pandemic.

6.4 In support of the UK Anti-Corruption Strategy 2017-2022, Internal Audit and Corporate Fraud Services plans will dedicate resource to specifically undertake fraud awareness training in the risk of procurement fraud to reduce corruption in public procurement and grants.

6.5 In support of the fraud awareness programme, we will continue to deliver fraud awareness training to all Council Members. There will be E-learning training available in respect of fraud awareness provided to all staff, contractors and partnership staff etc, which everyone will be advised to undertake.

7. PERFORMANCE

7.1 An annual report of outcomes from the previous financial year 2020-2021 will be presented to the Audit and Governance Committee, in a separate report, later in the year.

7.2 Outputs are monitored on a monthly basis within the service by the Corporate Fraud Manager and reported to the Head of Internal Audit.

8. Fighting Fraud and Corruption Methodology

GOVERN	ACKNOWLEDGE	PREVENT		PURSUE
Having robust arrangements with Members and Senior Management support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.	Accessing and understanding fraud risks. Committing the right support and resource to tackle fraud and corruption. Communicating the risks to those charged with Governance.	Enhance information and technology use. Enhance fraud controls and processes. Develop effective anti-fraud culture. Communicating our activities and successes.		Prioritise fraud recovery and use of civil sanctions. Utilise Proceeds of Crime Act/Money Laundering regulations.
Adopt a robust Anti-Fraud and Corruption Strategy supported and approved by Audit & Governance Committee.	Review and assess all Fraud policies to ensure a comprehensive response.	Conduct targeted reviews in conjunction with Internal Audit to design out fraud from the outset, which will enhance fraud controls and processes across the organisation.	Conduct fraud investigations in line with risk assessment in response to referrals from internal staff, members of the public and external agencies etc.	Utilise civil sanctions with the option of prosecution where a criminal offence is committed.
Provide E-Learning fraud awareness training across the Council to all staff, members, contractors, partnerships etc.	Conduct a formal fraud risk assessment which will be used to create a fraud risk mitigation plan.	Perform due diligence money laundering checks on all Right to Buy housing applications. Perform due diligence in respect of rent accounts in line with money laundering regulations 2017.	Conduct proactive exercises via data technology across all high fraud risk areas in the Council. Improve the fraud awareness understanding across all Council Sections including Members. The fraud service to promote their services in many enforcement areas, for the seizure of assets of offenders to recoup financial losses.	Publicise successes to align with the Councils Strategic Plan and to increase public confidence over value for money and spending decisions.
Undertake specific fraud awareness training to Council Members.	Attend Team meetings to provide support and guidance relating to anti-fraud measures.	Instrumental in re-instated the Enforcement Officers Group in respect of using Proceeds of Crime Act 2002 / Money Laundering Regulations across the difference service areas.	Provide fraud information to all relevant staff and if appropriate members of the Public. Undertake NFI data matching activities and any local proactive fraud drives assessed as a priority by the Head of Internal Audit.	Collaborating enforcement across geographical and sectoral boundaries (within a legal gateway) Assist in the review of the Council's Enforcement Officers Policy.
Continue to participate in International Fraud Awareness Week.	Survey Members and Senior Management in respect of any corporate fraud issues.	Publicising the work of the fraud service through internal promotion and to the public through the Press Office.	Continue to maintain and grow good working relationships with external government agencies, social landlords' cross borders etc.	

PROTECTING THE COUNCIL AND ITS RESIDENTS

Recognising the harm that fraud can cause in the community. Protecting itself and its' residents from fraud.

Agenda Item 9
ES/0695

EASTSUFFOLK
COUNCIL

AUDIT AND GOVERNANCE COMMITTEE

Monday, 15 March 2021

INTERNAL AUDIT: ANNUAL INTERNAL AUDIT PLAN 2021/22

EXECUTIVE SUMMARY

1. This report presents the proposed Internal Audit Plan for East Suffolk Council 2021/22 as agreed with the Corporate Management Team. The development of the Plan involves many factors and drivers, and a diagram is incorporated within this report which illustrates the overall methodology.

2. As reported to the Committee in September 2020, the impact of the Covid-19 pandemic continues to place significant strain on normal procedures and control arrangements across the Council. Internal Audit has and will continue to carry out work to assess the impact on the Council's key activities where changes to normal business practices have occurred in response to the pandemic. Examples seen include changes to the democratic decision-making process, and a significant impact on the Council's statutory responsibilities. Where needed, Internal Audit has been proactive in providing input, advice and assurance to services on any proposed changes.

3. It is not yet possible to fully quantify the additional risk arising from the current, potentially short-term changes to normal business practices, or the overall impact these will have on the framework of governance, risk management and control. This Audit Plan has been developed to consider these impacts and to present the work that we currently intend to undertake during 2021/22, however, the committee should be aware that this plan may have to be reviewed and adjusted in response to any further changes to risk or business need during these unprecedented times.

4. This report is being presented to the Audit & Governance Committee in accordance with the Committee's terms of reference which stipulate that the Committee is to *'approve, (but not direct) internal audit's work plan*.' Also '*to promote the value of the audit process.'*

5. Internal Audit Services acts in accordance with the Accounts and Audit Regulations (2015) and follows the Public Sector Internal Audit Standards (2017) (PSIAS) and Local Government Application Note (2019). This report has been prepared in accordance with our Audit Charter.

Is the report Open or Exempt?	Open

Wards Affected:	All

Cabinet Member:	Councillor Maurice Cook Cabinet Member with responsibility for Resources

Supporting Officer:	Mrs Siobhan Martin Head of Internal Audit 01394 444254 siobhan.martin@eastsuffolk.gov.uk

1 PURPOSE OF THE REPORT/PLAN

1.1 Internal Audit Services acts in accordance with the Accounts and Audit Regulations (2015) and aims to follow the Public Sector Internal Audit Standards (2017) and Local Government Application Note (2019). This report has been prepared in accordance with our Audit Charter. The Council is required under the Accounts and Audit Regulations to maintain an adequate and effective Internal Audit Service.

1.2 This report presents the strategic risk based Internal Audit Plan for 2021-22 as agreed with the Chief Executive and Corporate Management Team.

1.3 The Internal Audit work planned for the coming year is aligned to the East Suffolk Strategic Plan, which aims to deliver the highest quality of life possible for everyone who lives in, works in and visits East Suffolk. Planned and emerging Internal Audit reviews will directly support the good governance and risk management approach to the Council's priorities: Growing Our Economy; Enabling Our Communities; Maintaining Financial Sustainability; Delivering Digital Transformation and Caring For Our Environment, described in detail in the East Suffolk Strategic Plan.

1.4 The Audit and Governance Committee is responsible for overseeing the application of audit resources and monitoring performance of the audit function.

2 INTRODUCTION

2.1 The work of the Internal Audit Service is to provide independent assurance and to report upon the effective and efficient application of internal controls, governance arrangements and value for money at the Council. All Internal Audit reports form part of the crucial evidence to enable the Chief Executive and Leader of the Council to sign the Annual Governance Statement (the obligatory statement along with the Annual Accounts). External Audit may also consider Internal Audit work to ensure that system controls are adequate and effective.

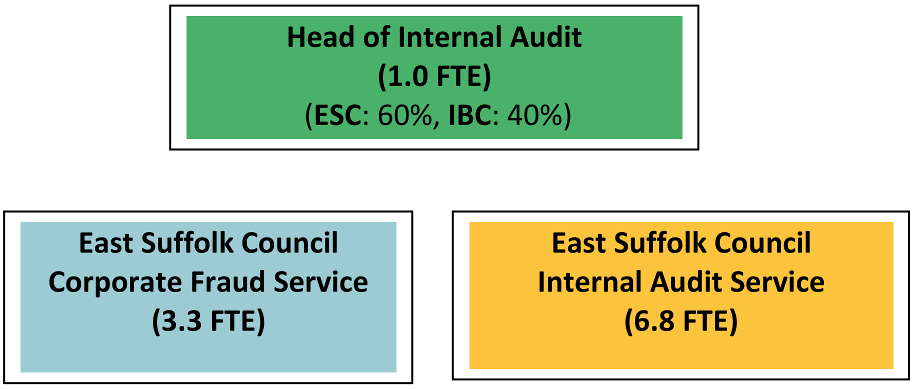
2.2 Internal Audit work aims to ensure services comply with the Council's Constitution and Code of Corporate Governance. Internal Audit reports make recommendations to address any weaknesses identified and give direction on how to support continual improvements by providing professional advice and guidance.

3 STRUCTURE AND RESOURCES

3.1 Since 1 June 2004 Internal Audit Service has been provided in partnership with Ipswich Borough Council (IBC), with the Head of Internal Audit and an Audit Manager shared with Ipswich Borough Council.

3.2 Such partnerships have enabled greater operational efficiency and effectiveness in the delivery of Internal Audit Services and provides the opportunity for each partner to call upon a wider skills base, which can be used to achieve greater flexibility and effectiveness in all areas of audit operations.

3.3 The table below represents the current structure of the Internal Audit Service:



3.4 The Internal Audit Plan is directly linked to the resources available, ie 6.8 FTEs. An additional 1.3 FTE staff are employed by the Council and contracted to provide audit services to Ipswich Borough Council as part of the audit partnership contract. It is anticipated that the resources available during 2021/22 will provide 1200 productive audit days. Non-productive days include training, administration, holidays and sickness.

3.5 The Head of Internal Audit is also the Data Protection Officer and Senior Information Risk Owner for the Council, and the team support associated work in these areas. To prevent the perception of impairment to the independence and objectivity of Internal Audit whilst undertaking these additional roles, details of anticipated non-audit work are reported separately from the Annual Audit Plan in Appendix B.

3.6 Following recruitment to vacant posts in 2020, the service is now sufficiently resourced to be effective.

4. PUBLIC SECTOR INTERNAL AUDIT STANDARDS

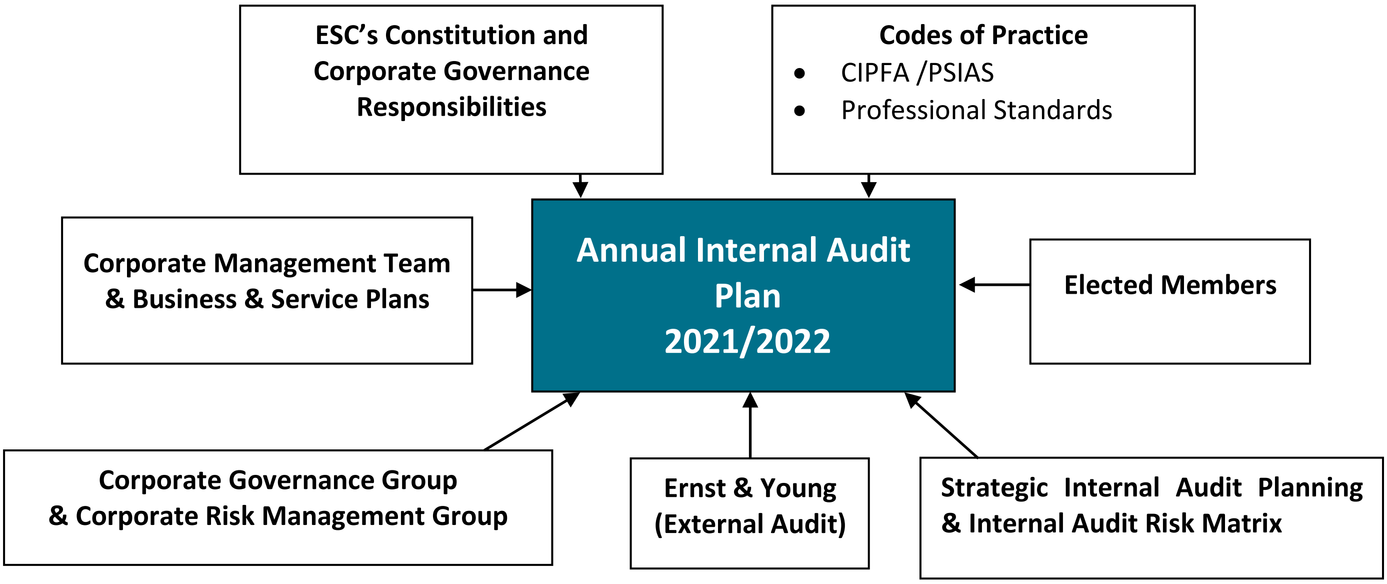
4.1 Internal Audit Services within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1 April 2013 and were last revised in 2017. The standards require periodic self-assessments and an assessment by an external professional every five years.

4.2 East Suffolk Council's Internal Audit function was reviewed in August 2019 by an External Quality Assessor (EQA). The review also included checking compliance with the Local Government Advisory Note (LGAN) where this has requirements in addition to those in the PSIAS.

4.3 The review identified no areas of non-compliance within the PSIAS at East Suffolk Council. The Committee can therefore have confidence that the Annual Audit Plan has been developed in accordance with national standards and best practice.

5 SOURCES OF ASSURANCE

5.1 The risk based Internal Audit Plan considers many factors and ensures that all stakeholders' contributions are included. The main drivers used to formulate the Audit Plan are detailed below.



5.2 The risk based Internal Audit Plan for 2021/22 is aimed to be a product of all the drivers listed above, as well as the unprecedented impact of Covid-19. Initially developed from Internal Audit's own Risk Matrix, the Internal Audit planning and assurance process has considered how services will be delivered and is aligned to organisational objectives, priorities, and risks.

5.3 The Head of Internal Audit holds audit planning meetings with the Chief Executive, Strategic Directors and Heads of Service. These meetings enable Internal Audit to develop assurance maps for each service area to identify any national and local issues or emerging risks that the Council may seek to gain assurance over.

5.4 The Internal Audit Plan for 2021/22 has been reviewed by the Corporate Management Team. The Council's External Auditors have also been apprised of the Internal Audit Plan for 2021/22. The Internal Audit Plan for 2021/22 meets all professional Standards relating to Internal Audit in the Public Sector and should be treated as a working document, subject to amendment as necessary, to reflect changing corporate conditions or demands as well as reflecting any changes or refinement in the Council's risk profile.

5.5 The Covid-19 pandemic has resulted in a significant level of strain being placed on normal procedures and control arrangements. The level of impact is also changing as the situation develops. Internal Audit has and will continue to carry out work to assess whether there have been any changes to the Council's key activities or normal business practices in response to the pandemic. Where needed, Internal Audit has been proactive in providing input, advice and assurance to services on any proposed changes.

5.6 Where other external assurance providers may have undertaken relevant assurance work, Internal Audit will seek to rely on the work of these where professional standards would make it appropriate to do so, for example the Health and Safety Executive, Her Majesty's Revenues and Customs, External Audit (Ernst and Young LLP) and the Local Government and Social Care Ombudsman (not an exhaustive list).

5.7 Each year the Audit and Governance Committee is given the opportunity to request Internal Audit to undertake specific reviews or to provide guidance on specific concerns. A total of 15 days has been allocated to allow for this in 2021/22.

6 INTERNAL AUDIT STRATEGY

6.1 The Internal Audit Service must be adequate, effective and efficient in order to help the Council meet its objectives and is clearly positioned within the Council's Constitution. The Internal Audit Charter is deemed to be the Internal Audit Strategy and was last reviewed in November 2020 in order to ensure it continues to comply with the PSIAS.

6.2 Internal Audit Services apply a strategic risk-based assessment process to develop annual plans. Multiyear budgets are considered along with an assessment of the necessary skills required to deliver the service. Modern methodologies and technologies are utilised to perform reviews and provide advice to drive corporate improvements across the Council. Reviews and support listed within the Annual Internal Audit Plan are aligned to the Council's objectives, demonstrating the strategic nature of the Internal Audit Service. These reviews can be evaluated to assess Internal Audit and Council-wide performance.

7 THE ANNUAL INTERNAL AUDIT PLAN 2021/22

7.1 This risk based Internal Audit Plan details the work that will provide assurance to the Council in terms of the adequacy and effectiveness of financial and management controls in the areas under review.

7.2 The risk based Internal Audit Plan is influenced by the resources made available by the Council for Internal Audit work. A careful balance must be achieved in terms of keeping audit costs at a realistic level, whilst recognising that there is a minimum level of coverage that must be undertaken to ensure good governance and internal controls are in operation. In this respect, the Internal Audit Plan for 2021/22 is considered to be a realistic plan of action.

7.3 Internal Audit work consists of consultancy reports, advice notes, probity / assurance reports (economic, effectiveness and efficiency reviews), along with value for money reports and computer audit reports, all agreed at the scoping stage of each exercise.

7.4 A risk assessment model is employed to score the relative risks of each of the identified systems in the "audit universe", which consists of all the potential auditable areas identified either by internal audit or by other stakeholders, and includes systems or other activity identified from risk registers. The scoring methodology requires that a number of risk attributes are assessed, including (not exhaustive) the following:

- Key System, ie materially affecting the general ledger
- Risk maturity of the organisation
- Length of time since last audit
- Impact on the organisation, based on reputational and fiduciary risks
- System complexity and vulnerability
- Issues identified through previous Internal Audit reviews/the Corporate Risk Register
- Likelihood of occurrence, based on soundness of internal control or change
- Potential for fraud and corruption
- Size of budget/number of employees
- Evidenced compliance with law/regulations
- Concerns raised by stakeholders
- Covid-19 impact

7.5 The risks are then weighted to provide a level of relative risk for each system. The relative risk determines the likelihood of inclusion in the plan for the year.

7.6 The proposed Internal Audit Plan 2021/22 in relation to all high risk rated areas is listed in Appendix A.

7.7 Internal Audit will continue to provide regular reports to the Audit and Governance Committee on the activities detailed in the Internal Audit Plan and any significant issues arising.

7.8 The Head of Internal Audit issues Internal Audit Reports to the Chief Executive, Members of the Audit and Governance Committee, the Cabinet Member for the service area under review, External Audit and the Council's Section 151 Officer in accordance with best practice. Such distribution ensures that all key findings, recommendations and learning points are available for consideration and enables good governance. In addition, all Members have access to issued Internal Audit reports held on the Members' confidential section of the Council's Intranet.

7.9 The Chairman of the Audit and Governance Committee and any other elected Member have free access to the Head of Internal Audit and at least one private meeting per year will be held between the Chair of the Audit and Governance Committee and the Head of Internal Audit.

8 HOW DOES THIS RELATE TO EAST SUFFOLK STRATEGIC PLAN?

8.1 The Audit and Governance Committee is directly responsible for supporting good governance arrangements and practices at the Council, which underpin the Council's entire strategic and operational workings including the East Suffolk Strategic Plan. The Internal Audit Plan of work provides independent, fact-based evidence to Senior Management and the Audit and Governance Committee on the actual effectiveness of Council activities which support the East Suffolk Strategic Plan.

9 FINANCIAL AND GOVERNANCE IMPLICATIONS

9.1 Internal Audit reports, advice and recommendations all aim to create and foster a robust corporate governance foundation to support sustainable services for all stakeholders. As a consequence, the Internal Audit Service aims to mitigate the risk of losses arising from error, irregularity and fraud. In addition, efficiency, effectiveness, and economy reviews form part of the work undertaken, and this represents a fundamental principle in delivering the Council's corporate governance responsibilities.

9.2 The Local Government Act 1972 and the Accounts and Audit Regulations 2015 require principal local authorities to '…undertake an adequate and effective internal audit of its accounting records and of its systems of internal control in accordance with the proper practices in relation to internal control.'

9.3 The implications and benefits of agreed actions produced by the Internal Audit Service contribute to the Council's overall objectives by improving controls and processes, which contribute towards efficient and effective management of services.

10 OTHER KEY ISSUES

10.1 This report does not require an Equality Impact Assessment, a Sustainability Impact Assessment or a Partnership Impact Assessment.

11 CONSULTATION

11.1 Internal consultation with the Corporate Management Team and external consultation with the Council's External Auditor has taken place. All matters raised have been incorporated within the Internal Audit Plan for 2021/22.

12 OTHER OPTIONS CONSIDERED

12.1 No further options have been considered.

13 REASON FOR RECOMMENDATION

13.1 The Internal Audit Plan for 2021/22 has been considered by the Chief Executive and Corporate Management Team and aims to meet all the professional standards and the codes of practice relating to internal audit in the public sector. It should be viewed as a working document, subject to amendment as necessary to reflect changing corporate conditions or demands, as well as any changes or refinement in the council's corporate risk register.

13.2 This report aims to support the Council's overall governance arrangements and to ensure that the Audit and Governance Committee fulfils its terms of reference by reviewing the appropriateness of the proposed risk based Annual Internal Audit Plan 2021/22 for internal audit activity across the Council.

RECOMMENDATION

That the Audit and Governance Committee comments upon and approves the Annual Internal Audit Plan 2021/22.

BACKGROUND PAPERS		
Date	**Type**	**Available From**
2020 - 2024	East Suffolk Strategic Plan	Head of Internal Audit siobhan.martin@eastsuffolk.gov.uk
March 2017	Public Sector Internal Audit Standards	Head of Internal Audit siobhan.martin@eastsuffolk.gov.uk
2019	Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards	Head of Internal Audit siobhan.martin@eastsuffolk.gov.uk

APPENDIX A: ANNUAL INTERNAL AUDIT PLAN 2021/22

Service Area	Area of Activity	Comments[i]	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2020 - 2024	Link to Public Sector Internal Audit Stds	Proposed timeline
Governance Support Corporate Management Team (CMT)	Data Protection • Data Protection Administration • Data Protection Projects and Self-Assessment • Data Protection Training to Services	Compliance with Data Protection laws (P)	Failure to meet General Data Protection Regulation (GDPR) and Data Governance (D3)	2130 - Control	Throughout the year (225; 30; 10 - Total 265)
	FoI internal reviews	Assistance with compliance with Freedom of Information and Environmental Information requests (C)	Failure to promote and maintain ethical standards (E4) Failure of Data Governance (D3)	2110 – Governance	Throughout the year (25)
	Corporate Governance and Risk Management	Attendance at Corporate Governance Days and provision of independent professional advice. Responsible for Code of Corporate Governance (C)	Failure to deliver the new East Suffolk Strategic Plan (D4) Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (C2)	2110 – Governance 2110.A1 – Ethics 2120 – Risk Management	Throughout the year (30)
	Public Sector Internal Audit Standards Self-Assessment	Compliance with PSIAS (C)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (C2)	2110 - Governance	Throughout the year (12)
	Quality Assurance and Improvement Programme	Compliance with PSIAS (C)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (C2)	2110 - Governance	Throughout the year (10)
	Annual Governance Statement	Providing direction and perform independent best practice gap analysis (C)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (C2) Failure to deliver the new East	2110 – Governance 2110.A1 – Ethics 2120 – Risk Management	Throughout the year (15)

Service Area	Area of Activity	Comments[i]	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2020 - 2024	Link to Public Sector Internal Audit Stds	Proposed timeline
			Suffolk Strategic Plan (D4) Failure to promote and maintain ethical standards (E4)		
	Committee reporting and attendance	Providing support to the Audit & Governance Committee (C)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (C2) Failure to deliver the new East Suffolk Strategic Plan (D4) Failure to promote and maintain ethical standards (E4)	2110 – Governance 2110.A1 – Ethics 2120 – Risk Management	Throughout the year (10)
Consultancy Activity	Consultancy and special investigations	Provide professional advice for emerging issues and any required financial, whistleblowing or maladministration investigations (C)	Failure of programme and project delivery (D4) Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (C2) Failure to deliver the new East Suffolk Strategic Plan (D4)	2130 – Control 2110 - Governance	Throughout the year (35)
	Support and advice to operational teams	Providing support to operational service areas (C)	Failure of programme and project delivery (D4) Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (C2) Failure to deliver the new East Suffolk Strategic Plan (D4)	2130 – Control 2110 - Governance	Throughout the year (25)
	Support for Corporate Fraud (general)	Providing support to the Corporate Fraud Manager and her team (C)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (C2) Failure to promote and maintain ethical standards (E4)	2120.A2 – Managing the risk of fraud	Throughout the year (10)

Service Area	Area of Activity	Comments[i]	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2020 - 2024	Link to Public Sector Internal Audit Stds	Proposed timeline
	Member Requests	As agreed by the Audit and Governance Committee (P)	TBC in line with requests received.	TBC in line with requests received	TBC[2] (15)
	Head of Service Requests	As agreed by the Head of Internal Audit (P)	TBC in line with requests received.	TBC in line with requests received	TBC (40)
	COVID-19 Business Grant counter-fraud support	Provide assurance to management and support any government returns required. Support any counter fraud activities (P) (C)	Failure to effectively manage impact of Coronavirus and managing the transition to, and delivery of, the recovery phase (A2)	2120 – Risk Management 2130 - Control 2120.A2 – Managing the risk of fraud	Throughout the year (55)
	NFI Upload NFI Matches	Participation in mandatory exercises and identification of fraud through data matching exercises with the Cabinet Office (P)	Failure to promote and maintain ethical standards (E4). Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (C2)	2120.A2 – Managing the risk of fraud	Throughout the year (5; 30, Total – 35)
Assurance Activity **Corporate and Cross Cutting**	Payroll (system migration)	Assurance relating to the migration to the new system (C)	Failure of programme and project delivery (D4) Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (C2) Failure to deliver the new East Suffolk Strategic Plan (D4)	2130 - Control	TBC (15)
	Covid-19 Grants (local grants)	Assurance relating to the administration of local grants (P)	Failure to effectively manage impact of Coronavirus and managing the transition to, and delivery of, the recovery phase (A2)	2120 – Risk Management 2130 - Control 2120.A2 –	TBC (25)

[2] The proposed timeline for the Quarter in which this work will be carried out will be decided by Internal Audit in consultation with service areas, to give flexibility to schedule the work for the most appropriate time.

Service Area	Area of Activity	Comments[i]	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2020 - 2024	Link to Public Sector Internal Audit Stds	Proposed timeline
				Managing the risk of fraud	
Assurance Activity **Economic Regeneration**	New Towns Fund Governance (Lowestoft)	Assurance in relation to the governance arrangements Advice and guidance on governance arrangements and controls relating to the administration of the New Towns Fund (P)	Failure to deliver the new East Suffolk Strategic Plan (D4)	2110 - Governance 2130 - Control	TBC (15)
Assurance Activity **Environmental Services and Port Health**	Port Health Cyber Essentials	Review and gap analysis of the Cyber Essentials Accreditation. (P) (CA)	Failure of ICT (including Disaster Recovery for ICT) (D2)	2110 - Governance	TBC (18)
	Port Health PRS Project due diligence – Consultancy work	Support the project board in accordance with the Terms of Reference of the project board (C)	Failure of programme and project delivery (D4)	2110 - Governance	Throughout the year (5)
	SCC COVID-19 Test and Trace Support (Certification)	Certification of the Test and Trace Support funding (P)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (C2)	2130 - Control	TBC (10)
Assurance Activity **Finance**	Budget Monitoring	Assurance on the controls and processes within the budget monitoring arrangements in place (P)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (C2)	2110 - Governance	TBC (15)
	Capital Accounting	Review of the controls within the Capital Accounting processes (P)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (C2)	2130 - Control	TBC (15)
	Key Financial Controls	Review of key financial controls. This audit will	Failure to produce and deliver sustainable Medium-Term Financial	2130 - Control	TBC (20)

Service Area	Area of Activity	Comments[i]	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2020 - 2024	Link to Public Sector Internal Audit Stds	Proposed timeline
		provide high level assurance over fundamental areas that have previously been considered as separate key financial systems (P) (KS)	Strategy (MTFS) including delivery of a balanced Annual Budget (C2) Failure to deliver the new East Suffolk Strategic Plan (D4)		
	Council Tax and Recovery of Benefits Overpayments (completed by West Suffolk) Council Tax Billing and Housing Benefits (completed by West Suffolk) Bailiff Services (completed by Fenland) NNDR	Internal Audit will review the systems and controls in place for NNDR across all 5 Councils in the Anglia Revenues Partnership as part of the Internal Audit Service Level Agreement signed in 2019/20. Housing Benefits and Council Tax will be reviewed by West Suffolk Council, and Bailiff Service by Fenland District Council Internal Audit Service (P)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (C2) Failure to deliver the new East Suffolk Strategic Plan (D4)	213 - Control	Q3/4 (2; 2; 1; 90. Total - 95)
	COVID-19 Grant Assurance (LRSG Funds and ARG)	Assurance relating to the administration of grants (P)	Failure to effectively manage impact of Coronavirus and managing the transition to, and delivery of, the recovery phase (A2)	2120 – Risk Management 2130 - Control 2120.A2 – Managing the risk of fraud.	TBC (50)
Assurance Activity **Housing**	Disabled Facilities Grant (Certification)	Financial assurance to feed into Suffolk County Council's assurance requirement (P)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (C2)	2130 - Control	Q2 (10)
Assurance Activity	Remote Access and Security	Review of the governance arrangements and controls in	Failure of ICT (including Disaster Recovery for ICT) (D2)	2110 - Governance	TBC (20)

Service Area	Area of Activity	Comments[i]	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2020 - 2024	Link to Public Sector Internal Audit Stds	Proposed timeline
		relation remote access (CA)		2130 - Control	
ICT	PCI DSS Follow-up	Audit follow-up testing of a review of improvements to ensure PCI compliance (CA)	Failure of ICT (including Disaster Recovery for ICT) (D2)	2130 - Control	TBC (6)
Assurance Activity **Legal and Democratic Services**	Licensing	A review of compliance with new licensing regulations and effectiveness of software upgrade (P) (CA)	Failure to promote and maintain ethical standards (E4)	2130 – Control	TBC (30)
	Declaration of Interests	A review of compliance with the Code of Conduct - Officers only (P)	Cross cutting but including: Failure to promote and maintain ethical standards (E4) Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (C2)	2130 – Control 2110 - Governance	TBC (10)
Assurance Activity **Operations**	Commercial Rents (Income)	Independent review of the effectiveness of the strategy in place plus the systems in operation, including collection and recording (P)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (C2)	2130 – Control	TBC (15)
	Organic Green Waste (financial control)	Independent review of the effectiveness of the systems in operation, including cash collection and recording and reconciliations between systems (P)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (C2) Failure to deliver the new East Suffolk Strategic Plan (D4)	2130 – Control	TBC (10)
	Contracts and Procurement	Assurance on the effectiveness of controls within Contracts and Procurement activity (P)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (MTFS) including delivery of a balanced Annual Budget (C2). Failure to deliver the new East Suffolk Strategic Plan (D4)	2130 - Control	TBC (25)

Service Area	Area of Activity	Comments[i]	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2020 - 2024	Link to Public Sector Internal Audit Stds	Proposed timeline
Assurance Activity **Planning and Coastal Management**	Community Infrastructure Levy System Implementation	Post Implementation Review (PIR) following implementation of new software (P)	Failure to deliver the new East Suffolk Strategic Plan (D4)	2110 - Governance	TBC (20)
	Planning Enforcement Monitoring	Review the progress made against the outstanding action highlighted within the 2018/19 (P)	Failure to deliver the new East Suffolk Strategic Plan (D4)	2130 - Control	TBC (10)

[i] Work performed will range from consultancy (C), probity (P), computer audit (CA), or key systems (KS) which feed into the general ledger, all detailed in each audit brief.

APPENDIX B: ANNUAL GOVERNANCE SUPPORTING ACTIVITY

Activities reported in this appendix are not considered part of Internal Audit Services, but are additional roles undertaken by the Head of Internal Audit and key to supporting the Council's governance and management of risk.

Role	Activity	Comments
Data Protection Officer	Data Protection – including administration, projects, self-assessment and training.	Compliance with the Data Protection Act 2018 and GDPR.
Money Laundering Reporting Officer	Report and investigate suspicious activity, liaise with the National Crime Agency, maintain appropriate records, train relevant staff etc.	Compliance with numerous laws.
Senior Information Risk Officer and Strategic Lead for Information Governance	Information Risk Management – provision of advice	Governance and risk management advice around information security, records and information management
	Freedom of Information – provision of advice, oversight, and internal reviews	Compliance with the Freedom of Information Act 2000 and Environmental Information Regulations.

EASTSUFFOLK
COUNCIL

AUDIT AND GOVERNANCE COMMITTEE

Monday, 15 March 2021

INTERNAL AUDIT REPORTS RECENTLY ISSUED (OPEN)

EXECUTIVE SUMMARY

1. 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…'.

2. The Audit and Governance Committee is invited to comment upon the contents of the attached Internal Audit Reports:

   - Accounts Payable – 2019/20
   - Accounts Receivable – 2019/20

Is the report Open or Exempt?	Open

Wards Affected:	All

Cabinet Member:	Councillor Maurice Cook Cabinet Member with responsibility for Resources

Supporting Officer:	Mrs Siobhan Martin Head of Internal Audit 01394 444254 siobhan.martin@eastsuffolk.gov.uk

1 INTRODUCTION

1.1 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…'.

1.2 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…'.

1.3 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.

1.4 The Internal Audit reports attached have recently been issued to those listed on the reports' distribution lists.

2 BACKGROUND

2.1 Full copies of Internal Audit reports are forwarded to the Chief Executive and relevant senior officers, including the Section 151 Officer where appropriate.

2.2 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 DOES THIS RELATE TO THE EAST SUFFOLK STRATEGIC PLAN?

3.1 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.

4 FINANCIAL AND GOVERNANCE IMPLICATIONS

4.1 Each Internal Audit report details any financial and governance implications, if applicable.

4.2 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.

4.3 Any significant findings within individual reports will clearly state the associated risk that the Council is exposing itself to.

4.4 A crucial element within the Council's risk environment is the implementation of the recommendations put forward by Internal Audit and agreed by Management.

5 OTHER KEY ISSUES

5.1 There are no known implications in relation to this report over Equality Impact Assessment, Sustainability Impact Assessment or Partnership Impact Assessment.

6 CONSULTATION

6.1 There is no requirement upon the Council in this instance. All those parties listed on the reports' distribution lists have received the reports.

7 OTHER OPTIONS CONSIDERED

7.1 There are no other options to be considered in the context of this report. Legal and risk implications are inherently captured in the executive summary of each Internal Audit report.

8 REASON FOR RECOMMENDATION

8.1 To ensure that this report is considered within the overall control environment operated within the Council. 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 endorse the recommendation in support of effective corporate governance.

RECOMMENDATION

That the Audit and Governance Committee comments upon the contents of the following Internal Audit Reports:

- Accounts Payable – 2019/20
- Accounts Receivable – 2019/20

APPENDICES	
Appendix A	Internal Audit Reports: • Accounts Payable – 2019/20 • Accounts Receivable – 2019/20

BACKGROUND PAPERS		
Date	**Type**	**Available From**
2017	Public Sector Internal Audit Standards	Head of Internal Audit siobhan.martin@eastsuffolk.gov.uk
Nov 2020	Internal Audit Charter	Head of Internal Audit siobhan.martin@eastsuffolk.gov.uk

Agenda Item 10
ES/0696

EASTSUFFOLK COUNCIL

Final Internal Audit Report

Accounts Payable – 2019/20

Issued by the Head of Internal Audit, February 2021

Audit Assurance Opinion	
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.

Distribution List

Accountable Officers:	B Mew, Chief Finance Officer & Section 151 Officer L Rogers, Deputy Chief Finance Officer M Wood, Payables and Purchasing Manager
For Information:	Strategic Management Team Cllr M Cook, Cabinet Member with responsibility for Resources Audit and Governance Committee Ernst & Young (External Auditor)

Adequacy of Individual Control Areas

<table>
<tr><th rowspan="2">Audit Scope by Control Area</th><th colspan="3">Findings with a Potential Corporate Risk Level of:</th><th rowspan="2">Control Adequacy</th></tr>
<tr><th>High</th><th>Medium</th><th>Low</th></tr>
<tr><td>Requisitioning and Approval of Purchase Orders</td><td>0</td><td rowspan="2">1</td><td>0</td><td>Limited</td></tr>
<tr><td>Receipting of Goods</td><td>0</td><td>0</td><td>Limited</td></tr>
<tr><td>Approval of Purchase Invoices</td><td>0</td><td>0</td><td>0</td><td>Effective</td></tr>
<tr><td>BACS Payment Run Processing</td><td colspan="4">Due to pressures on the organisation during the Coronavirus pandemic this control area was removed from the scope of audit</td></tr>
<tr><td>Monthly Control Account Reconciliations</td><td>0</td><td>0</td><td>0</td><td>Effective</td></tr>
<tr><td>Allocation of Expenditure to General Fund Budgets</td><td>0</td><td>0</td><td>0</td><td>Effective</td></tr>
<tr><td colspan="4">OVERALL</td><td>Reasonable</td></tr>
</table>

1. Executive Summary

1.1 The objective of the audit was to ascertain the extent to which identified risks have been managed and to evaluate whether effective controls to mitigate the risks have been established and were operating effectively throughout the period under review.

1.2 The key finding from this audit is that the use of purchase orders, whilst slightly improved since the last audit, is still significantly lower than expected. This is a core financial system control, and improvement across a number of service areas is needed in order to comply with the Council's Financial Procedure Rules on both purchase orders and goods receipting.

1.3 An assessment of **Reasonable** has been reached as, although the control framework would benefit from improvement, no detrimental effects were seen in sampling, and the Auditor has concluded that objectives have been met to date despite the level of risk.

1.4 Findings with a potential corporate risk of medium or high should be reported by Management to the Corporate Risk Group to consider for inclusion in the Corporate Risk Register. One finding with a medium corporate risk was identified during the course of this audit.

ACTION PLAN FOR POTENTIAL CORPORATE RISKS

Actions Relevant to Potential Corporate Risks

The following action has been agreed in order to mitigate a risk identified by Internal Audit as Medium on the corporate risk toolkit as part of this audit. The action has also been allocated a priority level for use within the service area, so that resources can be prioritised appropriately. The definition of each priority level is given in section 2.3 below.

ACTION PLAN TO MITIGATE REPORTABLE CORPORATE RISKS					
REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
R1	**Corporate Risk – Medium** Testing during the 2019/20 Audit found that 30% of Purchase Invoices (PIs) paid between 1 November 2019 and 11 March 2020 which should have had a Purchase Order (PO) raised were paid without the use of a PO. Due to the type of spending for which POs were not raised, this equates to 78% of the expenditure during that period for which POs should have been raised but were not. Subsequent testing has been undertaken using data from 2020/21 which found that 28.9% of PIs paid between 1 April 2020 and 13 November 2020 which should have had a PO raised were paid without the use of a PO. Due to the type of spending for which POs were not raised, this equates to 68.3% of the expenditure during that period for which POs should have been raised but were not. There is an outstanding action from the 2018/19 Audit relating to this issue. Whilst the recommendations from 2018/19 concerning awareness raising have had some effect, 28.9% of	Failure to use a Purchase Order is a contravention of the Council's Financial Procedure Rules and removes key procedural controls, such as independent confirmation of receipt of goods. This increases the risk of poor budgetary control and poor management of expenditure.	Agreed, this is an area for improvement which Financial Services are aware of and we were hoping to address. However, our focus recently has been on ensuring prompt payment of COVID Business Grants which meant that it has not been possible to advance this at this time. The Chief Finance Officer and S151 Officer will: • conduct future exercises to highlight to the service teams where Purchase Orders have not been raised; • consider reporting mechanisms to the Audit & Governance Committee of persistent offenders; and	2	**Responsibility:** Chief Finance Officer and S151 Officer **Target Date:** 30 April 2021

ACTION PLAN TO MITIGATE REPORTABLE CORPORATE RISKS					
REC No.	**FINDING**	**RISKS AND IMPLICATIONS**	**AGREED ACTION**	**PRIORITY**	**MANAGEMENT ACTION**
	invoices by number and 68.3% by value were seen to have been paid without the use of a Purchase Order. This is financially significant, and non-compliance with Contract Procedure Rule 6.2.22 remains an ongoing weakness.		• if organisation-wide support is obtained, explore a policy of 'No PO, no payment' which a number of other similar organisations now employ.		

ACTION PLAN FOR SERVICE AND OPERATIONAL RISKS

All identified control weaknesses have been risk assessed, with potential High and Medium corporate risks reported in the Actions Relevant to Potential Corporate Risks above. The following action plan sets out control improvements relevant to the service area where the Internal Audit assessment using the corporate risk toolkit has concluded the potential corporate risk is Low. The definition of each priority level is given in the Council's Audit Framework.

1. Requisitioning and Approval of Purchase Orders					
REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
Reportable findings relevant to this Control Area can be seen in the Actions Relevant to Potential Corporate Risks above.					

2. Receipting of Goods					
REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
Reportable findings relevant to this Control Area can be seen in the Actions Relevant to Potential Corporate Risks above.					

3 – Approval of Purchase Invoices					
REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
No service level risks were identified during testing of this Control Area.					

4 – BACS Payment Run Processing					
REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
Due to pressures on the organisation arising from its urgent response to the Covid 19 pandemic, we were unable to test this area.					

5 – Control Account Reconciliations					
REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
No service level risks were identified during testing of this Control Area.					

6 – Allocation of Expenditure to General Fund Budgets					
REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
No service level risks were identified during testing of this Control Area.					

2. Supporting Details

2.1 Links to Council Service Delivery

This review considered achievement of the organisation's strategic objectives and risks, specifically this audit contributes towards:

- Business Objective - To ensure the efficient and accurate payment of creditors, including compliance with Financial Procedure Rules and correct allocation of expenditure.
- East Suffolk Business Plan – Financial Self-Sufficiency
- Corporate Risk Register
    - Main - Failure to produce and deliver a sustainable Medium Term Financial Plan.
    - Supporting - Failure to promote and maintain ethical standards.

2.2 Scope of Internal Audit Activity

Internal Audit will seek to enhance and protect organisational value by providing risk based and objective assurance. The work performed by Internal Audit provides an opportunity to make significant improvements to governance arrangements, risk management and control processes.

This audit has been undertaken as part of the Annual Audit Plan 2019/20, approved by the Audit and Governance Committees of Suffolk Coastal District Council (SCDC) on 12 March 2019 and Waveney District Council on 7 March 2019.

This audit has been conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, and the UK's current Public Sector Internal Audit Standards.

The audit comprised a review of the effectiveness of controls in place around the requisitioning and approval of purchases, monthly control account reconciliations and the allocation of expenditure to General Fund budgets. There is one main finding in this report, the results of which were calculated using data from 2019/20. In order to support the finding and to ascertain whether it was still relevant, subsequent testing was undertaken using data from 2020/21. There is an outstanding action from the 2018/19 Audit regarding the use of purchase orders, and Internal Audit wished to use the most recent data to repeat the tests from the earlier audit, and thereby more accurately ascertain the level of any improvement.

2.2.1 Exclusions

Due to the pressures on the Council during the Coronavirus pandemic, we were unable to test the following Control Area:

- BACS Payment Run Processing

For the same reason, other testing was limited in its scope, as follows:

- We did not request signed authorisation sheets for officers seen to have approved Purchase Orders;
- We did not follow up line management responsibilities with teams where these were pertinent to purchase approval;
- We did not contact all officers who had not used a Purchase Order to enquire as to whether they had applied an exemption, or to request evidence related to receipt of goods/services.

Finally, the following issues carried forward from other testing were not included in this Audit, for reasons of capacity:

- Walk-through of new vendor creation in order to confirm a segregation in inserting / amending vendor bank detail (Test 12.1 in 2017/18); and
- The ability of Anglia Revenues Partnership (ARP) employees to make payments from East Suffolk Council.

2.3 Definitions of Risk and Control

This audit uses the definition of Risk set out in the Council's Risk Management Strategy.

The definition of Control is taken from the Chartered Institute of Internal Audit:

> "Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved."

In addition to a risk assessment using the corporate risk matrix, each agreed action is allocated a priority level for use within the service area. The allocation of each priority level is based on:

Priority 1	Findings indicate a significant control weakness that could mean objectives fundamental to the operation of the service may not be met. Urgent attention is required from strategic management.
Priority 2	Findings indicate an important control weakness could mean that objectives central to the operation of the service may not be met. Prompt management attention is required.
Priority 3	Findings indicate a control weakness that could mean service objectives may not be met. Management attention is required.
Priority 4	Findings indicate a minor control weakness that, although not essential to an effective control framework, would benefit from low-cost improvements. Any Priority 4 issues identified during the course of this audit have been reported to the relevant Service team prior to the issue of this report, and are available from the Internal Audit team upon request.

2.4 Effectively Functioning Controls

We would like to draw management's attention to the controls in operation over processes and procedures that were confirmed via audit testing as operating effectively and efficiently:

- Purchase Orders reviewed had been authorised by an appropriate officer, independent of the requisitioner.
- Purchase Orders and Purchase Invoices reviewed had been coded to an appropriate General Fund department and account.
- Sampled Control Account reconciliations reviewed were completed and independently verified in a timely manner. Reconciliations agreed to the General Ledger.

2.5 Audit Team

The audit team for this review comprised

Audit Manager	L Fuller
Senior Auditor	Adriana Stapleton

2.6 Acknowledgements

We would like to thank the management and staff of the Finance Team contacted for their co-operation and time during the course of this audit.

EASTSUFFOLK
COUNCIL

Final Internal Audit Report

Accounts Receivable 2019/20

Issued by the Head of Internal Audit, February 2021

Audit Assurance Opinion

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.

Distribution List

Accountable Officers:	Chief Finance Officer and S151 Officer, B Mew Deputy Chief Finance Officer and Deputy S151 Officer, L Rogers Finance Manager (Compliance), M McKissock Purchasing and Payables Manager, M Wood
For Information:	Strategic Management Team Cabinet Member with responsibility for Resources, Cllr M Cook Audit and Governance Committee Ernst & Young (External Auditor)

Adequacy of Individual Control Areas

Audit Scope by Control Area	Findings with a Potential Corporate Risk Level of:			Control Adequacy
	High	Medium	Low	
Customer Invoice Authorisation	0	0	0	Effective
Customer Credit Note Authorisation	0	0	0	Effective
Write-off Authorisation	0	0	0	Effective
Control Account Reconciliation (Receivables to General Ledger	0	0	0	Effective
OVERALL				**Effective**

1. Executive Summary

1.1 The objective of the audit was to provide assurance over the key financial controls in the Council's Accounts Receivable system, which provides a framework for operational service areas to raise invoices to customers and collect associated income due.

1.2 The overall assurance of **Effective** has been made on the basis of the testing undertaken in March 2020, which found no significant areas for improvement.

1.3 Some testing originally planned for this audit was not undertaken due to the impact of COVID-19 on staff and Council resources. This has not impaired the assurance for the specific control areas detailed above. Details of the changes to the audit scope caused by COVID-19 are provided in Section 2.2.1 of this report.

2. Supporting Details

2.1 Links to Council Service Delivery

This review considered achievement of the organisations strategic objectives and risks, specifically this audit contributes towards:

- Business Objective - To provide a framework for operational service areas to raise invoices to customers and collect associated income due
- East Suffolk Business Plan – Financial Self-Sustainability
- Corporate Risk Register – Failure to produce and deliver sustainable Medium Term Financial Strategy including delivery of balanced Annual Budget

2.2 Scope of Internal Audit Activity

Internal Audit will seek to enhance and protect organisational value by providing risk based and objective assurance. The work performed by Internal Audit provides an opportunity to make significant improvements to governance arrangements, risk management and control processes.

This audit has been undertaken as part of the Annual Audit Plan 2019/20, approved by the Audit and Governance Committees of Suffolk Coastal District Council (SCDC) on 12 March 2019 and Waveney District Council on 7 March 2019.

This audit has been conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, and the UK's current Public Sector Internal Audit Standards.

Period under review	This audit assessed systems and records in place from April 2019 to March 2020.
Systems used	The Internal Audit team reviewed the Navision financial management system and records held by the Finance team for evidence to support the audit opinion.
Known exclusions	Duplicate debtor accounts; aged debt monitoring; income allocation

2.2.1 Scope Revision due to COVID-19

This audit commenced fieldwork in March 2020, and testing in some control areas was ongoing when the Council entered the lockdown triggered by the Coronavirus pandemic. In order to allow key staff in Finance to respond to the emergency, Internal Audit revised the scope of this audit review to provide assurance on only those areas where sufficient evidence to support the assurance opinion had already been obtained prior to lockdown. The following exclusions to the original scope of this audit therefore apply:

- Segregation of duties for invoices raised by bulk import of spreadsheets
- Signed authorisation sheets for approvals (electronic records only were used)
- Validity of invoices and credit notes
- Segregation of duties when raising credit notes

2.3 Definitions of Risk and Control

This audit uses the definition of Risk set out in the Council's Risk Management Strategy.

The definition of Control is taken from the Chartered Institute of Internal Audit:

> "Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved."

In addition to a risk assessment using the corporate risk matrix, each agreed action is allocated a priority level for use within the service area. The allocation of each priority level is based on:

Priority 1	Findings indicate a significant control weakness that could mean objectives fundamental to the operation of the service may not be met. Urgent attention is required from strategic management.
Priority 2	Findings indicate an important control weakness could mean that objectives central to the operation of the service may not be met. Prompt management attention is required.
Priority 3	Findings indicate a control weakness that could mean service objectives may not be met. Management attention is required.
Priority 4	Findings indicate a minor control weakness that, although not essential to an effective control framework, would benefit from low-cost improvements. Any Priority 4 issues identified during the course of this audit have been reported to the relevant Service team prior to the issue of this report, and are available from the Internal Audit team upon request.

2.4 Effectively Functioning Controls

We would like to draw management attention to the controls in operation over processes and procedures that were confirmed via audit sampling as operating effectively and efficiently:

- Invoices were all authorised by officers with appropriate authority, and manual invoices were raised and authorised by different officers.
- Credit notes were all authorised by officers with appropriate authority
- Write-offs were all authorised by officers with appropriate authority and had a justifiable reason
- Control account reconciliations were accurate to system data, prepared and authorised by separate and appropriate individuals and completed in a timely manner.

2.5 Audit Team

The audit team for this review comprised

Audit Manager	L Fuller
Principal Auditor	F Wykes
Audit Apprentice	L Maton

2.6 Acknowledgements

We would like to thank the management and staff of Finance for their co-operation and time during the course of this audit.

This audit has been undertaken in accordance with the Internal Audit Partnership arrangements between East Suffolk Council and Ipswich Borough Council.