



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

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 in the Conference Room, Riverside, Lowestoft on **Monday, 28 June 2021 at 6.30pm**

This meeting is being held in person in order to comply with the Local Government Act 1972. In order to comply with coronavirus regulations and guidance, the number of people at this meeting will have to be restricted to only those whose attendance is reasonably necessary.

Ordinarily, East Suffolk Council encourages members of the public to attend its meetings but on this occasion would encourage the public to watch the livestream, via the East Suffolk Council YouTube channel instead at

https://youtu.be/b0l_7Buw3hl

If you do believe it is necessary for you to be in attendance we encourage you to notify Democratic Services, by email to democraticservices@eastsoffolk.gov.uk, of your intention to do so no later than 12 noon on the working day before the meeting so that the meeting can be managed in a COVID secure way and the Team can endeavour to accommodate you and advise of the necessary health and safety precautions.

However, we are not able to guarantee you a space/seat and you are advised that it may be that, regrettably, we are not able to admit you to the meeting room.

An Agenda is set out below.

Part One – Open to the Public

	Pages
1 Apologies for Absence and Substitutions	
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 To confirm as a correct record the Minutes of the Meeting held on 15 March 2021	1 - 9
4 Audit of Accounts 2019/20 - Update on Progress To receive a verbal update from Ernst & Young regarding progress.	
5 Draft Statement of Accounts 2020/21 ES/0816 Report of the Cabinet Member with responsibility for Resources	10 - 146
6 Annual Governance Statement 2020-21 ES/0812 Report of the Cabinet Member with responsibility for Resources	147 - 173
7 Corporate Fraud Annual Report 2020-21 ES/0814 Joint report of the Cabinet Member with responsibility for Resources and the Cabinet Member for Housing	174 - 187
8 Covert Investigation Policy ES/0815 Report of the Cabinet Member with responsibility for Resources	188 - 198
9 Annual Internal Audit Report 2020-21 ES/0813 Report of the Cabinet Member with responsibility for Resources	199 - 215
10 Internal Audit Reports Recently Issued (open) ES/0811 Report of the Cabinet Member with responsibility for Resources	216 - 225
11 Standards Matters, Declarations of Gifts and Hospitality Received by Members and Officers and Review of Complaints ES/0818 Report of the Leader of the Council	226 - 231

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

To consider the Committee's draft Work Programme for 2021/22

13 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 Paragraphs 1, 2 and 3 of Part 1 of Schedule 12A of the Act.

Part Two – Exempt/Confidential

14 Exempt Minutes

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

15 Report on Outcome of an Investigation of a Complaint

- Information relating to any individual.

16 Internal Audit: Status of Actions

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

17 Internal Audit Reports Recently Issued (Exempt)

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

Close



Stephen Baker, Chief Executive

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www.local.gov.uk/Community-Leadership

Unconfirmed



Minutes of a Meeting of the **Audit and Governance Committee** held remotely via Zoom
on **Monday, 15 March 2021 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 Chris Mapey, 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), Marie McKissock (Finance Manager Compliance), Brian Mew (Chief Finance Officer), Sheila Mills (Corporate Fraud Manager), Lorraine Rogers (Deputy Chief Finance Officer) and Hilary Slater (Head of Legal and Democratic Services).

Others present:

Debbie Hanson, Ernst & Young (EY)

1 Apologies for Absence and Substitutions

There were no apologies for absence received.

2 Minutes - 14 December 2020

RESOLVED

That the Minutes of the Meeting held on 14 December 2020 be agreed as a correct record and signed by the Chairman.

3 Minutes - 18 January 2021

RESOLVED

That the Minutes of the Meeting held on 18 January 2021 be agreed as a correct record and signed by the Chairman.

4 Declarations of Interest

There were no Declarations of Interest.

5 Proposed Changes to the East Suffolk Council Constitution

The Committee received the report of the Leader of the Council detailing two proposed changes to the Constitution in relation to the Appointments Committee for approval prior to consideration by Full Council.

The Head of Legal and Democratic Services explained that the Appointments Committee was responsible for the appointment/dismissal of Strategic Management Team and Heads of Service. It also recommended to Council that a formal offer of appointment be made for the Head of Paid Service. She stated that the first proposed change to the Constitution was to amend Paragraph 5 of Section C of Part 2 to reduce the number of Members on the Appointments Committee from six to three. Previously appointments had been made jointly between the two predecessor authorities with three Members from each Council as follows:

- 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)

The new East Suffolk Council Constitution had continued with a membership of six, politically balanced with the requirement for at least one member of the Cabinet. It was thought, however, that having six Members plus senior officers and an HR representative on the interview panel could be daunting for candidates, especially if the meeting was being held remotely. It was hoped that the Opposition Groups would work together to rotate attendance at this Committee.

The Committee was informed that the second proposed change was to reflect that Paragraph 11.3 of Section A of Part 2 of the Constitution should refer to the Appointments Committee rather than the Appointments Panel, and also that some appointments needed to be ratified by Council such as the Head of Paid Service, s151 Officer and Monitoring Officer, and Cabinet were consulted about certain appointments to ensure that they had no well-founded objections to what was being proposed.

The Chairman asked the Labour Opposition Group Leader who was observing the meeting if he had any comments regarding the proposed changes. Councillor Byatt thanked the Chairman for the opportunity to speak and confirmed that he agreed with the changes as they made sense. He added that he would be happy to liaise with the GLI Opposition Group Leader regarding rotating attendance.

RESOLVED

That the proposed changes to the Constitution as set out in the report be endorsed and they be recommended to Full Council for approval.

The Head of Legal and Democratic Services left the meeting at this point.

6 East Suffolk Council Draft Statement of Accounts 2019/20

The Committee received the report of the Cabinet Member with responsibility for

Resources who explained that, as per the Accounts and Audit Regulations 2015, the draft Statement of Accounts for 2019/20 had originally been due to be published by 31 May 2020 with a period of public inspection following that date. Due to the Coronavirus pandemic, however, the publication date for the draft Statement of Accounts had been 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 publications of the draft Statement of Accounts of 31 August 2020. The Council had achieved this deadline and published its draft Statement of Accounts on the Council's website in August 2020.

The Cabinet Member continued that the publication date for final, audited, accounts for 2019/20 was also moved from 31 July 2020 to 30 November 2020, although this was not a statutory deadline. The work of the external auditors, Ernst & Young (EY) had been delayed due to the impact of the Coronavirus pandemic on external audit resourcing. The Council had placed a notice of late publication of the audited accounts for 2019/20 on its website. At this time, the audit was substantially complete and EY had now issued a Provisional Audit Results Report 2019/20 which was covered under a separate item next on the agenda.

It was noted that Appendix A was a copy of the Draft Statement of Accounts for 2019/20 as published on the Council's website in August 2020. It did not include any adjustments that had been identified since publication and agreed by the Council and EY. EY aimed to finalise their work at the end of March 2021. On completion of the audit, the Audited Statement of Accounts for 2019/20 would be presented to the Committee at the earliest opportunity for comment and approval. In the meantime, therefore, the Committee was 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.

The Chairman commented that, for future years, it would be useful for the Committee to be able to look at the draft accounts prior to them being published.

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

RESOLVED

That the East Suffolk Council Draft Statement of Accounts for 2019/20 be noted.

7 East Suffolk Council - Provisional Audit Results Report 2019/20

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

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

Members were informed that, to date, EY had not identified any unadjusted audit differences which the Council had chosen not to adjust for. Since publication of the Draft Statement of Accounts, the Council had identified three adjustments to be made and the audit work of EY had identified one further adjustment which had been agreed with the Council and was detailed in Section 4 of the Provisional Audit Results Report. EY were aiming to finalise their work at the end of March 2021. On completion of the audit, the Audited Statement of Accounts for 2019/20 would be presented to the Committee at the earliest opportunity for comment and approval and this would include an update on any further audit differences not reported at this stage. In the meantime, therefore, the Committee was recommended to note the external auditors' findings within the Provisional Audit Results Report 2019/20.

Debbie Hanson from EY went through the Provisional Audit Results Report in detail. She commented that the accounts had been well prepared and there were very low levels of differences and errors. Members' attention was drawn in particular to the Executive Summary and the Committee noted that there were now some changes to EY's provisional planning report considered at their September meeting in relation to the reporting timescales because, as a result of Covid19, new Regulations had changed the publication date for final, audited accounts to 30 November 2020. In addition, EY had carried out additional audit procedures on Group accounts which had not been included in the Audit Plan considered in September. EY had also identified changes to the risk assessment in relation to bad debt provision and the need for enhanced disclosures on going concern as a result of Covid. In addition, attention was drawn to a material uncertainty in the valuation of land and buildings and Council dwellings, as well as investment property, due to the impact of Covid. Ms Hanson also explained that IFRS16 had been dropped from the Audit Plan as it had been deferred to April 2021 due to Covid.

EY had also reconsidered the performance materiality which had been set at 50% of planning materiality in order to reflect the fact that 2019/20 was the first year of East Suffolk Council. In relation to Information Produced by the Entity (IPE), due to Covid, Microsoft Teams had been used to evidence the re-running of reports used to generate information for the audit. It was noted that EY also had additional consultation requirements due to Covid in relation to the going concern point and the valuation uncertainty in relation to land and buildings and investment property. It was confirmed that the key area outstanding was the valuation work on property plant and equipment, and investment property which could result in additional changes to the audit work. Ms Hanson confirmed that EY had not identified any unadjusted audit differences which management had not amended, although she pointed out that there could be issues arising from the remaining work that require some further changes. Attention was drawn in particular to the areas of audit focus in relation to risk and there were no significant issues. Members were informed that the Value for Money work had not identified any significant risks, therefore, an unqualified Value for Money conclusion would be issued. Ms Hanson highlighted the Draft Audit Report - Emphasis of Matter - Impact of Covid19 on page 173 and page 178 in relation to the Summary of Adjusted Differences which noted some adjustments to the accounts regarding pension liability, imbalances regarding the settlement of the Felixstowe Docks appeal and Suffolk County Council Coastal Defence capital spend which should have been revenue expenditure. She clarified that none of these would impact on the position of the Council. She stated that this concluded her report which she hoped had drawn

attention to the changes management had made and that Members noted that EY had identified only a small difference of £212,000 in relation to the Council's share of reserves and associates. In conclusion, Ms Hanson stated that these were a very good quality set of accounts to date with very few amendments required.

The Chairman stated that these were very positive provisional results especially given the circumstances and that he was pleased with the query regarding valuation but, given the mix of assets East Suffolk had, he queried if EY was happy the valuations would not be any major issue. Ms Hanson responded that it was difficult to say until the valuers had completed their work but given the level of investment property was only £2.9m this was not significant. She stressed that she did not want to second guess the valuers' conclusions especially given she knew there had been some questions for management.

The Chairman also queried the audit timings for 2020/21 and whether they would be late which might cause the Council some problems. The Chief Finance Officer clarified that the proposed phasing would put East Suffolk in the November/December timescale and, therefore, he and Ms Hanson had discussed whether it would be possible to bring this forward to July/August to enable East Suffolk to get back into the normal cycle. Obviously that depended on whether the 2019/20 audit had been concluded and if other Authorities agreed to the re-phasing. Ms Hanson stated that phasing had been introduced as it was impossible for EY to deliver everything in the period up to end of September, however, they would take on board the comments made by the Chairman and Chief Finance Officer to see if it would be possible to bring forward the work for East Suffolk, although this would depend on EY being able to finish the 2019/20 audit work in relation to the valuations.

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

RESOLVED

That the External Auditors' findings to date within the Provisional Audit Results Report for 2019/20 be noted.

The Finance Officers and Ms Hanson left the meeting at this point.

8 Corporate Anti-Fraud Business Plan 2021-22

The Committee received the report of the Cabinet Member with responsibility for Resources in relation to the Corporate Anti-Fraud Business Plan 2021-22 which detailed the Council's proposed approach to the prevention, detection and prosecution of fraud and corruption. The Cabinet Member explained that the plan set out the high-level desired outcomes and management processes aligned to the Council's strategic themes and objectives. It was noted that the report was being presented to this Committee in compliance with its terms of reference to "monitor Council policies on... Anti-Fraud and Corruption".

The Head of Internal Audit reported that East Suffolk Council maintained a zero-tolerance approach towards fraud and corruption and as such had a professional dedicated Corporate Fraud Service connected to local, regional, national and international crime agencies. Reference was made to page 220 detailing the Fighting

Fraud and Corruption Methodology used for this work to govern, acknowledge, prevent and pursue. Attention was also drawn to page 215 detailing some national statistics which included that £215m fraud had been identified across the public sector from 1 April 2018 to 4 April 2020. The report also contained an explanation of what fraud, corruption, bribery and theft was and included the Fraud Triangle on page 217. The Head of Internal Audit reminded the Committee of the resources within the Fraud team which were 3.4FTE and the fact that the Council worked in partnership with Ipswich Borough Council so additional resources could be drawn upon if necessary and vice versa. She added that, within those teams there were also some financially trained officers to carry out financial investigations in association with the National Crime Agency. It was noted that the key activities for the Team moving forward were listed on page 219 with the main focus being on Covid related grant anti-fraud work eg pre and post checks of applications, ratifying and verifying information and supporting applicants. Members were reminded that there were currently 11 different types of business grants available. Attention was drawn to page 219 which listed the rest of the work the Team would cover including cyber crime linked to pandemic issues, tenancy area work, procurement, car parking and the national fraud exercise which was obligatory. The Head of Internal Audit reiterated that the main emphasis for the Team, supported by the Audit Team, would be supporting the grant work. She added that she would report further, later in the year, on progress.

Councillor Back pointed out that there were reports of significant fraud nationally regarding grant applications and he queried what publicity the Council had done to deter fraudsters from making fraudulent claims. The Head of Internal Audit stated that when people applied, there was a paragraph included on making false claims and there was something on the Council's website regarding fraudulent claims, however, she would be looking to improve on this to make it clearer and easier to see.

Councillor Cooper queried if Blue Badges were checked and the Head of Internal Audit reported that there was a proactive exercise each year in conjunction with Suffolk County Council. In addition, the Council also received referrals which were looked into.

The Chairman pointed out that Covid grants were a huge amount of money and he queried what impact undertaking this work had on the Team. The Head of Internal Audit stated that there had been a significant impact which was why the Audit Manager was supporting the Fraud Manager on this work. In addition, there was support from other Council officers to deal with this swiftly. She reminded Members that there was a Fraud Hotline that information or suspicions could be emailed to fraud@eastsuffolk.gov.uk or by phone 01394 444444.

Councillor Cooper stated that the report mentioned that the team included a .4FTE Corporate Fraud Intelligence Officer and he queried if this part time officer was just based at East Suffolk. The Head of Internal Audit confirmed that this officer worked part time at East Suffolk and a separate officer worked part time at Ipswich Borough Council performing the same functions. Councillor Cooper questioned whether it would be more beneficial to have a full time officer rather than .4FTE. The Chairman reminded the Head of Internal Audit that if she felt the Team was struggling with resources, she could approach this Committee but he acknowledged that sometimes having additional staff was not always the answer as there were time issues in terms of recruiting and training new members of staff.

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

RESOLVED

That, having considered and commented upon the document, the Corporate Anti-Fraud Business Plan 2021-22 be endorsed.

9 Internal Audit: Annual Internal Audit Plan 2021/22

The Committee received the report of the Cabinet Member with responsibility for Resources which presented the proposed Internal Audit Plan for East Suffolk Council 2021/22 as agreed with Corporate Management Team. The Cabinet Member explained that the Plan involved many factors and drivers, and a diagram was incorporated within the report which illustrated the overall methodology.

Members were reminded that, as reported to the Committee in September 2020, the impact of the Covid19 pandemic continued to place significant strain on normal procedures and control arrangements across the Council. Internal Audit had and would continue to carry out work to assess the impact on the Council's key activities where changes to normal business practices had occurred in response to the pandemic. Examples seen included changes to the democratic decision-making process, and a significant impact on the Council's statutory responsibilities. Where needed, Internal Audit had been proactive in providing input, advice and assurance to services on any proposed changes.

The Cabinet Member stated that it was 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 would have on the framework of governance, risk management and control. This Audit Plan had been developed to consider these impacts and to present the work the Team currently intended to undertake during 2021/22, however, Members should be aware that this Plan might have to be reviewed and adjusted in response to any further changes to risk or business need during these unprecedented times.

Members were informed that the report was being presented to them in accordance with their terms of reference which stipulated that the Committee was to "approve, (but not direct) internal audit's work plan" and also "to promote the value of the audit process". It was noted that Internal Audit Services acted in accordance with the Accounts and Audit Regulations (2015) and followed the Public Sector Internal Audit Standards (2017) (PSIAS) and Local Government Application Note (2019). The Cabinet Member concluded that this report had been prepared in accordance with the Audit Charter.

The Head of Internal Audit referred to page 225 which detailed the resources of the Internal Audit Team which comprised 6.8FTE and it was noted that the resources available should provide approximately 1200 productive audit days. She stressed that the aim was for the Plan to be realistic, however, there was a lot of work because of the pandemic and key areas where the Team had undertaken an assessment of the materiality of the issues eg providing advice on areas due to the pandemic and national fraud initiative work and key systems that need due diligence such as payroll, Port

Health, Council Tax, Business Rates, Disabled Facilities Grants, Licensing, Planning Enforcement etc Members were assured that, whilst the Team had tried to be realistic with this Plan, if there were any delays on starting work, the Committee would be informed.

The Chairman commented that it was a very challenging workload and suggested, therefore, that it would be useful to have a RAG rating for Members to consider the priorities and if necessary some of the lower level requirements had to be left to concentrate on others. The Head of Internal Audit agreed but commented that everything on the Plan had already been prioritised as high priority but inevitably she might have to move things around.

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

RESOLVED

That, having commented upon the document, the Annual Internal Audit Plan 2021/22 was approved.

10 Recently Issued Internal Audit Reports (Open)

The Committee received the report of the Cabinet Member with responsibility for Resources giving details of those Internal Audit Reports that had recently been issued.

In relation to the report on Accounts Payable - 2019/20, the Head of Internal Audit reported that this had been given a "reasonable" assurance and one recommendation. the Accounts Receivable 2019-20 had been given an "effective" assurance.

The Chairman stated that these were straightforward and good reports.

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

RESOLVED

That, having considered and commented upon the contents, the following Internal Audit Reports were noted:

- Accounts Payable - 2019/20
- Accounts Receivable - 2019/20

11 Audit and Governance Committee's Draft Work Programme 2021/2022

The Committee considered and agreed the draft Work Programme for 2021/22.

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 - 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).

The meeting concluded at 8.30pm.

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Chairman



AUDIT & GOVERNANCE COMMITTEE

Monday, 28 June 2021

Subject	Draft Statement of Accounts 2020/21
Report by	Councillor Maurice Cook Cabinet Member with responsibility for Resources
Supporting Officers	Brian Mew Chief Finance Officer and Section 151 Officer Brian.mew@eastsoffolk.gov.uk (01394) 444571 Lorraine Rogers Finance Manager and Deputy Section 151 Officer Lorraine.rogers@eastsoffolk.gov.uk (01502) 523667

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

Purpose and high-level overview

Purpose of Report:

To present the draft Statement of Accounts 2020/21 to the Committee for review and comment prior to publication.

Options:

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

Recommendation/s:

That the Committee review the draft Statement of Accounts 2020/21.

Corporate Impact Assessment

Governance:

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

ESC policies and strategies that directly apply to the proposal:

East Suffolk Council Strategic Plan

Environmental:

No impacts.

Equalities and Diversity:

No impacts.

Financial:

The financial impacts of the Council's outturn position for 2020/21 are detailed in the Statement of Accounts attached as Appendix A. Particular attention is drawn to the Narrative Report in the Statement which provides a commentary on the Council's financial and non-financial performance in 2020/21.

Cabinet on 13 July 2021 will receive a Draft Outturn report providing an overview of the Council's financial performance for 2020/21 in respect of the General Fund, the Housing Revenue Account (HRA), Reserves, the Capital Programme and the Collection Fund.

Key financial information to highlight from the Draft Outturn report includes:

- The General Fund outturn position was a surplus of £1.107m and it is proposed that this be transferred to the Transformation Reserve for projects and initiatives to support the delivery of the Strategic Plan.

- The total balance on the Council's General Fund earmarked reserves at 31 March 2021 is £73.814m. This is an increase of £27.3m on the position as of 31 March 2020. However, it should be noted that as part of the year balance on reserves, over £16m has been placed in a Covid Specific Reserve which will be drawn down from 2021/22. The General Fund balance remains at £6m.
- 2020/21 General Fund Capital Programme expenditure was £22.111m, an underspend of £5.051m, which will be mainly re-phased into 2021/22.
- HRA Capital Programme expenditure was £4.152m, and underspend of £382k.
- Net movement on the HRA was an addition to the working balance of £787k, a minor increase of £39k compared with revised budget

Human Resources:

No impacts

ICT:

No impacts.

Legal:

As referred to under Governance impact.

Risk:

No risks identified specifically in respect of this report, but a high-level summary of the Council's Corporate Risk Register is included in the Narrative Report, and key financial risks are referred to in the Statement of Accounts.

External Consultees:	None
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Strategic Plan Priorities

Select the priorities of the Strategic Plan which are supported by this proposal: <i>(Select only one primary and as many secondary as appropriate)</i>		Primary priority	Secondary priorities
T01	Growing our Economy		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input checked="" type="checkbox"/>
T02	Enabling our Communities		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input type="checkbox"/>
P08	Maximising health, well-being and safety in our District	<input type="checkbox"/>	<input type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
T03	Maintaining Financial Sustainability		

P10	Organisational design and streamlining services	<input type="checkbox"/>	<input type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input type="checkbox"/>
T04	Delivering Digital Transformation		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
T05	Caring for our Environment		
P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education and influence	<input type="checkbox"/>	<input type="checkbox"/>
XXX	Governance		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>

How does this proposal support the priorities selected?

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

Background and Justification for Recommendation

1 Background facts

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

2.1	The Council's Statement of Accounts (the Accounts) for the financial year ended 31 March 2020 are the second set of Accounts for East Suffolk Council, following the merger on 1 April 2019 of Suffolk Coastal District Council and Waveney District Council. The Accounts inform readers as to the financial performance of the Council during the financial year and are an important element of demonstrating sound financial stewardship of taxpayers' money.
2.2	The deadlines for the preparation of the Accounts have once again been changed for 2020/21 and 2021/22. The Accounts and Audit (Amendment) Regulations 2021 have amended the Accounts and Audit Regulations 2015. The draft Accounts must now be published and available for inspection on or before 1 August 2021 and the timeline for the conclusion of the audit is now 30 September 2021, although this can be amended in consultation with the Council's auditors.

3 How to address current situation

3.1	The Council's Draft Statement of Accounts for 2020/21 is attached as Appendix A for review by the Committee.
3.2	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. Following this meeting, the intention is for the unaudited Accounts to be available to the public on the Council's website from 2 July 2021, so the inspection period will commence on 5 July 2021 and finish on 13 August 2021. Following this, the audit of the Accounts by EY is currently scheduled to commence on 11 October 2021.
3.3	<p>The principles adopted in compiling the Accounts are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA):</p> <ul style="list-style-type: none">• the outcomes of internal and external review bodies that report on the Council's effective governance performance during the year;• Corporate Management Team review and assurance (Corporate Governance arrangements);• the AGS Steering Group assessment and progress monitoring; and• changes in Government policy that impact across a wide range of Council's activities.

4 Reason/s for recommendation

4.1	To provide an opportunity for the Committee to review and comment on the draft Statement of Accounts prior to publication.
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Appendices

Appendices:

Appendix A	East Suffolk Council Draft Statement of Accounts 2020/21
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Background reference papers:

Date	Type	Available From
June 2021	Final Accounts Working Papers for 2020/21	Financial Services Team



EAST SUFFOLK COUNCIL

STATEMENT OF ACCOUNTS

2020/21

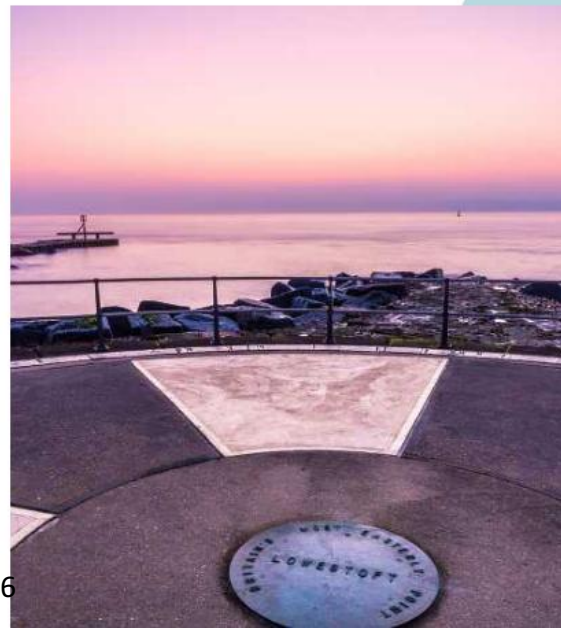


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Introduction to the 2020/21 Statement of Accounts

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

Covid-19

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

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

reported on these impacts, liaising closely with Central Government and multiple agencies and authorities across Suffolk.

Strategic Plan

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

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

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

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

Chief Finance Officer

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

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



Councillor Maurice Cook

Cabinet Member for Resources

Foreword by the Chief Finance Officer

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

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

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

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

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

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



Brian Mew

Chief Finance Officer and Section 151 Officer

Narrative Report

1. Introduction

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

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

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

2. Introducing East Suffolk Council

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

East Suffolk has a population of 249,461 (ONS, 2019) and covers an area of 125,979 hectares (1,260km²), has 79km of coastline and comprises a mix of urban and rural areas with Lowestoft and Felixstowe being the largest towns. There are also a number of historic towns and a large number of villages. In total, the district has 175 town and parish councils.

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

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

Political Leadership

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

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



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

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

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

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

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

Service Delivery

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

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

3. Operating Model

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

Human Resources

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

Corporate Values: ‘how’ the work is done.

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



Performance and Development

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

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

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

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

4. Council’s Performance

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

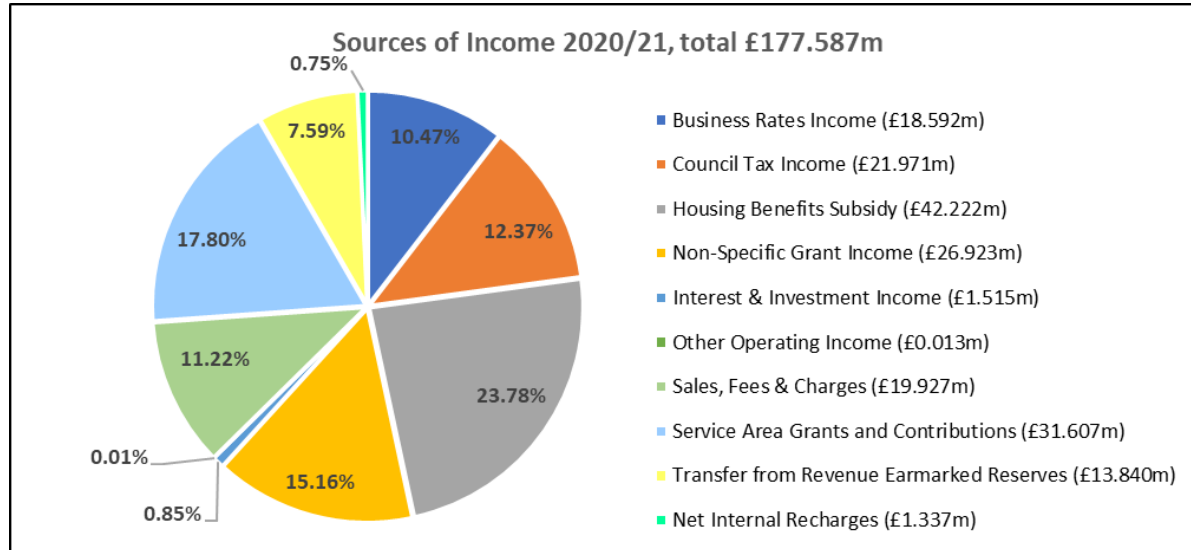
- **Lowestoft Investment Plan** - In March 2021 the Council's bid to the government's Towns Fund was successful. Lowestoft was offered £24.9 million to invest in the regeneration of the town, driving economic growth and acting as a catalyst for future investment.
- **Town Revitalisation Programme** - ESC worked closely the 12 main town centres to identify challenges/opportunities to enhance high streets and address retail decline. As part of the 'Reopening High Streets Safely Fund' ESC was allocated over £200,000 for a Shop Local Stay Safe Campaign which included producing 12 videos, one for each town, and social media campaign.
- **Smart Towns** - Project was awarded £200,000 by the NALEP Innovative Projects Fund and £250,000 from Getting Building Fund. From November 2020 to March 2021, a taster programme of the Digital Advice Service was piloted, supporting over 100 businesses with expert digital help including web audits, skills workshops and 1-2-1 digital advice. Early installation plans are expected to be in place by May 2021.
- **Felixstowe Development** - Transformation of the South Seafront area of Felixstowe through significant investment in new tourism assets proceeded. Phase 3 of the scheme is up and running with the new beach village and activity park project approved in January 2021. Other planning underway included public realm improvements and the Martello Tower development as a visitor destination. The building of a new cafe on the south seafront is well advanced with completion due 2021/22.
- **Flood barrier** - ESC awarded over £43 million by Government to deliver tidal flood walls and a tidal barrier to protect and safeguard the future of Lowestoft. This was the largest single award to any scheme in the country, as part of a £170 million pot for national flood protection projects. Construction of tidal flood walls is underway as part of the wider project which, when completed will protect 1,500 homes and 800 businesses.
- **East Suffolk Community Partnerships** – ESC allocated funding to Community Partnerships to focus on specific neighbourhood issues. In 2020/21 a range of issues were targeted and addressed including:
 - £75,818 allocated across the eight Community Partnership to tackle local priorities.
 - £100,000 provided for a Bounce Back Fund to help reduce the impact of Covid-19. 60 community projects benefited from the fund.
 - £90,000 allocated to the relaunch of ESC's Hidden Needs Programme.
 - In Kesgrave, Martlesham, Rushmere St Andrew, Carlford and Fynn Valley, allocated £5,000 to deliver two Mental Health First Aid Awareness training sessions.
 - In Felixstowe Peninsula education was identified as a key priority and £5,000 was allocated to a library project at Felixstowe School.
 - Beccles, Bungay, Halesworth and Villages Community Partnership allocated £3,250 to Bungay Town Council for a project to reclaim its old cemetery.
- **Housing**
 - Set up Independent Living East Suffolk and worked closely with Suffolk local authorities to develop outstanding services for those living with a disability.

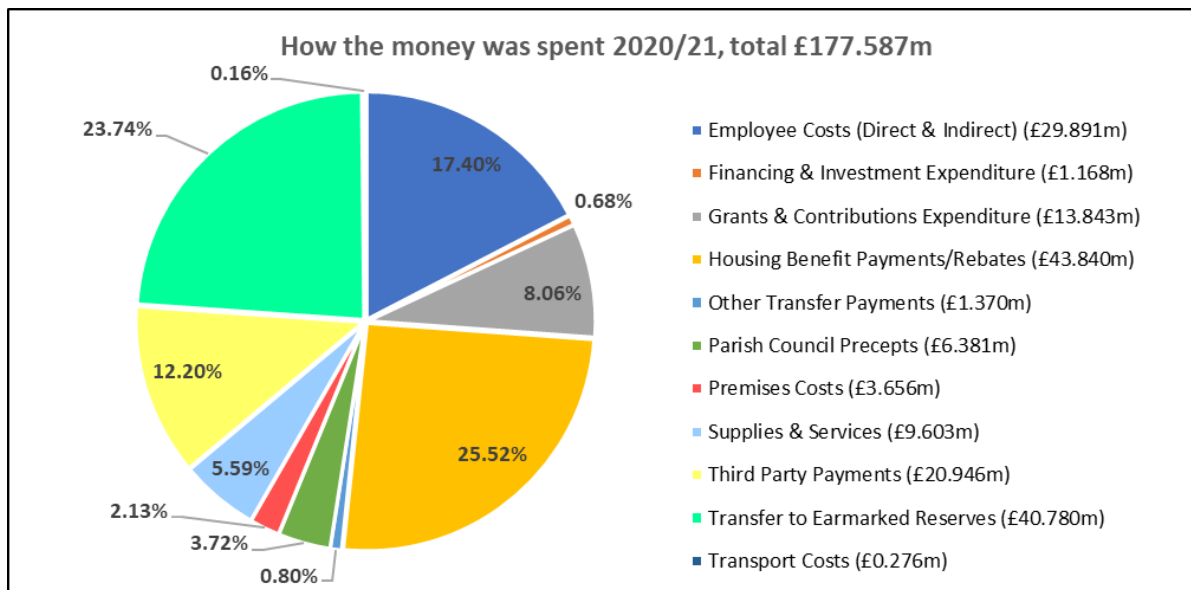
- Rent arrears as a percentage of the debit was 3.45% for 2020/21 exceeding its target of 4.40%. Due to predictive analytics software in place, and work of rents team to support tenants, we continued to reduce rent arrears profile to lowest level for 4 years.
 - 624 net dwellings were completed for the year including 126 affordable homes. Covid-19 restrictions reduced the number of anticipated completions, but 799 dwellings, including 150 affordable units were under construction at the end of Quarter 4.
 - The Council published two new Local Plans running until 2036, one covering the former Waveney area, and the other covering the former Suffolk Coastal area.
 - 286 homeless preventions were achieved under the Preventions Duty for the year. 65 applications were in temporary accommodation at the end of Quarter 4 and 238 were in temporary accommodation during the year.
- **Food Hygiene Rating** - (percentage at 3-5 rating i.e. rated 'generally satisfactory' or 'better') exceeded its target of 95% with performance achieving 99% for the year.
 - **Leisure** - Project to improve Waveney Valley Leisure Centre, costing £3.4 million, was completed in October 2020. The £1 million refurbishment at Waterlane Leisure Centre concluded in February 2021.
 - **Financial** - In 2021/22 committed to spending £129 million on delivering essential services to residents, businesses and communities. ESC froze its element of council tax for 2021/22.
 - **Housing Benefit** new claims and changes continued to exceed targets throughout the year with overall performance at 4.14 days, and the number of local authority overpayments was better than the target of 0.35% at 0.16.%.
 - **Digital** - ESC website had over 3.4 million page views, more than 141,000 automated internet payment transactions and over 116,000 e-forms submitted. Twitter followers hit 10,000 for the first time and increased by around 6%. Facebook followers topped 8,000 with an increase of around 22%. Instagram had over 2,000 followers, increasing by 26% and LinkedIn up to nearly 3,000, 30% increase in followers.
 - **Waste and Recycling Services** - continues to put the environment first with 99% going to energy reproduction and recycling - not landfill. Household waste sent for reuse, recycling and composting was 39.73% for 2020/21, below its target of 44.62%. Residential waste per household performance was 508.93kg also below target.
 - **Economic Development** – engaged with 6,346 businesses, high level of engagements undertaken through Covid related activities. Figure strengthened through Digital Advice Service project and engagement through Ambassador programme. 2,716 businesses received direct support.
 - **Planning** - Performance for all planning applications determined consistency exceeded targets through 2020/21 with overall performance at:
 - Minor planning applications – 80% determined in 8 weeks.
 - Major planning applications – 82% determined in 13 weeks.
 - Other planning applications - 90% determined in year.

5. Financial Performance

5.1 General Fund Revenue Income and Expenditure

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





5.1 General Fund Revenue Outturn

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

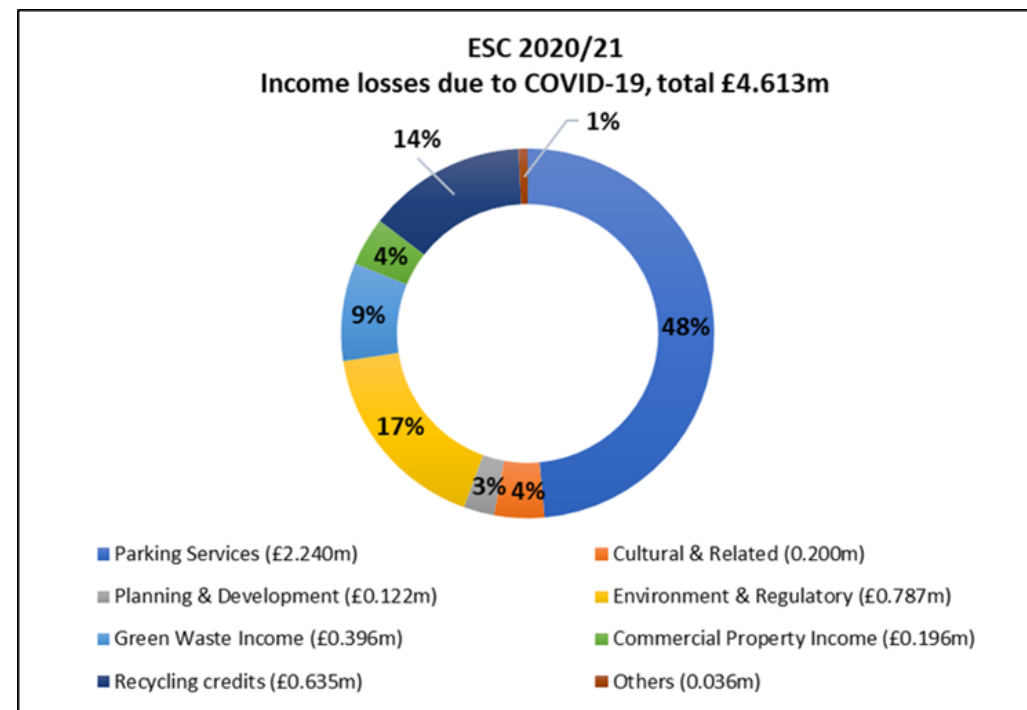
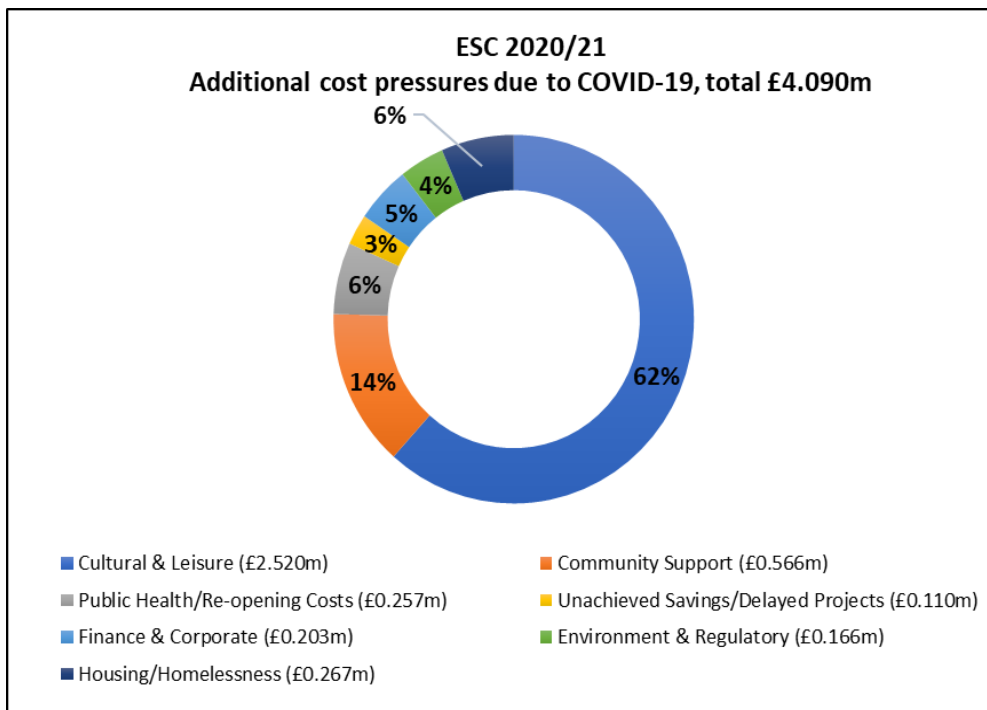
As at the 2020/21 year end, the Council was in a position to increase its Earmarked Reserves by £1.1m due to a favourable outturn position. This has been added to the Transformation Reserve to provide financial support for the delivery of the Strategic Plan. The table below provides the General Fund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

Service Area	Original	Revised	Actual	Variance
	Budget	Budget	Outturn	
	2020/21	2020/21	2020/21	2020/21
	£'000	£'000	£'000	£'000
Senior and Corporate Management	2,582	2,698	2460	(238)
Economic Development and Regeneration	1,777	3,638	728	(2,910)
Financial Services, Corporate Performance and Risk	637	2,191	1,956	(235)
Revenue and Benefits	2,322	2,460	690	(1,770)
ICT	2,596	2,894	2674	(220)
Internal Audit & Corporate Investigations	501	484	430	(54)
Human Resources	655	797	771	(26)
Legal and Democratic Services	2,312	2,259	1988	(271)
Planning and Coastal Management	2,659	2,585	1543	(1,042)
Customer Services, Communications & Marketing	2,016	1,891	1725	(166)
Operations	10,455	18,728	14,385	(4,343)
Communities	1,963	2,145	(1,689)	(3,834)
Environmental Services and Port Health	683	801	29	(772)
Housing Services	2,893	1,662	1,520	(142)
Net Cost of Service	34,051	45,233	29,210	(16,023)
Non-Cost of Service Expenditure Adjustments				
Direct Revenue Financing (DRF)	1,928	5,727	4,760	(967)
Revenue provision for the repayment of debt (MRP)	1,100	821	821	0
Recharges to the Housing Revenue Account (HRA)	(1,377)	(1,337)	(1,337)	0
Bad Debt Provision	0	5	121	116
Other Accounting Adjustments	35	25	27	2
Other Operating Expenditure				
Town & Parish Precepts	6,381	6,381	6,381	0
Levies	240	246	252	6

	Original	Revised	Actual	Variance
	Budget	Budget	Outturn	
	2020/21	2020/21	2020/21	2020/21
	£'000	£'000	£'000	£'000
Financing and Investment Income and Expenditure				
Interest Payable		415	428	13
Interest Receivable	(800)	(800)	(1,151)	(351)
HRA Share of Interest Payable & Receivable	(104)	(61)	7	68
Investment Property Income & Expenditure	(139)	(171)	(235)	(64)
Other Financing Charges	450	450	482	32
Non-Specific Grant Income	(7,222)	(31,617)	(25,927)	5,690
Net Budget Expenditure before Reserve Movements	34,543	25,317	13,839	(11,478)
Net Movements on Reserves	4,126	15,139	27,300	12,161
Net Budget Expenditure After Reserve Movements	38,669	40,456	41,139	683
Financed By:				
Council Tax Income (District Council)	(15,053)	(15,053)	(15,053)	0
Council Tax Income (Town & Parish Precepts)	(6,381)	(6,381)	(6,381)	0
Share of (Surplus)/Deficit on Collection Fund - Council Tax	(537)	(537)	(537)	0
Business Rates Income	(11,308)	(12,732)	(12,872)	(140)
Share of (Surplus)/Deficit on Collection Fund - Business Rates	(5,177)	(5,177)	(5,720)	(543)
Revenue Support Grant	(328)	(328)	(328)	0
Rural Services Delivery Grant	(248)	(248)	(248)	0
Total Financing	(39,032)	(40,456)	(41,139)	(683)

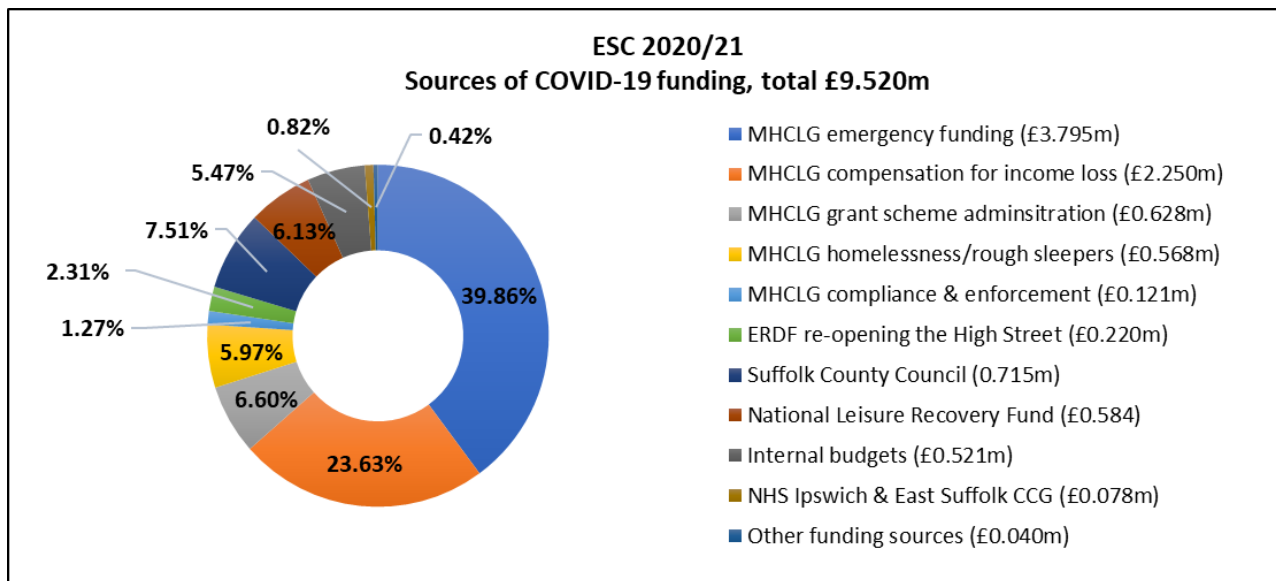
5.2 Impact of COVID-19 on financial performance

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



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

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



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

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

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

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

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

5.3 Housing Revenue Account (HRA)

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

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

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

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

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

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

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

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

5.4 General Fund Capital Programme

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

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

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

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

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

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

5.5 Reserves and Balances

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

The Council holds several Earmarked Revenue Reserves which have been established to meet known or predicted liabilities and to hold balances of grants and external funding which is committed to future year spend. The Council reviews these reserves to ensure the levels continue to be appropriate and if no longer required, are returned to the General Fund. As of 31 March 2021, the total balance on the General Fund Earmarked Reserves stood at £73.8m. This is an increase of £27.3m on the position as of March 2020. 2020/21 was an exceptional year due to Covid-19 and over £16m of the total reserves held is related to Covid funding that will be released in 2021/22. Earmarked Reserves to highlight include:

- **COVID-19 Response Reserve (£16.031m)** – Mainly consisting of Section 31 Grants to fund Covid related Business Rate Reliefs, Covid emergency funding, delivery of grant schemes and various community support funding streams. This reserve will be utilised in 2021/22 to deal with accounting timing differences related to the pandemic, and to fund the ongoing impact of Covid and recovery initiatives.
- **Business Rates Equalisation Reserve (£13.239m)** – This is income from Business Rates which is set aside to equalise the fluctuations in recognising Business Rate income due to timing differences, in relation to Business Rates appeals and for year-end surpluses/deficits. An additional £7.372m was added to the reserve this year. The contribution to the reserve this year has been assisted by the further delay to the reform of the Business Rate system.
- **In-Year Savings Reserve (£4.319m)** – This is in-year savings set-aside to support future year budget pressures. No transfer was made to this reserve in 2020/21.
- **Business Rate Pilot Reserve (£2.194m)** – In 2018/19, Suffolk was successful with its bid to pilot 100% Business Rates Retention Scheme. This income has been transferred to this reserve and is used to provide funding for agreed projects. Use of the reserve is made when the project spend is incurred, and £0.479m was drawn down in 2020/21, mainly for the Felixstowe south beach & Martello Café project.
- **Capital Reserve (£6.012m)** – This reserve provides a source of funding for capital investment projects. £2.543m was used from this reserve in 2020/21.
- **New Homes Bonus Reserve (£6.064m)** – This reserve established from New Homes Bonus(NHB) income is used to support community initiatives, which are detailed in the February 2021 budget report. The Council received £2.303m of NHB income in the year and £1.681m was used to fund projects.
- **Port Health (£5.596m)** – This reserve provides a source of finance to support the future investment and development of the authority's infrastructure at the Port of Felixstowe.
- **Transformation Reserve (£3.238m)** – This reserve has been established to support the delivery of the Council's Strategic Plan, with £1.683m used during the year to fund projects. £3.784m was added to the reserve to provide the financial support for the Strategic Plan going forward. This included the outturn position for the year of over £1m.

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

5.6 Interests in Companies and Other Entities

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

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

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

5.7 Pension Liabilities

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

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

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

5.8 Provisions and Contingencies

Through the National Non-Domestic Rates (NNDR1) return, the Council has to estimate the business rates income expected to be received in the coming year based on a number of assumptions. The most significant assumption is in relation to the provision for appeals. The Council has reviewed the methodology for appeals in relation to the new check, challenge, appeal process, which has seen a significant reduction in appeals. As a result, the provision significantly decreased for both predecessor authorities in 2018/19. As a result of the Covid-19 pandemic, the national business rates revaluation planned to take effect in April 2021 has been postponed, and the 2017 valuation list will apply for at least another year. Appeals will

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

6. Risks and Opportunities

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

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

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

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

Opportunities

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

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

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

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

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

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

7. Covid-19 and Forward Look

7.1 Covid-19

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

Helping our communities

- Worked with volunteers, businesses and local organisations to support the most vulnerable members of our communities during the pandemic. Supported over 500 residents who were clinically extremely vulnerable.
- Introduced Grandpad Loan Scheme - specially designed tablets for older people to use.
- As part of the Suffolk-wide Home But Not Alone scheme, dealt with 2,172 requests during the first lockdown, including 750 urgent food or medicine needs.
- Created an ESC hardship fund for community funding to new and existing groups of £130,000.
- Grants of between £50 and £1,000 were given to local groups.
- Suffolk Family Focus team supported families experiencing complex and long-standing difficulties, such as domestic violence, drug and alcohol dependency, and financial issues.
- ESC converted a property to house rough sleepers during the first lockdown. ESC also secured extra funding to help support rough sleepers.

- £389,482 received in 2020/21 was in addition to the £93,312 awarded in September 2020 as part of the Government's Next Steps Accommodation Programme to help rough sleepers during the pandemic. The funding helped deliver a scheme offering a "higher level" of support to those who need it before living independently.

Health & Safety

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

Digital

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

Financial

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

Grant Scheme	Purpose of Grant Scheme	Council Acting as Agent or Principal	2020/21 Grant Awarded £	2020/21 Total Paid Out £
Test and Trace Support Main Scheme*	To support people on low incomes who are unable to work from home if they are told to self-isolate by the NHS Test and Trace system	Agent	(198,500)	116,500
Small Business Grants, Retail Hospitality & Leisure & Discretionary Grants*	To support eligible businesses due to the March 2020 national lockdown	Agent	(101,256,000)	66,331,250
Local Restrictions Support Grant (Closed)*	Support to eligible businesses required to close under Tier restrictions	Agent	(26,679,109)	18,499,177
Local Restrictions Support Grant (Open)*	Support to eligible businesses that were still open but severely impacted by Tier restrictions	Agent	(2,166,345)	1,538,612
Local Restrictions Christmas Support Package*	Christmas Support Package for Wet Led Pubs who were severely impacted by local restrictions in December 2020	Agent	(153,600)	78,000
Local Restrictions Support Grant (Sector)*	Support to eligible businesses that were required to close on a national basis since 23 March 2020	Agent	0	533
Closedown Business Lockdown*	One off payments for businesses required to close from 5 January 2021 due to the national lockdown	Agent	(18,009,000)	12,588,000
Additional Restrictions Grant*	To provide additional funding for direct business grants and wider business support	Principal	(7,205,195)	6,749,617
Test and Trace Support Discretionary Scheme	To support people on low incomes who are unable to work from home if they are told to self-isolate by the NHS Test and Trace system	Principal	(208,000)	60,000
Council Tax Hardship Fund Grant	To reduce the council tax liability of working age Local Council Tax Reduction Scheme (LCTRS) claimants	Principal	(1,916,615)	1,487,388
		Total	(157,792,364)	107,449,077

* Differences between the total funding awarded and the total paid out have/will be returned to Government or paid by Government following the end of the scheme.

During 2020/21 to date the Financial impact of Covid on the Council's costs and income has been monitored and reported regularly – internally to officers and members, to central Government via monthly returns and information sharing with other Suffolk Local Authorities. The financial impact of Covid-19 during 2020/21 was detailed in Section 5.4.

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

7.2 Forward Look

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

MTFS Projected Budget Gap	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
As at February 2021	0	5,442	5,705	5,418

A summary of the Earmarked Reserves position for the Council over the MTFs period to 2024/25 (February 2021) is set out below, along with the actual position as at 31 March 2021. As referred to previously, Covid-19 related funding held at 31 March 2021, has been earmarked to a separate reserve. This is shown separately and stood at over £16m at year end. The Covid Reserve consists of funding to;

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

	Actual Apr-21 £'000	MTFS Apr-22 £'000	MTFS Apr-23 £'000	MTFS Apr-24 £'000	MTFS Apr-25 £'000
General Fund Revenue Reserves					
General Fund	6,000	6,000	6,000	6,000	6,000
General Earmarked Reserves					
Earmarked Reserves (excluding Covid related)	57,783	33,261	29,952	28,937	28,871
Earmarked Reserves (Covid related only)	16,032	1,961	1,176	391	391
Total Earmarked	73,815	35,222	31,128	29,328	29,262

8. Capital Programme

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

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

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

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

- **Public Convenience Programme (£1.050m)** - upgrade and refurbishment of district wide public conveniences.
- **Lowestoft Flood Risk Management, Tidal Gate (£17.359m)** - a vital project to future proof Lowestoft sea front and town centre. The project has also benefited from significant external grant funding.
- **Former Deben High School Felixstowe (£2.600m)** - development of sustainable housing in the old school premises.
- **Lowestoft Beach Hut Replacement (£1.500m)** - replacement of beach huts along with the demolition, reconstruction and enhancement of the adjoining café and amenity block.
- **New Beach Hut Sites, Felixstowe (£0.900m)** - proposed investment in additional beach hut sites.
- **Southwold Harbour Fender (£1.100m)** - Southwold Harbour Fender works following damage to the fender as set out in the Cabinet Report on 3 November 2020.

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

Statement of Responsibilities

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.

Add signature here

Councillor Geoff Lynch

Chairman of Audit & Governance Committee, East Suffolk Council

The Chief Finance Officer's Responsibilities

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

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

Certificate by the Chief Finance Officer

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

Add signature here

Brian Mew

(CPFA)Chief Finance Officer and S151 Officer, East Suffolk Council – 2 July 2021

Expenditure and Funding Analysis

This analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by Councils in comparison with those resources consumed or earned by the council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. This is not a primary statement.

Net Expenditure in the Comprehensive Income & Expenditure Statement £'000	2020/21				Net Expenditure Chargeable to GF & HRA Balances £'000		Net Expenditure in the Comprehensive Income & Expenditure Statement £'000	2019/20				Net Expenditure Chargeable to GF & HRA Balances £'000
	Adjustments between the Funding & Accounting Basis							Adjustments between the Funding & Accounting Basis				
	Capital £'000	Pensions £'000	Other £'000	Total Adj £'000				Capital £'000	Pensions £'000	Other £'000	Total Adj £'000	
(1,746)	-	(7)	(7)	(1,753)	Communities	2,054	-	174	174	2,228		
1,543	-	(9)	(9)	1,534	Customer Services	1,901	(1)	266	265	2,166		
786	(50)	(6)	(56)	730	Economic Development and Regeneration	1,414	(34)	185	151	1,565		
729	(76)	(27)	(103)	626	Environmental Services and Port Health	483	(26)	672	646	1,129		
268	(10)	1,540	1,530	1,798	Financial Services, Corporate Performance and Risk Management	1,561	(245)	3,294	3,049	4,610		
18	1,610	(11)	1,599	1,617	Housing Operations and Landlord Services	74	1,273	237	1,510	1,584		
(9,058)	1,582	(33)	1,549	(7,509)	Housing Revenue Account	(9,540)	2,973	882	3,855	(5,685)		
2,738	(256)	(9)	(265)	2,473	ICT Services	2,782	(301)	205	(96)	2,686		
391	-	(3)	(3)	388	Internal Audit	409	-	75	75	484		
1,974	(3)	(7)	(10)	1,964	Legal and Democratic Services	2,393	(3)	171	168	2,561		
23,207	(9,156)	(9)	(9,165)	14,042	Operations	19,703	(8,214)	218	(7,996)	11,707		
5,424	(4,089)	(25)	(4,114)	1,310	Planning and Coastal Management	5,088	(2,731)	665	(2,066)	3,022		
722	-	(17)	(17)	705	Revenue and Benefits	2,241	-	457	457	2,698		
3,016	-	(16)	(16)	3,000	Senior and Corporate Management	3,109	-	394	394	3,503		
30,012	(10,448)	1,361	-	(9,087)	20,925	Cost of Services	33,672	(7,309)	7,895	-	586	34,258
7,866	(963)	-	-	(963)	6,903	Other Operating Expenditure	6,086	727	-	-	727	6,813
3,824	5,366	(1,200)	281	4,447	8,271	Financing and Investment Income and Expenditure	4,731	3,797	(13,089)	(1,708)	(11,000)	(6,269)
(60,000)	11,703	-	(19,189)	(7,486)	(67,486)	Taxation and Non-Specific Grant Income	(52,971)	12,278	-	1,787	14,065	(38,906)
(18,298)	5,658	161	(18,908)	(13,089)	(31,387)	(Surplus) or Deficit on Provision of Services	(8,482)	9,493	(5,194)	79	4,378	(4,104)
				(74,064)		Opening General Fund and HRA Balance						(69,960)
				(31,387)		Less/Plus Surplus of (Deficit) on General Fund and HRA Balance in Year						(4,104)
				(105,451)		Closing General Fund and HRA Balance at 31 March*						(74,064)

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

Comprehensive Income & Expenditure Statement (CIES)

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

	Authority						Group	
	2020/21			2019/20			2020/21	2019/20
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost of Services								
Communities	3,667	(5,413)	(1,746)	3,200	(1,146)	2,054	(1,746)	2,054
Customer Services	1,551	(8)	1,543	1,904	(3)	1,901	1,543	1,901
Economic Development and Regeneration	13,079	(12,293)	786	2,688	(1,274)	1,414	786	1,414
Environmental Services and Port Health	7,173	(6,444)	729	6,582	(6,099)	483	729	483
Financial Services, Corporate Performance and Risk Management	1,051	(783)	268	2,388	(827)	1,561	268	1,561
Housing Operations and Landlord Services	4,838	(4,820)	18	4,235	(4,161)	74	18	74
Housing Revenue Account	12,055	(21,113)	(9,058)	11,110	(20,650)	(9,540)	(9,058)	(9,540)
ICT Services	2,743	(5)	2,738	2,790	(8)	2,782	2,738	2,782
Internal Audit	518	(127)	391	529	(120)	409	391	409
Legal and Democratic Services	2,523	(549)	1,974	3,056	(663)	2,393	1,974	2,393
Operations	35,800	(12,593)	23,207	31,210	(11,507)	19,703	23,207	19,703
Planning and Coastal Management	9,941	(4,517)	5,424	8,934	(3,846)	5,088	5,424	5,088
Revenue and Benefits	48,928	(48,206)	722	50,668	(48,427)	2,241	722	2,241
Senior and Corporate Management	3,680	(664)	3,016	3,688	(579)	3,109	3,016	3,109
Total Cost of Services	147,547	(117,535)	30,012	132,982	(99,310)	33,672	30,012	33,672
Other Operating Expenditure (note 11)			7,866			6,086	7,866	6,086
Financing and Investment Income and Expenditure (note 12)			3,824			4,731	3,824	4,731
Taxation and Non-Specific Grant Income (note 13)			(60,000)			(52,971)	(60,000)	(52,971)
(Surplus) or Deficit on Provision of Services			(18,298)			(8,482)	(18,298)	(8,482)
Share of (Surplus)/Deficit on the Provision of services by Associate (note 31)			-			-	(179)	20
Tax expenses of Associate (note 31)			-			-	29	(10)
(Surplus)/Deficit			(18,298)			(8,482)	(18,448)	(8,472)
Surplus or deficit on revaluation of non-current assets (note 22)			(11,753)			(10,035)	(11,753)	(10,035)
Remeasurement of the net defined benefit liability / (asset) (note 22)			31,529			(27,686)	31,529	(27,686)
Other Comprehensive Income and Expenditure			19,776			(37,721)	19,776	(37,721)
Total Comprehensive Income and Expenditure			1,478			(46,203)	1,328	(46,193)

Movement in Reserves Statement (MIRS)

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

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked Housing Revenue Account Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Council's share of Reserves of Associate	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1st April 2020	(6,000)	(46,515)	(5,234)	(16,315)	(20,802)	(6,283)	(23,910)	(125,059)	(202,894)	(327,953)	(329)	(328,282)
<u>Movement in reserves during 2020/21</u>												
(Surplus) or deficit on provision of services	(10,386)	-	(7,912)	-	-	-	-	(18,298)	-	(18,298)	-	(18,298)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	19,776	19,776	-	19,776
Total Comprehensive Income and Expenditure	(10,386)	-	(7,912)	-	-	-	-	(18,298)	19,776	1,478	-	1,478
Adjustment between Group and Authority Accounts:												
- Purchase of Goods and Services from Associate (note 31)											(150)	(150)
- Share of Actuarial (Gains)/Losses (note 29)	-	-	-	-	-	-	-	-	-	-	557	557
Net (Increase) / Decrease before Transfers	(10,386)	-	(7,912)	-	-	-	-	(18,298)	19,776	1,478	407	1,885
Adjustments between accounting basis and funding basis under regulations (note 9)	(16,914)	-	3,825	-	(1,642)	(136)	(5,790)	(20,657)	20,657	-	-	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(27,300)	-	(4,087)	-	(1,642)	(136)	(5,790)	(38,955)	40,433	1,478	407	1,885
Transfer to / from Earmarked Reserves (note 10)	27,300	(27,300)	3,300	(3,300)	-	-	-	-	-	-	-	-
(Increase) / Decrease in Year	-	(27,300)	(787)	(3,300)	(1,642)	(136)	(5,790)	(38,955)	40,433	1,478	407	1,885
Balance at 31 March 2021 carried forward	(6,000)	(73,815)	(6,021)	(19,615)	(22,444)	(6,419)	(29,700)	(164,014)	(162,461)	(326,475)	78	(326,397)

Movement in Reserves (Continued)

	General Fund Balance	Earmarked General Fund Reserves	Earmarked Housing Revenue Account Reserves	Earmarked Housing Revenue Account Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Council's share of Reserves of Associate	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1st April 2019	(8,000)	(44,779)	(4,860)	(12,321)	(19,629)	(4,457)	(18,434)	(112,480)	(169,270)	(281,750)	(40)	(281,790)
<u>Movement in reserves during 2019/20</u>												
(Surplus) or deficit on provision of services	(434)	-	(8,048)	-	-	-	-	(8,482)	-	(8,482)	-	(8,482)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(37,721)	(37,721)	-	(37,721)
Total Comprehensive Income and Expenditure	(434)	-	(8,048)	-	-	-	-	(8,482)	(37,721)	(46,203)	-	(46,203)
Adjustment between Group and Authority Accounts:												
- Purchase of Goods and Services from Associate (note 31)	-	-	-	-	-	-	-	-	-	-	10	10
- Share of Actuarial (Gains)/Losses (note 29)											(299)	(299)
Net (Increase) / Decrease before Transfers	(434)	-	(8,048)	-	-	-	-	(8,482)	(37,721)	(46,203)	(289)	(46,193)
Adjustments between accounting basis and funding basis under regulations (note 9)	698	-	3,680	-	(1,173)	(1,826)	(5,476)	(4,097)	4,097	-	-	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	264	-	(4,368)	-	(1,173)	(1,826)	(5,476)	(12,579)	(33,624)	(46,203)	(289)	(46,193)
Transfer to / from Earmarked Reserves (note 10)	1,736	(1,736)	3,994	(3,994)	-	-	-	-	-	-	-	-
(Increase) / Decrease in Year	2,000	(1,736)	(374)	(3,994)	(1,173)	(1,826)	(5,476)	(12,579)	(33,624)	(46,203)	(289)	(46,492)
Balance at 31 March 2020 carry forward	(6,000)	(46,515)	(5,234)	(16,315)	(20,802)	(6,283)	(23,910)	(125,059)	(202,894)	(327,953)	(329)	(328,282)

Balance Sheet

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

	Note	Authority		Group	
		2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000
Property, Plant and Equipment	14	376,400	362,349	376,400	362,349
Investment Property	16	5,000	2,900	5,000	2,900
Heritage Assets		588	588	588	588
Intangible Assets		133	149	133	149
Long Term Investments	17 + 32	34,031	18,676	34,031	18,676
Investment in Associate	31	-	-	(78)	329
Long Term Debtors	18	2,015	1,392	2,015	1,392
Long Term Assets		418,167	386,054	418,089	386,383
Short Term Investments	17	71,102	84,388	71,102	84,388
Current Assets held for sale		4	4	4	4
Inventories		111	106	111	106
Short Term Debtors	18	43,344	19,292	43,344	19,292
Cash and Cash Equivalents	Cash Flow	25,453	19,718	25,453	19,718
Current Assets		140,014	123,508	140,014	123,508
Short Term Creditors	19	(56,546)	(38,294)	(56,546)	(38,294)
Short Term Capital Grants Receipts in Advance	21	(66)	(151)	(66)	(151)
Current Liabilities		(56,612)	(38,445)	(56,612)	(38,445)
Long Term Creditors	19	(6,903)	(6,644)	(6,903)	(6,644)
Long Term Provisions	20	(2,668)	(2,603)	(2,668)	(2,603)
Long Term Borrowing	17	(77,253)	(77,413)	(77,253)	(77,413)
Long Term Capital Grants Receipts in Advance	21	(4,004)	(3,606)	(4,004)	(3,606)
Other Long Term Liabilities - Pension Liability	29	(84,267)	(52,899)	(84,267)	(52,899)
Long Term Liabilities		(175,095)	(143,165)	(175,095)	(143,165)
Net Assets		326,474	327,952	326,396	328,281

Balance Sheet (Continued)

	Note	Authority		Group	
		2020/21	2019/20	2020/21	2019/20
		£'000	£'000	£'000	£'000
<u>Capital Reserves</u>					
Capital Receipts Reserve		(6,419)	(6,283)	(6,419)	(6,283)
Capital Grants Unapplied		(29,700)	(23,910)	(29,700)	(23,910)
Major Repairs Reserve		(22,444)	(20,802)	(22,444)	(20,802)
Share of Reserves of Associate	31	-	-	78	(329)
<u>Revenue Reserves</u>					
General Fund					
- Fund Balance		(6,000)	(6,000)	(6,000)	(6,000)
- Earmarked Reserves		(73,815)	(46,515)	(73,815)	(46,515)
Housing Revenue Account					
- Fund Balance		(6,020)	(5,233)	(6,020)	(5,233)
- Earmarked Reserves		(19,615)	(16,315)	(19,615)	(16,315)
Usable reserves		(164,013)	(125,058)	(163,935)	(125,387)
Unusable reserves	21	(162,461)	(202,894)	(162,461)	(202,894)
Total Reserves		(326,474)	(327,952)	(326,396)	(328,281)

Brian Mew (CPFA) Chief Finance Officer and Section 151 Officer [Date here](#)

Cash Flow Statement

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

	2020/21 £'000	2019/20 £'000
Net (surplus) or deficit on the provision of services	(18,298)	(8,482)
Adjust net surplus or deficit on the provision of services for non cash movements:		
- Depreciation and Amortisation of Non Current Assets	(8,622)	(8,791)
- Impairment and Downward valuations	(3,327)	(1,040)
Impairment for Bad Debts	(304)	(323)
- Change in Creditors	(17,942)	(2,663)
- Change in Debtors	1,989	(2,845)
- Change in Inventory	5	25
- Pension Liability	161	(5,192)
- Other non-cash items charged to Surplus / Deficit on Provision of Services	949	1,191
- Carrying value of Non-Current Assets disposed	(2,564)	(1,581)
- Movement in Investment Property Values	(1,106)	18
	(30,761)	(21,201)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	10,328	16,898
Net cash flows from Operating Activities	(38,731)	(12,785)
Investing Activities:		
- Purchase of property, plant and equipment, investment property and intangible assets	20,331	11,679
- Purchase of short-term and long-term investments	208,100	223,200
- Other payments for investing activities	-	288
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,604)	(2,592)
- Proceeds from short-term and long-term investments	(201,100)	(210,700)
- Other receipts from investing activities	(7,214)	(12,955)
	18,513	8,920

Cash Flow (Continued)

Financing Activities:			
- Other receipts from financing activities	(2)		(2)
- Cash payments for the reduction of the outstanding liabilities relating to finance leases	280		263
- Repayments of short- and long-term borrowing	160		10,161
- Other payments for financing activities	14,045		2,468
		14,483	12,890
Net increase or decrease in cash and cash equivalents		(5,735)	9,025
Cash and cash equivalents at the beginning of the reporting period		(19,718)	(28,743)
Cash and cash equivalents at the end of the reporting period		(25,453)	(19,718)
- Cash held by officers		1	1
- Short-term deposits		15,002	7,000
- Bank current account		10,450	12,717
Sub-Total - Cash and Cash Equivalents		25,453	19,718
Cash and cash equivalents at the end of the reporting period		25,453	19,718
The cashflows for operating activities include the following items:			
- Interest received		(2,581)	(938)
- Interest paid		2,965	3,060
- Dividends received		(589)	(267)

Notes to the Core Financial Statements

1. Accounting Policies

a) General Principles

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

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

Going Concern

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

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

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

- In Year Savings Reserve £4.320m
- Business Rates Equalisation Reserve £13.239m

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

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

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

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

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

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

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

b) Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are

received rather than when payments are made.

- Interest payable on borrowings and receivable on investments is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract. Accrued interest is accounted for in the Balance Sheet as part of the carrying value of the financial instrument.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where payments have been received in advance of obligations being performed, they have been recognised as a liability on the Balance Sheet.
- Works are charged as expenditure when they are completed before which they are carried as works in progress with inventories on the Balance Sheet.
- In calculating the accrual for major grant claims including Housing Benefit Subsidy, the sum receivable has been estimated using the latest information

available from the Housing Benefit system.

- Where the Council is acting as an agent for another party (e.g., in the collection of non-domestic rates (NDR) and council tax), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

c) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in seven days or less from the date of acquisition and that are readily convertible to known amounts of cash without penalty and with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management process.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors
Prior period adjustments may arise due to a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e.

Accounting Policies (Continued)

in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

d) Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the

Revaluation Reserve against which the losses can be written off; and
• amortisation of intangible assets attributable to the service.

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

e) Employee Benefits

Benefits payable during employment

Short-term employee benefits are those that fall due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which

employees render service to the Council. An accrual is only made where the cost of untaken holiday entitlements and other leave carried forward into the next financial year is material. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The material accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

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

Accounting Policies (Continued)

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

Post-employment benefits

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

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

- The liabilities of the Suffolk County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc.,

and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices. The discount rate employed for the 2020/21 accounts is 2.00% which is derived by reference to market yields on high quality corporate bonds at the reporting date using a corporate bond yield curve constructed based on the constituents of the iBoxx AA corporate bond index. The currency and term of the high-quality corporate bonds used to set the discount rate is consistent with the currency and term of the liabilities.
- The assets of the Suffolk County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price;
 - unquoted securities - professional estimate;
 - unitised securities - current bid price; and
 - property - market value.
- The change in the net pensions liability is analysed into the following components:
 - Service cost comprising:
 - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and

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

Accounting Policies (Continued)

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

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such

amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary benefits

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

f) Events After the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.

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

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

g) Financial Instruments

Financial liabilities

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

Accounting Policies (Continued)

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against

which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement

Financial assets

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

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

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

Financial Assets Measured at Amortised Cost

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

Accounting Policies (Continued)

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

Financial Assets Measured at Fair Value through Profit or Loss

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

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

- instruments with quoted market prices – the market price

- other instruments with fixed and determinable payments – discounted cash flow analysis.

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

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

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

h) Government Grants and Contributions

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

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

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

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

Accounting Policies (Continued)

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

Community Infrastructure Levy

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

i) Interests in Companies and Other Entities

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

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

Following a review of the Group Accounting requirements in the 2018/19 Code of Practice on Local Authority Accounting (the Code), the councils' accounting relationships with both Waveney Norse Limited and Suffolk Coastal Norse Limited companies were determined to be Associates. In the Council's own single-entity

accounts, the interests in Waveney Norse Limited and Suffolk Coastal Norse Limited are recorded as a financial asset at cost, less any provision for losses.

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

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

j) Investment Properties

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

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

Accounting Policies (Continued)

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

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

k) Leases

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

The Council as Lessee – Finance leases

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

Lease payments are apportioned between:

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

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

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

l) Overheads and Support Services

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

m) Fair Value Measurement

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

orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

categorised within the fair value hierarchy, as follows:

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

n) Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to

deliver future economic benefits or service potential (i.e. repairs and maintenance), and expenditure below a de-minimis level of

Accounting Policies (Continued)

£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 2020/21 is:

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

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

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

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

Accounting Policies (Continued)

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

Accounting Policies (Continued)

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

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property,

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

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

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

Balance in the Movement in Reserves Statement.

o) Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Accounting Policies (Continued)

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

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

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

Contingent liabilities

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

Contingent assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

p) Reserves

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

Movement in Reserves Statement. When expenditure to be financed from a reserve, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance or Housing Revenue Account in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept in relation to non-current assets, financial instruments, retirement and employee benefits and therefore do not represent usable resources for the Council - these Unusable Reserves are explained elsewhere in the relevant accounting policies.

q) Council Tax and Non-Domestic Rates

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

amount of council tax and NDR collected could be less or more than predicted.

Accounting for council tax and NDR

Accounting Policies (Continued)

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

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

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be

made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

r) VAT

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

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

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

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

3. Critical judgements in applying accounting policies

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

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

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

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, plant & equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.</p> <p>Uncertainty regarding public finances and local government finance makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, potentially bringing into doubt the useful lives assigned to assets.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £615k for non-housing properties and £76k for council dwellings for every year that useful lives had to be reduced. Whilst this risk is inherent in the valuation process, any change to the useful lives of assets and the subsequent depreciation charge will not impact on the Council's usable reserve balances, as depreciation charges do not fall on the taxpayer and are removed in the Movement in Reserves Statement.</p>
Pension's liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>Whilst the effects on the net pension's liability of changes in individual assumptions can be measured, they are complex and inter-related. Any change in estimates can have a material impact on the Council's Accounts. It is important to note, however, that the impact of pension costs is protected in the short to medium term under national pension arrangements.</p>
Arrears and Provisions for Doubtful Debts	<p>In the light of the economic impacts of the Covid-19 pandemic on business and household finances, the impairment allowances for doubtful debts have been reviewed. Provisions for doubtful debts have been increased in respect of council tax, business rates; housing benefit overpayments; and sundry debtors.</p>	<p>If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required. If necessary, such a sum could be met from reserves and balances in the short term. Monitoring of the Council's debt will be intensified in the light of the Covid-19 pandemic.</p>
Housing benefit subsidy	<p>In preparing the accounts for the year the Council has submitted a grant claim to the Department for Work and Pensions in relation to Housing Benefit paid in the year to the value of £36.5 million. The grant claim is</p>	<p>If the auditor identifies errors or system weakness within the grant claim there is a risk the grant income shown within the accounts is overstated. If this were to be the case, any shortfall would reduce the General Fund balance.</p>

	<p>subject to detailed audit and the accounts have been prepared on the basis that all entries on the claim have been correctly stated.</p>	
<p>Business rates appeals</p>	<p>Under the Business Rates Retention scheme, which came into operation in April 2013, the Council as Billing Authority collects all Non-Domestic Rates from local business and distributes these to Central Government (50%), Suffolk County Council (10%) and Suffolk Coastal District Council (40%).</p> <p>Changes have been made by the Government in several areas since the introduction of the system, such as the imposition of a time limit for backdating appeals and the capping of year-on-year increases in rates bills. In general, the Council assumes that there will be no further significant in-year changes and fundamental changes to the system in the medium term.</p> <p>The Council must make assumptions in the returns to Government required under the system. These include estimates of growth or contraction in the rates base; the value of outstanding appeals; the value of reliefs to be awarded; and the value of doubtful debts. Methodologies for the estimation of these variables have been continually refined since April 2013.</p>	<p>If there are in-year changes to the system and there are actual variances from the assumptions on key variables included in Government returns, these will be reflected in changes in the Collection Fund surpluses or deficits attributable to Central Government, Suffolk County Council and East Suffolk Council in future years based on their distribution proportions.</p>
<p>Fair value measurements</p>	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for <i>similar</i> assets or liabilities in active markets or the discounted cash flow (DCF) model).</p> <p>Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk.</p> <p>However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p>	<p>The fair value for all surplus assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the authority's area.</p>

	<p>Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's chief valuation officer and external valuer). Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 14 and 15 below.</p>	
Covid-19 Pandemic	<p>Assumptions in the MTFS based on the current assessment of the Covid-19 pandemic and economic impact.</p>	<p>This could have potential further adverse or positive impact on the Councils income streams depending on how the economy recovers.</p>

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

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

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

Active Suffolk

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

Active Suffolk	2020/21 £,000	2019/20 £,000
Income:		
Educational Courses	-	(24)
Leisure Activity Fees	-	(7)
Contributions from Local Authorities	(100)	(125)
Contributions from NHS	(6)	(15)
Contributions from other entities	(821)	(870)
	(927)	(1,041)
Expenditure:		
Employee expenses	803	725
Transport costs	-	4
Supplies and services	84	152
Grants and subscriptions	116	56
	1,003	937
(Surplus) transferred to earmarked reserves	76	(104)

6. Events after the Balance Sheet date

There are no post balance events in 2020/21

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

Net change for the pension's adjustments

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

Other Differences

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

8. Expenditure and Income analysed by nature

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

	2020/21 £'000	2019/20 £'000
Expenditure		
Employee benefits expenses	32,564	33,218
Other service expenses	103,033	89,935
Dereciation, amortisation, impairment	13,055	9,813
Interest payments	4,210	5,022
Net (gains)/losses on financial assets at fair value through profit and loss	(281)	1,164
Impairment Losses including Reversals of Impairment Losses or Impairment Gains	304	323
Precepts and levies	6,633	6,302
Payments to Government in respect of the Housing Capital Receipts Pool	288	430
Business rates tariff payment and levy	27,789	27,250
Gain or loss on the disposal of assets	945	(646)
Total expenditure	188,540	172,811
Income		
Fees, Charges and other service income	(117,898)	(99,311)
Interest and investment income	(1,151)	(1,760)
Income from council tax, non-domestic rates, district rate income	(49,163)	(60,093)
Government grants and contributions	(38,626)	(20,129)
Total income	(206,838)	(181,293)
Surplus or deficit on the provision of services	(18,298)	(8,482)

9. Adjustments between accounting basis and funding basis under regulation

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

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied Account

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

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

2020/21	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	
Adjustments Involving the Capital Adjustment Account:							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
- Charges for depreciation and impairment of non current assets	(5,111)	-	(3,423)	-	-	(8,534)	8,534
- Revaluation losses on Property, Plant and Equipment	(4,911)	1,584	-	-	-	(3,327)	3,327
- Movements in the market value of Investment Properties	(1,106)	-	-	-	-	(1,106)	1,106
- Amortisation of intangible assets	(71)	-	(17)	-	-	(88)	88
Finance Lease capital payments	-	-	-	-	-	-	-
Expenditure capitalised under Approvals:							
- Capital grants and contributions that have been applied to capital financing	376	446	-	-	-	822	(822)
- Revenue expenditure funded from capital under statute	(3,785)	-	-	-	-	(3,785)	3,785
- Revenue expenditure funded from community infrastructure levies	(607)	-	-	-	-	(607)	607
- Revenue expenditure funded from section 106 receipts	(274)	-	-	-	-	(274)	274
- Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,481)	(1,083)	-	-	-	(2,564)	2,564
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
- Statutory provision for the financing of capital investment	820	-	-	-	-	820	(820)
- Capital expenditure charged against the General Fund and HRA balances	4,760	1,159	-	-	-	5,919	(5,919)
Adjustment involving the Capital Grants Unapplied Account:							
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	13,399	207	-	-	(13,606)	-	-
- Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	7,816	7,816	(7,816)

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

2020/21	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 Receipts Reserve:							
- Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	58	1,545	-	(1,603)	-	-	-
- Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	1,180	-	1,180	(1,180)
- Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts	(287)	-	-	287	-	-	-
- Use of the Major Repairs Reserve to fund new capital expenditure	-	-	1,798	-	-	1,798	(1,798)
Adjustments involving the Financial Instruments Adjustment Account:							
- Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	21	-	-	-	-	21	(21)
Adjustments involving the Pooled Investments Adjustment Account:							
- Amount by which Financial Instruments held under Fair Value through Profit and Loss are subject to MHCLG statutory over-ride Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	281	-	-	-	-	281	(281)
Adjustments involving the Pensions Reserve:							
- Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(7,616)	(1,423)	-	-	-	(9,039)	9,039
- Employer's pensions contributions and direct payments to pensioners payable in the year	7,810	1,390	-	-	-	9,200	(9,200)
Adjustments involving the Collection Fund Adjustment Account:							
- Amount by which council tax 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.	(19,190)	-	-	-	-	(19,190)	19,190
Total Adjustments	(16,914)	3,825	(1,642)	(136)	(5,790)	(20,657)	20,657

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

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

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

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 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 expenditure	-	-	-	52	-	52	(52)
- Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(4)	-	-	4	-	-	-
- Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts	(430)	-	-	430	-	-	-
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 costs chargeable in the year in accordance with statutory requirements	(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	(10,771)	(1,772)	-	-	-	(12,543)	12,543
- Employer's pensions contributions and direct payments to pensioners payable in the year	6,469	882	-	-	-	7,351	(7,351)
Adjustments involving the Collection Fund Adjustment Account:							
- Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,244	-	-	-	-	1,244	(1,244)
Total Adjustments	698	3,680	(1,173)	(1,826)	(5,476)	(4,097)	4,097

10. Transfers to/ from Earmarked Reserves

	Balance 31 March 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance 31 March 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance 31 March 2021	Purpose of the Earmarked Reserve
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
General Fund:								
Actuarial Contributions	637	-	863	1,500	(1,500)	-	-	Financing pension strain budget pressures.
Additional Disabled Facilities Grant(DFG) funding (Non-Air Quality	8	-	21	29	(17)	-	12	External funding supporting additional Disabled Facilities Grant works above standard DFG.
Better Broadband	36	(24)	-	12	(5)	500	507	External funding received to support Broadband delivery.
Brexit	35	(35)	55	55	(61)	150	144	External funding received to finance Brexit cost pressures.
Budget Carry Forwards	212	(211)	202	203	(114)	109	198	Unspent revenue budgets carried forward to fund approved requests.
Building Control	519	(4)	-	515	-	-	515	Statutory fund to smooth Building Control expenditure and income over a rolling annual period.
Business Incentive	97	(95)	-	2	-	-	2	External Funding to support economic development.
Business Rates Equalisation	7,880	(4,651)	2,652	5,881	(14)	7,372	13,239	Business rates income set aside to equalise business rate income fluctuations and accounting timing differences.
Business Rates Pilot	3,011	(499)	161	2,673	(479)	-	2,194	Business rate retention pilot scheme income (2018/19) set aside to fund agreed projects.
Capital Reserve	3,761	(1,743)	5,932	7,950	(2,543)	605	6,012	Source of finance for capital investment plans.
Climate Change (includes Suffolk Energy Link)	58	(20)	40	78	(1)	3	80	Additional source of finance for initiatives to reduce climate change.
Coastal Management - Revenue Works	222	(56)	-	166	-	144	310	Funding of coastal defence revenue expenditure.
Coastal Protection - Capital Works	176	-	-	176	-	-	176	Funding of coastal defence capital expenditure.
Communities	899	(771)	54	182	(52)	3,025	3,155	External Funding for community initiatives.
Community Health	35	(35)	-	-	-	-	-	Delivery of Community Health projects.
Community Housing Fund	2,191	(57)	-	2,134	(53)	-	2,081	Enabling local community groups to deliver affordable housing units.
Contractual Liability	-	-	-	-	-	500	500	Supporting any third party contractual issues.
County Sports Partnership	761	(19)	123	865	(152)	76	789	Delivery of the County Sports Partnership.
COVID-19 Response	-	-	99	99	(2,368)	18,301	16,032	Government funding received in response to the COVID-19 pandemic.
Customer Services	156	-	-	156	-	90	246	Funding project support and implementation costs.
Deployment of Flood Barrier	88	-	-	88	-	-	88	Meeting Lowestoft flood barrier deployment costs.
District Elections	403	(323)	-	80	-	60	140	Supporting costs of future elections.
Domestic Violence Support Funding	53	-	93	146	(83)	-	63	Funding domestic violence support schemes.
East Suffolk Partnership	123	(123)	-	-	-	-	-	Funding to support East Suffolk Partnership projects and initiatives.
Economic Development	99	(16)	572	655	(55)	521	1,121	Funding to support Economic Development projects.
Economic Regeneration	153	(56)	172	269	(148)	60	181	Post 2013 flooding Lowestoft Seafront recovery activity.
Empty Properties & Houses in Disrepair	190	(57)	-	133	-	2	135	Assisting bringing empty properties back into use.
Enterprise Zone	684	(669)	625	640	(474)	381	547	Enterprise Zone retained business rates income pending distribution.

Transfers to/ from Earmarked Reserves (Continued)

	Balance 31 March 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance 31 March 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance 31 March 2021	Purpose of the Earmarked Reserve
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
General Fund:								
Environmental Protection	-	-	-	-	-	151	151	Sizewell funding for Environmental Protection staffing.
Felixstowe Forwards	33	(7)	7	33	(3)	1	31	External funding received to fund projects in Felixstowe.
Flood Prevention	12	(6)	-	6	-	-	6	Funding for flood prevention assistance.
Great Places	13	(13)	-	-	-	-	-	- Funding new ways of working, building capacity, research, consultations and developing partnerships within Lowestoft.
Green Homes Funding	-	-	-	-	-	18	18	External funding received to facilitate greener home initiatives.
Growth Programme	184	(44)	-	140	(72)	-	68	External funding received to fund work on Suffolk Design Concepts.
Gypsy & Traveller	-	(2)	27	25	-	29	54	Fund for macerator at Kessingland site and external funding to find a new suitable site.
Heritage Action Zone North	-	-	30	30	(2)	1	29	Funding received to deliver the North Heritage Action Zone project.
Homelessness Prevention	313	(191)	316	438	(151)	284	571	Homelessness prevention revenue grants received in advance to be matched with expenditure in subsequent years.
Homes & Communities Agency (HCA) - Area Action Plan (AAP) Land Contamination Grant	162	-	-	162	-	-	162	To fund site investigative works covering the Area Action Plan in Lowestoft. Externally funded with conditions attached.
Homes & Communities Agency (HCA) Development Grant	75	-	-	75	-	-	75	Funding received for the Adastral Park development.
Housing and Planning Delivery	182	(182)	-	-	-	-	-	- To provide a source of finance to fund service improvements in these service areas.
Housing Benefit (HB) Subsidy	352	(52)	-	300	-	-	300	Meeting budget pressures due to fluctuations with HB subsidy and implementation/changes due to Government legislation.
Housing Condition Survey & Improvements	97	(6)	-	91	(46)	-	45	To meet the cost of the periodic survey of Private Sector Housing within the district.
Individual Electoral Registration	266	-	112	378	-	140	518	To meet the additional cost for administration of Individual Electoral Registration.
Indoor Leisure	120	(120)	50	50	-	-	50	Providing a source of finance to support the closure cost of Deben Leisure Centre during refurbishment.
Insurance	166	-	-	166	-	5	171	To provide a source of finance for any uninsured losses.
In-Year Contingency	400	(400)	-	-	-	-	-	- To provide in-year contingency provision.
In-Year Savings	5,606	(686)	-	4,920	(600)	-	4,320	In-Year savings set aside to support future year budget gaps.
Key Capital Programme	200	(18)	-	182	-	-	182	To provide a source of finance to support the revenue costs associated with the delivery of key capital projects.
Land Charges	372	(222)	-	150	-	-	150	To support the General Fund from losses in future Land Charges income.
Landguard	-	-	16	16	(6)	8	18	Funding for the Landguard Governance review.
Local Development Framework	477	(472)	-	5	-	-	5	To meet the costs arising from the periodic preparation and adoption of the Local Development Framework.
Lowestoft Rising	90	(24)	35	101	(44)	1	58	Funding received to deliver earmarked work under the Lowestoft Rising project.
New Homes Bonus	4,594	(1,560)	2,408	5,442	(1,681)	2,303	6,064	Supporting community initiatives across East Suffolk.
Next Step Accommodation Programme	-	-	-	-	-	36	36	External funding to help Rough Sleepers get off the streets and into accommodation.
Planning	-	(65)	465	400	-	-	400	To provide a source of finance for planning appeals, local plans and planning challenges.

Transfers to/ from Earmarked Reserves (Continued)

	Balance 31 March 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance 31 March 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance 31 March 2021	Purpose of the Earmarked Reserve
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
General Fund:								
Planning & Building Control	51	(51)	-	-	-	-	-	- To provide a source of finance for professional training and development needs of the service.
Planning Legal	-	-	200	200	-	200	400	To provide for legal costs in respect of planning appeals.
Planning Policy	255	(255)	-	-	-	-	-	- To support development work and audit of the Local Plan.
Port Health	4,623	(101)	659	5,181	(789)	1,205	5,597	Supporting the future investment and development of the Authority's infrastructure at the Port of Felixstowe.
Private Sector Housing	41	-	13	54	-	18	72	Grants repaid to be set aside for empty property/home improvement initiatives.
Private Sector Housing Renovation Grants	872	(62)	-	810	(67)	-	743	Grants repaid set aside to fund future renovation works.
Rent Guarantee Scheme	15	-	-	15	-	-	15	To provide a source of finance for landlord claims.
Revenue & Benefits Administration	191	-	52	243	-	-	243	To provide a source of finance for budget pressures on the administration of Revenues & Benefits.
S106 Interest	-	-	30	30	-	-	30	Contingency related to Affordable Housing S106 should conditions not be met.
Short Life Assets	588	(784)	596	400	(144)	618	874	To fund the purchase of short life assets. Any capital funding will be repaid from revenue budgets.
Southwold Beach Huts	175	-	-	175	-	-	175	Receipt of monies from letting of new beach hut sites in Southwold in 2014/15 approved to be used within Southwold.
Stepping Homes	68	(53)	47	62	(47)	1	16	External funding received to support hospital patients to return home (Stepping Home project).
Strategic Plan Delivery	234	-	16	250	-	-	250	Facilitating the delivery of the Council's Strategic Plan, including any emerging priorities.
Transformation	1,322	(185)	-	1,137	(1,683)	3,784	3,238	To provide funding for efficiency (invest to save) initiatives and to support the delivery of the Strategic Plan.
Warmer Homes Healthy People	36	(17)	46	65	(26)	80	119	To provide a source of finance to fund grants towards heating of homes.
Youth Leisure	10	-	-	10	-	-	10	Project funding received to support Active Leisure for young people.
Total General Fund	44,779	(15,065)	16,801	46,515	(13,482)	40,782	73,815	
Housing Revenue Account:								
Hardship Reserve	500	-	-	500	-	-	500	Providing financial help to tenants who find themselves in financial hardship.
Debt Repayment Reserve	10,000	-	1,000	11,000	-	1,500	12,500	Set aside funds to meet future liabilities for repaying the Self-Financing debt.
Impairment/Revaluation Reserve	255	-	-	255	-	-	255	Providing for potential impairment and revaluation losses to HRA assets due to changes in Accounts and Audit Regulations.
Municipal Mutual Insurance Limited (MMI) Reserve	66	(6)	-	60	-	-	60	To provide for potential liabilities relating to Municipal Mutual Insurance Limited (MMI).
Acquisition & Development Reserve	1,500	-	3,000	4,500	-	1,800	6,300	Funding for the Housing development programme.
Total Housing Revenue Account	12,321	(6)	4,000	16,315	-	3,300	19,615	
Total	57,100	(15,071)	20,801	62,830	(13,482)	44,082	93,430	

11. CIES - Other operating expenditure

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

12. CIES - Financing and investment income

	2020/21 £'000	2019/20 £'000
Interest payable and similar charges	2,896	3,016
Net interest on the net defined benefit liability	1,200	1,886
Interest receivable and similar income	(569)	(1,071)
Net (gains)/losses on financial assets at fair value through profit and loss	(281)	1,164
Impairment Losses including Reversals of Impairment Losses or Impairment Gains	304	323
Income and expenditure in relation to investment properties and changes in their fair value	856	(180)
Other Investment Income	(582)	(407)
Total	3,824	4,731

13. CIES - Taxation and non-specific grants

	2020/21	2019/20
	£'000	£'000
Council tax income	(21,307)	(20,562)
Non domestic rates	(37,819)	(37,022)
Tariff payment to Suffolk County Council	22,193	21,837
Share of (surplus)/deficit on collection fund	11,713	(625)
Share of pooling benefit with other Suffolk Councils	(1,750)	(1,722)
Levy payment to Suffolk Business Rates Pool	5,596	5,413
Share of Pilot Pooling Benefit with other Suffolk Councils	-	(161)
Non-ring fenced government grants	(26,923)	(7,851)
Capital grant and contributions	(11,703)	(12,278)
Total	(60,000)	(52,971)

14. Property, Plant & Equipment

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

Property, Plant & Equipment (Continued)

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

Property, Plant & Equipment (Continued)

Depreciation

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

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

Fair Value Measurement of Surplus Asset

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

Capital commitments

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

Effects of changes in estimates

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

Revaluations

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

Property, Plant & Equipment (Continued)

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

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

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

15. Assets held for sale

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

16. Investment Properties

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

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

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

	2020/21	2019/20
	£'000	£'000
Balance at 1 April	2,900	2,882
Additions:		
- Purchases	3,206	-
Net gains/losses from fair value adjustments	(1,106)	18
Balance at 31 March	5,000	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 2020. Valuation Techniques used to determine Level 2 Fair Values for Surplus Assets are Significant Observable Inputs (Level 2). The fair value for all surplus assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the authority's area.

17. Financial Instruments

Classifications

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

Financial Assets

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

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

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

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

Financial Liabilities

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

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

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

Financial Instruments (Continued)

Balances

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

Financial Liabilities	Long-term	Short-term	Long-term	Short-term
	2020/21	2020/21	2019/20	2019/20
	£'000	£'000	£'000	£'000
Loans at amortised cost:				
Principle sum borrowed	77,253	-	77,413	-
Total Borrowing	77,253	-	77,413	-
Liabilities at amortised cost:				
Creditors	15	4,468	7	7,118
Finance Leases	5,779	300	6,079	280
Financial Liabilities in Creditors	5,794	4,768	6,086	7,398
Non Financial Liabilities	92,048	51,844	59,666	31,047
Total Financial Liabilities	175,095	56,612	143,165	38,445

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

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

Financial Instruments (Continued)

Offsetting Financial Assets and Liabilities

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

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

Financial Instruments (Continued)

Gains and Losses

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

	2020/21			2019/20		
	Amortised cost	Fair Value through Profit and Loss	Total	Amortised cost	Fair Value through Profit and Loss	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	2,896	-	2,896	3,016	-	3,016
Losses from change in fair value	-	(281)	(281)	-	1,164	1,164
Impairment losses	304	-	304	323	-	323
Interest payable and similar charges	3,200	(281)	2,919	3,339	1,164	4,503
Interest income	(569)	-	(569)	(1,071)	-	(1,071)
Interest and investment income	(569)	-	(569)	(1,071)	-	(1,071)
Net gain / (loss) for the year	2,631	(281)	2,350	2,268	1,164	3,432

Fair Values

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

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

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

Financial Instruments (Continued)

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

	31-Mar-21		31-Mar-20	
	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
PWLB Loans (Level 2)	77,253	91,370	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-21 Fair Value £000s	31-Mar-20 Fair Value £000s
Fair Value through Profit & Loss				
CCLA Property Fund	1	Unadjusted quotes prices in active markets for identical shares	9,203	9,270
CCLA Diversified Income Fund	1	Unadjusted quotes prices in active markets for identical shares	4,774	4,404
Ninety One Diversified Income Fund	1	Unadjusted quotes prices in active markets for identical shares	4,976	-

Financial Instruments (Continued)

Risks

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

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

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

The main risks covered are:

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

Credit Risk: Treasury Investments

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

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

Financial Instruments (Continued)

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

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

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

Financial Instruments (Continued)

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

	Range of allowances set aside	Gross Receivables £'000	Loss Allowance £'000
Trade Receivables 31-Mar-21	4%-100%	3,578	(774)
Trade Receivables 31-Mar-20	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:

Financial Instruments (Continued)

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

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

Market Risks: Interest Rate Risk

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

Financial Instruments (Continued)

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

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

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

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

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

Market Risks: Price Risk

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

18. Debtors

Short term Debtors:

	2020/21	2019/20
	£'000	£'000
Central Government bodies	20,244	3,160
Other Local Authorities	6,305	3,113
NHS bodies	132	423
Public corporations and trading funds	-	-
Council Taxpayers	2,407	2,286
Other entities and individuals	17,398	16,369
Prepayments	3,932	359
Total	50,418	25,710
less Bad Debt Impairment Provisions:		
Council Taxpayers	(1,208)	(1,121)
Other service debtors	(5,866)	(5,297)
Total	43,344	19,292

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

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

Long term Debtors:

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

19. Creditors

Short term Creditors:

	2020/21	2019/20
	£'000	£'000
Central Government bodies	33,924	5,740
Other Local Authorities	8,456	14,831
NHS bodies		3
Other entities and individuals	8,580	8,272
Receipts in Advance	5,586	9,448
Total	56,546	38,294

Long term Creditors:

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

20. Provisions

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

Outstanding Legal Cases

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

National Non-Domestic Rates

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

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

21. Grant Income

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

	2020/21 £'000	2019/20 £'000
Credited to Taxation and Non Specific Grant Income		
<u>Non-ringfenced grants:</u>		
Revenue Support Grant	(328)	(322)
New Homes Bonus	(2,303)	(2,408)
Business Rates Reliefs	(17,443)	(4,686)
Covid19 Government Grant Schemes	(6,399)	-
Other Non-ringfenced grants	(450)	(435)
<u>Capital grants and contributions:</u>		
Coastal Management/ Protection	(4,890)	(7,741)
HRA Developments	(579)	(308)
Community Infrastructure Levy	(5,519)	(3,971)
s106 contributions	(382)	(248)
Covid19 Government Grant Schemes	(74)	-
Leisure Development	(258)	-
Other capital grants and contributions	(1)	(10)
Total	(38,626)	(20,129)
Credited to Services		
Housing Benefits Subsidy	(42,222)	(45,158)
Benefits Administration Grant	(883)	(870)
Disabled Facilities Grants	(2,725)	(2,255)
Discretionary Housing Payments Grant	(441)	(429)
Homelessness Grants	(1,212)	(783)
Covid19 Government Grant Schemes	(11,819)	-
European Union Exit Grants	(1,124)	(356)
Regeneration of Coastal Communities	(1,605)	-
Other Grants	(1,575)	(1,169)
Total	(63,606)	(51,020)

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

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

22. Unusable Reserves

	2020/21	2019/20
	£'000	£'000
Revaluation Reserve	(71,570)	(61,351)
Capital Adjustment Account	(189,555)	(189,951)
Financial Instruments Adjustment Account	682	703
Pooled Investment Funds Adjustment Account	1,028	1,309
Deferred Capital Receipts Reserve	(4)	(4)
Pensions Reserve	84,267	52,899
Collection Fund Adjustment Account	12,691	(6,499)
Total Unusable Reserves	(162,461)	(202,894)

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.

Unusable Reserves (Continued)

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

Pooled Investment Funds Adjustment Account

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

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

Unusable Reserves (Continued)

Capital Adjustment Account

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

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

Unusable Reserves (Continued)

Financial Instruments Adjustment Account

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

	2020/21	2019/20
	£'000	£'000
Balance at 1 April	703	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)	(21)
Balance at 31 March	682	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.

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

Unusable Reserves (Continued)

Collection Fund Adjustment Account

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

	2020/21	2019/20
	£'000	£'000
Balance at 1 April	(6,499)	(5,255)
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.	19,190	(1,244)
Balance at 31 March	12,691	(6,499)

23. Members Allowances

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

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

24. External Audit costs

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

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

25. Related Parties

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

Central Government

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

Related Parties (Continued)

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 £1.845m (2019/20 £1.702m) with a year-end debtor of £0.206m (2019/20 £0.220m).

Members and Chief Officers

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

Levies Paid to other Authorities

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

Waveney Norse Ltd

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

Suffolk Coastal Norse Ltd

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

East Suffolk Holdings Limited

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

Related Parties (Continued)

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

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

26. Officer's remuneration and exit packages

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

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

Officers Remuneration (Continued)

* postholder - Ill Health Retirement 31st October 2020
 ** postholder - left Councils employment January 2021
 *** postholder - DIS January 2021

The table below shows employees remuneration by band over £55,000. The numbers include officers who were made redundant voluntarily during the 2020/21 financial year, and whose remuneration may not have normally been included within the limits of the above table, but who had received a redundancy payment which increased their earnings to over the minimum of £50k. An additional column in the Table above shows leavers. In addition, other transactions are disclosed in Note 25, Related Parties.

Remuneration band	2020/21		2019/20	
	Number of employees		Number of employees	
	Total	Left in Year	Total	Left in Year
£55,000 - £59,999	11	-	-	-
£60,000 - £64,999	3	-	-	-
£65,000 - £69,999	1	-	4	-
£70,000 - £74,999	4	-	1	-
£75,000 - £79,999	3	-	5	-
£80,000 - £84,999	5	-	2	-
£85,000 - £89,999	1	-	3	-
£90,000 - £94,999	3	-	-	-
£95,000 - £99,999	-	-	-	-
£100,000 - £104,999	-	-	1	-
£105,000 - £109,999	-	-	1	-
£110,000 - £114,999	2	-	-	-
£115,000 - £119,999	-	-	-	-
£120,000 - £124,999	-	-	-	-
£125,000 - £129,999	-	-	-	-
£130,000 - £134,999	-	-	-	-
£135,000 - £139,999	-	-	-	-
£140,000 - £144,999	-	-	-	-
£145,000 - £149,999	-	-	-	-
£150,000 - £154,999	1	-	1	-
	34	-	18	-

Officers Remuneration (Continued)

Exit Packages

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

Exit Package cost band (including special payments)	Number of Compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
£								£
0 to 20,000	2	4	-	2	2	6	36,352	25,185
20,001 to 40,000	-	-	1	-	1	-	21,715	-
40,001 to 60,000	-	1	-	-	-	1	-	50,099
60,001 to 80,000	-	-	-	-	-	-	-	-
80,001 to 100,000	-	-	-	-	-	-	-	-
Total	2	5	1	2	3	7	58,067	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 £1,818,086 as they are not discretionary and do not therefore meet the definition of termination benefits under the CIPFA Code of Practice.

27. Capital expenditure and capital financing

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

	2019/20
	£'000
Opening Capital Financing Requirement	115,553
<i>Capital investment</i>	
Property, Plant and Equipment*	11,597
Heritage Assets	12
Revenue Expenditure Funded from Capital under Statute	3,104
Total Capital Investment	14,713
<i>Sources of finance</i>	
Capital receipts	53
Government grants and other contributions	9,131
Direct revenue contributions	3,372
Minimum Revenue Provision	815
Major Repairs Reserve	2,158
Closing Capital Financing Requirement	114,737
<i>Explanation of movements in year</i>	
Increase in underlying need to borrowing (unsupported by government financial assistance)	(816)
Increase/(decrease) in Capital Financing Requirement	(816)

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

28. Leases

Disclosures as Lessee

Finance Leases

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

	2020/21		2019/20	
	£'000		£'000	
Finance lease liabilities (net present value of minimum lease payments):				
- current		300		280
- non current		5,779		6,079
Finance costs payable in future years		3,419		3,869
Minimum lease payments		9,498		10,228
The minimum lease payments will be payable over the following periods:				
	Minimum Lease Payments		Finance Lease Liabilities	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Not later than one year	731	731	300	280
Later than one year and not later than five years	2,922	2,922	1,429	1,335
Later than five years	5,845	6,575	4,350	4,744
	9,498	10,228	6,079	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 2020/21. In relation to one of the Council's finance leases, the Lessor had to secure financing to be able to fulfil the capital project it was undertaking for the Council. It was agreed between the Lessor and Santander, that as part of the Council's monthly lease payment, the Council would make direct payment to Santander to cover the cost of the Lessor's monthly repayment of the financing.

Leases (Continued)

Operating Leases

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

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

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

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

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

29. Pensions

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

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

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

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

Participation in the pension scheme

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

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

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

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

Transactions relating to post-employment benefits

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

Pensions (Continued)

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

Pensions (Continued)

Pension's assets and liabilities recognised in the Balance Sheet

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

	Local Government Pension Scheme	
	2020/21 £'000	2019/20 £'000
Present value of the defined benefit obligation	(351,891)	(274,225)
Fair value of plan assets	267,624	221,326
Net liability arising from defined benefit obligation	(84,267)	(52,899)

Pensions (Continued)

	Local Government Pension Scheme	
	2020/21	2019/20
	£'000	£'000
Reconciliation of the movements in the fair value of the scheme (plan) assets:		
Opening fair value of scheme assets	221,326	236,247
Interest Income	5,104	5,659
Effect of Settlements		
Remeasurement gain / (loss):		
- The return on plan assets, excluding the amount included in net interest expense	39,722	(20,013)
- Other		
Contributions from employer	9,173	7,378
Contributions by employees into the scheme	1,436	1,376
Benefits paid	(9,137)	(9,321)
Closing fair value of scheme assets	267,624	221,326
Reconciliation of present value of the scheme liabilities (defined benefit obligation):		
	Local Government Pension Scheme	
	2020/21	2019/20
	£'000	£'000
Opening balance 1 April	274,225	311,640
Current service cost	7,831	9,541
Interest cost	6,304	7,545
Contributions from scheme participants	1,436	1,376
Remeasurement (gains) and losses:		
- Actuarial gains / losses arising from changes in demographic assumptions	4,111	(6,222)
- Actuarial gains / losses arising from changes in financial assumptions	70,232	(22,765)
- Other	(3,119)	(18,685)
Past service costs	8	1,116
Benefits paid	(9,137)	(9,321)
Closing balance at 31 March	351,891	274,225

Pensions (Continued)

Local Government Pension Scheme assets comprised: (Active Markets unless otherwise stated)	Fair Value of Scheme Assets	
	2020/21	2019/20
	£'000	£'000
Equity instruments:		
- Consumer	6,484	5,583
- Manufacturing	3,711	2,374
- Energy and Utilities	870	1,056
- Financial Institutions	3,536	2,577
- Health and Care	1,710	1,706
- Information Technology	1,443	908
- Other	3,590	1,857
	21,344	16,061
Debt Securities:		
- Corporate (Investment Grade)	58,603	49,568
Private Equity (Non-active Market 2020/21 - 7,992 (2019/20 - 7,766))	10,699	9,605
Real Estate:		
- UK Property	20,891	21,416
Investment Funds & Unit Trusts:		
- Equities	114,202	73,970
- Bonds	10,407	17,926
- Hedge Funds	14,459	13,183
- Infrastructure (Non-active Market)	6,991	12,010
- Other (Non-active Market)	6,086	3,848
	152,145	120,937
Derivatives:		
- Foreign exchange	(23)	92
Cash and cash equivalents	3,965	3,647
Total Assets (Non-active Market 2020/21 - 21,069 (2019/20 - 23,624))	267,624	221,326

Pensions (Continued)

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, based on the roll forward from the 2019 formal valuation.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2020/21	2019/20
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	22.1	21.9
- Women	24.5	24.1
Longevity at 65 for future pensioners:		
- Men	23.2	22.7
- Women	26.4	25.6
Rate of inflation	2.85%	1.90%
Rate of increase in salaries	3.55%	2.60%
Rate of increase in pensions	2.85%	1.90%
Rate for discounting scheme liabilities	2.00%	2.30%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The

Pensions (Continued)

estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity Analysis

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

Change in assumptions at 31 March 2021	Approx. increase in Employers Liability	Approx. amount £'000
0.5% decrease in Real Discount Rate	10%	34,462
0.5% increase in the Salary Increase Rate	1%	3,233
0.5% increase in the Pension Increase Rate	9%	30,506

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

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at a constant rate as far as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over 20 years. Funding levels are monitored on an annual basis. The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31st March 2015. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. The Council anticipates paying £7.405m in contributions to the scheme in 2021/22.

30. Contingent Assets & Liabilities

As at 31 March 2021, the Council had no material contingent assets or liabilities.

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.

Interests in Companies & other entities (Continued)

- a) The registered names of the Companies are Waveney Norse Limited and Suffolk Coastal Norse Limited;
- b) Nature of the business - the principal activities of Waveney Norse Ltd and Suffolk Coastal Norse Limited are refuse, cleansing and maintenance services;
- c) The immediate parent undertaking is Norse Commercial Services Limited;
- d) The ultimate parent undertaking is Norse Group Limited;
- e) The ultimate controlling party is Norfolk County Council, by virtue of them owning 100% of the ordinary share of Norse Group Limited;
- f) East Suffolk Council holds fully paid Ordinary Share capital of £2, in Waveney Norse Ltd with no special rights or constraints. It has a 19.9% share and also receives a 50-50 profit / loss share at year-end;
- g) East Suffolk Council holds fully paid Ordinary Share capital of £2, in Suffolk Coastal Norse Ltd with no special rights or constraints. It has a 20% share and also receives a 50-50 profit / loss share at year-end;
- h) Both companies' contributions to their pension schemes are treated as if they are contributions to a defined contribution scheme. Set contributions are paid over the life of the Agreement, with any increase or decrease in funding being met by the Council.
- i) Payments made to Waveney Norse Limited in respect of refuse, cleansing and maintenance services are included within the Cost of Services in the Comprehensive Income and Expenditure Statement. Total payments to Waveney Norse Ltd were £8.183m in 2020/21 and included in the Accounting Statements as follows:

	2020/21	2019/20
	£'000	£'000
Housing Operations and Landlord Services	685	669
Legal and Democratic Services	9	9
Operations	7,448	6,762
Planning and Coastal Management	40	38
	8,183	7,477

- j) Details of Waveney Norse Limited's draft annual financial results to 31 March 2021 are set out below;

Interests in Companies & other entities (Continued)

	2020/21 Waveney Norse £000	2020/21 Council Investment (19.9%) £000	2019/20 Waveney Norse £000	2019/20 Council Investment (19.9%) £000
Current Assets				
Stock	28	6	127	25
Debtors	3,195	636	3,141	625
Cash at Bank	657	131	-	-
Gross Assets	3,879	772	3,268	650
Creditors falling due within one year	(1,367)	(272)	(962)	(191)
Net Assets / Shareholder's Funds	2,512	500	2,306	459
Turnover	10,134	2,017	10,424	2,074
Profit on ordinary activity before taxation	302	60	158	31
Tax on profit on ordinary activity	(61)	(12)	(25)	(5)
Profit for the Financial Period	241	48	133	26
<u>Tax components included in the above figures are as follows:</u>				
Debtors				
- Deferred Tax asset	35	7	24	5
Creditors falling due within one year				
- Corporation Tax	(69)	(14)	27	5
Tax on profit on ordinary activity				
- Current Tax	(61)	(12)	(26)	(5)
	(61)	(12)	(26)	(5)

Interests in Companies & other entities (Continued)

- k) Payments made to Suffolk Coastal Norse Limited in respect of refuse, cleansing and maintenance services are included within the Cost of Services in the Comprehensive Income and Expenditure Statement. Total payments to Suffolk Coastal Norse Ltd were £9.793m in 2020/21 and included in the Accounting Statements as follows:

	2020/21	2019/20
	£'000	£'000
Planning & Coastal Management	13	13
Legal & Democratic Services	2	2
Housing Operations & Landlord services	1	1
Operations	9,777	8,972
	9,793	8,988

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

Interests in Companies & other entities (Continued)

	2020/21	2020/21	2019/20	2019/20
	Suffolk	Council	Suffolk	Council
	Coastal	Investment	Coastal	Investment
	Norse Ltd	(20%)	Norse Ltd	(20%)
	£'000	£'000	£'000	£'000
Current Assets				
Stock	58	12	138	28
Debtors	4,806	961	4,946	989
Cash at Bank	186	37	133	27
	5,050	1,010	5,217	1,044
Creditors falling due within one year	(1,616)	(323)	(1,207)	(241)
Defined Benefit Pension Scheme Liability	(7,906)	(1,582)	(4,664)	(934)
Net Assets / Shareholder's funds	(2,931)	(587)	(654)	(131)
Share of Actuarial Gains/(Losses)	(2,786)	(557)	1,494	299
Turnover	14,156	2,831	14,247	2,849
Loss on ordinary activity before taxation	595	119	(257)	(51)
Tax on profit on ordinary activity	(86)	(17)	75	15
Loss for the Financial Period	510	102	(182)	(36)
<u>Tax components included in the above figures are as follows:</u>				
Debtors				
- Deferred Tax asset	1,541	308	903	181
Creditors falling due within one year				
- Corporation Tax	98	20	56	11
Tax on profit on ordinary activity				
- Current Tax	13	3	55	11
- Deferred Tax	(98)	(20)	(130)	(26)
	(86)	(17)	(75)	(15)

Interests in Companies & other entities (Continued)

Sentinel Leisure Trust

With effect from 1 April 2011, Waveney District Council transferred the management and operation of its leisure operations to the newly formed Sentinel Leisure Trust. Seven volunteers were initially appointed as Trustees and Directors of the new Trust and were joined by two Council representatives on the Board. The Council has a 15-year partnership management agreement with Sentinel. The facilities and equipment remain the property of the Council throughout the Partnership, with the Trust operating under a lease. The Council gave Sentinel 12 months' notice in October 2019, and the contract terminated in October 2020.

32. Long term investments

As at 31 March 2021, East Suffolk Council had long term investment balances of £34.031m of which £15.074 was held with other local authorities and £18.917m was held in a mix of Property Funds and Diversified Income Funds and £40k in Anglia Revenues Partnership (ARP). The Council has invested in these funds for the long term and therefore expect any downturn in fund values due to Covid19 will be mitigated over time.

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

During 2020/201 the Council has received dividends on the investments and the principal invested in the Property Fund has depreciated in value, by £66k and the diversified income fund had appreciated by £347k resulting in a net adjustment of £281k. This was charged to Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement and added to the long term investment balance resulting in the balance decreasing to £9.166m for the Property Fund and £9.751m for the Diversified Income Fund.

33. Prior period adjustments

There are no prior period adjustments to report in 2020/21.

Housing Revenue Account Income & Expenditure Statement

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

	HRA Note	2020/21	2019/20
		£'000	£'000
Income			
Gross rental income:			
- Dwelling rents		(19,284)	(18,839)
- Non-dwelling rents		(183)	(184)
Charges for services and facilities		(1,243)	(1,218)
Lease holders charges for services and facilities		(14)	(9)
Contributions towards expenditure		(48)	(73)
Reimbursement of costs		(341)	(327)
Total income		(21,113)	(20,650)

Housing Revenue Account Income & Expenditure Statement (Continued)

	HRA Note	2020/21	2019/20
		£'000	£'000
Expenditure			
Repairs, maintenance and management:			
- Repairs and maintenance		4,966	4,735
- Supervision and management		3,059	3,934
- Special Services		1,990	1,929
- Redundancy and associated pension costs		15	9
Rents, rates and other charges		146	124
Movement in the allowance for bad debts		189	(161)
Depreciation of HRA non-current assets:			
- Dwellings	8	3,267	3,133
- Other assets	8	173	198
Revaluation & impairment of HRA non-current assets		(1,583)	(2,973)
Debt management costs	4	22	21
Total expenditure		12,244	10,949
Net expenditure or (income) of HRA services as included in the whole authority CIES		(8,869)	(9,701)
- HRA share of Corporate and Democratic Core		98	88
Net expenditure or (income) of HRA services		(8,771)	(9,613)
HRA share of the operating income and expenditure included in the whole authority CIES:			
- (Gain) or loss on sale of HRA non-current assets		(467)	(679)
- Interest payable and similar charges	4	2,180	2,258
- Pension Cost Contribution		-	477
- HRA interest and similar income	4	(201)	(183)
- HRA Impairment Losses including Reversals of Impairment Losses or Impairmer	4	-	-
- HRA Capital Grants & Contributions		(653)	(308)
(Surplus) or deficit for the year on HRA services		(7,912)	(8,048)

Notes to the Housing Revenue Account

1. Dwelling Rents and Charges for Services and Facilities

The account shows the rent and charges for services and facilities due in the year after allowing for voids and other losses in collection. 2020/21 is a 52-week rent year. Charges for Services and Facilities relate to heating, warden and other communal services provided to residents in sheltered accommodation.

	2020/21	2019/20
Average dwelling rent per week (£)	83.26	81.43
Arrears at 31 March (£'000)	1,162	973
Arrears at 31 March as % of the gross income collectable	5.8%	4.9%
Provision for bad debts at 31 March (£'000)	850	661

2. Major Repairs Reserve (MRR)

	2020/21	2019/20
	£'000	£'000
The movement on the Major Repairs Reserve (MRR) for the financial year is analysed below:		
MRR opening balance	20,802	19,629
Amounts transferred to/(from) the MRR during the year	3,440	3,331
Debits to the MRR during the year in respect of HRA capital expenditure	(1,798)	(2,158)
MRR closing balance	22,444	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 10 to the Core Statements.

3. Capital Receipts – Disposal of Council Dwellings

	2020/21	2019/20
Capital receipts from sales of council houses (Right to Buys) can be summarised as follows:		
- Number of disposals under Right to Buy	11	28
- Value of disposals under Right to Buy (£'000)	750	2,090
Value of capital receipts from the disposal of other HRA land, houses and property	930	256

4. Capital Related Charges

	2020/21	2019/20
	£'000	£'000
Depreciation charge	3,440	3,331
Debt management expenses	22	21
Interest payable	2,169	2,247
Premium charges for early repayment of debt	10	10
Transfer to Capital Financing Account via MRR	1,799	2,158
Interest income on notional cash balances	(201)	(183)

5. Housing Stock

	2020/21	2019/20
The stock of dwellings has changed as follows:		
Opening stock of dwellings	4,460	4,446
Add: new build/purchases/additions	13	44
Less: sales	(14)	(30)
Closing stock of dwellings	4,459	4,460
Analysis of closing stock numbers:		
Houses	2,013	2,014
Bungalows	1,188	1,210
Flats	1,258	1,236
	4,459	4,460

6. Capital Expenditure

	2020/21	2019/20
	£'000	£'000
Dwellings	1,789	2,179
Dwelling acquisitions	1,360	176
Other Land and Buildings	191	47
Assets Under Construction	811	725
Capital Prepayment	-	3
	4,151	3,130
Financed by:		
Usable capital receipts	986	53
Revenue contributions	1,159	612
Grants and contributions	207	307
Major Repairs Reserve	1,799	2,158
	4,151	3,130

7. Non-Current Assets

The Balance Sheet value of land, dwellings and other property within the HRA as at 1 April 2020 in the financial year and the closing Balance Sheet value as at 31 March 2021 is included within Note 14 to the Core Statements. The Balance Sheet values of HRA non-current assets are disclosed below:

	2020/21	2019/20
	£'000	£'000
Council dwellings	222,560	215,452
Other land and buildings	1,715	1,911
Vehicles, plant, furniture and equipment	205	289
Assets under construction	1,904	1,779
Land Awaiting Development	3,097	1,835
Assets held for sale	4	4
Total Balance Sheet value of HRA non-current assets (PPE)	229,485	221,270
Intangibles	13	30
Total Balance Sheet value of HRA non-current assets	229,498	221,300
Dwellings - Vacant Possession Value	585,685	566,979

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

8. Depreciation

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

	2020/21	2019/20
	£'000	£'000
Council dwellings	3,258	3,133
Other land and buildings	73	73
Vehicles, plant, furniture and equipment	83	102
Total charge for depreciation within the HRA (PPE)	3,414	3,308
Intangibles	17	23
Total charge for depreciation within the HRA	3,431	3,331

9. Revaluation and Impairment Charges

The 2020/21 financial results include £1.584m credit for Revaluation Gains or Losses against HRA Assets charged to the Comprehensive Income and Expenditure Statement.

Collection Fund Income & Expenditure Statement

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

	Notes	2020/21		2019/20	
		Business rates £'000	Council tax £'000	Business rates £'000	Council tax £'000
Income					
Income from council tax	1		(157,992)	-	(153,525)
Transfer from General Fund - council tax benefits	1		(7)	-	(4)
Transfer from General Fund - S13A discretionary reliefs			(1,522)		(19)
Transitional relief				-	-
Income from business rates	2	(66,276)		(96,470)	-
Transitional protection payments		(679)		(2,089)	-
		(66,955)	(159,521)	(98,559)	(153,548)
Expenditure					
Precepts, demands and shares:					
- Central Government		45,255		43,584	-
- Suffolk County Council		9,051	118,088	8,717	112,099
- Police and Crime Commissioner for Suffolk			19,577	-	18,458
- East Suffolk Council		37,825	21,434	36,897	20,496
Transitional protection payments		4,855		6,396	-
Charges to Collection Fund					
- Write offs of uncollectable amounts		655	402	231	262
- Increase / (decrease) in bad debt provision		681	962	502	1,737
- Increase / (decrease) in provision for appeals		174		208	-
- Cost of collection allowance		460		462	-
Apportionment of previous years surplus / (deficit)					
- Central Government		1,846		(396)	-
- Suffolk County Council		1,430	2,940	104	-
- Police and Crime Commissioner for Suffolk			484	-	-
- East Suffolk Council		5,720	537	416	
		107,952	164,424	97,121	153,052
(Surplus) / deficit for year	3	40,997	4,903	(1,438)	(496)
Balance brought forward - (surplus) / deficit		(6,866)	(3,405)	(5,428)	(2,909)
Balance carry forward - (surplus) / deficit		34,131	1,498	(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.

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

	2020/21	2019/20
	£	£
The average Band D Council Tax set was:	1,810.23	1,741.13
The Council estimated its Tax Base for 2020/21 as follows:	Chargeable	Band D
	dwellings	Equivalents
Valuation Band		
A	23,514	15,676
B	27,282	21,219
C	20,741	18,436
D	16,687	16,687
E	10,488	12,819
F	4,987	7,204
G	2,718	4,530
H	192	383
	106,608	96,954
Less: local council tax reduction scheme		(8,595)
Provision for bad and doubtful debts (1.0%)		(886)
Add: Ministry of Defence properties		192
Additional Properties		224
Tax Base 2020/21 (Band D equivalents)		87,889

2. Business Rates

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

In response to the coronavirus pandemic, in the Budget on 11 March 2020 the government announced that it would increase the Business Rates Retail Discount to 100% and extend it to include the leisure and hospitality sectors. In addition, on 18 March 2020, in response to the coronavirus, the government announced that many childcare providers would pay no business rates in 2020 to 2021. Billing authorities would be compensated by S31 grant. This has resulted in significant reduction in the Business Rates income collected. The additional S31 grant due to East Suffolk is shown in note 21 under Business Rate Reliefs.

	2020/21	2019/20
The rateable value at 31 March was	£232.9m	£232.2m
The multiplier was	51.2p	50.4p

3. Collection Fund Balances

The Collection Fund in year (surplus) / deficit comprises the following:		
	2020/21	2019/20
(Surplus) / Deficit relating to:	£'000	£'000
<u>Council Tax</u>		
Suffolk County Council	3,640	(344)
Police and Crime Commissioner for Suffolk	600	(84)
East Suffolk Council	663	(68)
Total Council Tax	4,903	(496)
<u>Business Rates</u>		
Central Government	18,526	(1,856)
Suffolk County Council	4,494	84
East Suffolk Council	17,977	334
Total Business Rates	40,997	(1,438)

Independent Auditors Report to the Members of East Suffolk Council

Glossary of Financial Terms

Accounting Period

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

Accounting Policies

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

Accruals

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

Business Rates (Non-Domestic Rates)

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

Capital Adjustment Account

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

Capital Charge

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

Capital Expenditure

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

Capital Receipts

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

Capital Receipts Reserve

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

CIPFA (Chartered Institute of Public Finance and Accounting)

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

Collection Fund

This Fund records the collection of the council tax and Non-Domestic Rates and its distribution.

Contingent Liabilities

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

Contingent Assets

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

Corporate and Democratic Core

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

Council Tax

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

Council Tax Base

The amount calculated for each billing authority from which the grant entitlement of its share is derived. The number of properties in each band is

multiplied by the relevant band proportion to calculate the number of Band D equivalent properties in the area. The calculation allows for exemptions, discounts, appeals, local council tax reduction scheme and a provision for non-collection.

Council Tax Benefit

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

Creditors

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

Debt

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

Debtors

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

Deferred Capital Receipts

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

Depreciation

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

Direct Revenue Financing

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

Earmarked Reserves

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

General Fund

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

Government Grants

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

Heritage Assets

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

Housing Advances

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

Housing Benefit

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

Housing Revenue Account (HRA)

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

Impairment

A material reduction in the value of a non-current asset during the accounting period. This can be caused by a consumption of economic

benefits (such as physical damage through fire or flood) or a fall in price of a specific asset. A general reduction in asset values is accounted for as an impairment through Valuation Loss.

Infrastructure Assets

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

International Financial Reporting Standards

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

Leasing or Leases

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

Levies

Payments made to Internal Drainage Boards.

Minimum Revenue Provision

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

Net Book Value

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

Non-Current Assets

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

Net Realisable Value

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

Operational assets

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

Out-turn

Actual income and expenditure for the financial year.

Post Balance Sheet Events

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

Precept

The net expenditure of a non-billing authority (e.g. County Council, Police Authority or Parish Council) which the billing authority must include when setting its Council Tax and then pay over to the precepting authority in agreed instalments.

Property, Plant and Equipment

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

Provisions

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

Public Works Loan Board

A Government agency which provides longer-term loans to local authorities at interest rates slightly higher than those at which the Government itself

can borrow. Local authorities can borrow a proportion of their requirements to finance capital expenditure from this source.

Rateable Value

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

Reserves

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

Revaluation Reserve

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

Revenue Expenditure

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

Revenue Expenditure Funded from Capital under Statute (REFCuS)

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

Revenue Support Grant

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

Section 151 Officer

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

Self-Financing for the HRA

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

The Code

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

Trading Accounts

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

Usable Capital Receipts

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

UK GAAP

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

Valuation Loss

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

taxpayer, and the impact is reversed in the Movement in Reserves Statement.

Value Added Tax (VAT)

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



AUDIT & GOVERNANCE COMMITTEE

Monday, 28 June 2021

Subject	Annual Governance Statement 2020/21
Report by	Councillor Maurice Cook Cabinet Member with responsibility for Resources
Supporting Officer	Brian Mew Chief Finance Officer and Section 151 Officer Brian.mew@eastsoffolk.gov.uk (01394) 444571 Lorraine Rogers Finance Manager and Deputy Section 151 Officer Lorraine.rogers@eastsoffolk.gov.uk (01502) 523667

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

Purpose and high-level overview

Purpose of Report:

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

The purpose of this report is for the Committee to review and approve the draft Annual Governance Statement for 2020/21, alongside the draft Statement of Accounts for 2020/21.

The draft Annual Governance Statement is subject to external audit review and could therefore change. Any changes will be presented to the Committee with the audited Statement of Accounts for 2020/21, currently scheduled for the March 2022 meeting.

Options:

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

Recommendation/s:

That the draft Annual Governance Statement for 2020/21 (1 April 2020 to 31 March 2021) be reviewed and approved prior to final sign-off with the audited Statement of Accounts.

Corporate Impact Assessment

Governance:

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

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

ESC policies and strategies that directly apply to the proposal:

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

Environmental:

No impact.

Equalities and Diversity:

No impact.

Financial:

No direct financial impact.

Human Resources: No impact.
ICT: No impact.
Legal: No impact.
Risk: The Council's Corporate Risk Register is regularly monitored and managed which is a key document feeding into the production of the Annual Governance Statement.

External Consultees: None.

Strategic Plan Priorities

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

P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education and influence	<input type="checkbox"/>	<input type="checkbox"/>
XXX	Governance		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>

How does this proposal support the priorities selected?

It is a statutory requirement that the Annual Governance Statement (AGS) is produced each year to provide assurance as to how governance of the Council is conducted and is effectively being managed. The AGS is significant to all areas of the Council and feeds into the governance theme of the East Suffolk Strategic Plan.

Background and Justification for Recommendation

1 Background facts	
1.1	<p>The Annual Governance Statement is a key document that helps provide assurance to Members and other stakeholders as to how governance of the Council is conducted, how effective it has been for the year and identifies major issues of concern raised by the Corporate Management Team and Head of Internal Audit together with emerging issues upon which the Council will need to focus over the coming year. The Council's AGS for 1 April 2020 to 31 March 2021 is appended to this report.</p> <p>The Council's AGS embraces the seven core principles set out in the CIPFA framework: <i>Delivering Good Governance in Local Government</i>.</p>
1.2	<p>The Council has a duty to ensure that public money is safeguarded and properly accounted for, and is used economically, efficiently and effectively. It also has a duty under the Local Government Act 2000 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.</p>
1.3	<p>In discharging this overall responsibility, the Council is required to put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements of the management of risk to a reasonable level rather than eliminate all risk of failure to achieve the Council's policies, aims and objectives.</p> <p>Risk management is an integral part of the Council's corporate governance arrangements, which is independently assessed by the Head of Internal Audit. Recommendations made to improve the control environment and ensure good governance are assessed by External Audit and the Audit & Governance Committee.</p>
2 Current position	
2.1	<p>The overall effectiveness of the Council's governance arrangements continued to improve, with positive assessments and feedback by Internal Audit, the Council's external auditors Ernst and Young LLP and other external bodies.</p>
2.2	<p>A sound system of internal control and the management of risks are integral elements of the Council's corporate governance arrangements. Based on the findings of the managed audits and governance reviews carried out throughout 2020/21 and considering the current climate in which the Council is operating it is the opinion of the Head of Internal Audit that the Authority's control environment provides Reasonable Assurance of sound systems of control. Generally, risks are professionally managed but some areas require internal control improvements to ensure strategic objectives are met.</p>
2.3	<p>The opinion of Head of Internal Audit is based on internal work undertaken, and completed, alongside emergency measures being implemented because of the Coronavirus Pandemic. These measures have resulted in significant levels of strain</p>

	being placed on normal procedures and control arrangements. The level of impact is also changing as the situation continues. All findings that are found to be of a significant corporate concern have been considered during 2020/21 and are reported within the Annual Governance Statement for this year under areas called Ongoing Governance Issues.
2.4	Section 5 of the Annual Governance Statement (AGS) provides a review of effective governance measures undertaken in the year.
2.5	Appended to this report is the draft AGS for 2020/21 to allow Members the opportunity to review and provide feedback prior to its finalisation. The final version will be reported to the Audit & Governance Committee with the audited Statement of Accounts, currently scheduled for the March 2022 meeting.

3 How to address current situation

3.1	<p>The areas to address in the AGS (1 April 2020 to 31 March 2021) within the Statement have been informed by:</p> <ul style="list-style-type: none"> • the outcomes of internal and external review bodies that report on the Council's effective governance performance during the year; • Corporate Management Team review and assurance (Corporate Governance arrangements); • the AGS Steering Group assessment and progress monitoring; and • changes in Government policy that impact across a wide range of Council's activities.
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4 Reason/s for recommendation

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

Appendices

Appendices:

Appendix A	East Suffolk Council draft Annual Governance Statement 2020/21 (1 April 2020 to 31 March 2021).
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Background reference papers:

Date	Type	Available From
	No papers.	



**Annual
Governance
Statement**

2020/21

DRAFT

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1. SCOPE OF RESPONSIBILITY

1.1 East Suffolk Council's responsibilities are to:

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

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

1.3 East Suffolk Council has produced a [Code of Corporate Governance](#) which is consistent with the principles of the revised CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. The document was reviewed on 14 December 2020 by the Audit and Governance Committee and due to be reported to Full Council in July 2021.

1.4 The AGS also explains how the Council has complied with governance elements within the Accounts and Audit Regulations.

1.5 This document supported the East Suffolk Strategic Plan 2020-24 adopted by Full Council on 26 February 2020.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

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

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

2.4 The governance framework has been in place at the Council for the year ended 31st March 2020 and up to the date of approval of the annual report and statement of accounts.

3. THE GOVERNANCE FRAMEWORK

- 3.1 The Council has committed itself to the pursuit of proper corporate governance throughout its services and to establishing the principles and practices by which this can be achieved. To support this, briefings on topical issues are held to enable Member development.
- 3.2 Corporate governance is the system by which the Council leads, directs and controls its functions and relates to the community and its partners. Through various systems and processes the Council strives to adhere to the principles of good governance: openness, inclusivity, integrity, and accountability.
- 3.3 The Council's governance environment is consistent with the seven core principles of the revised CIPFA/SOLACE framework, pictured below, which illustrates the various principles of the good governance in the public sector and how they relate to each other.

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



- 3.4 Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.
- 3.5 Each of the core principles above have multiple sub principles and the framework in operation is evidenced at Appendix A 'The Council's Governance Assurance Framework', and Appendix B 'Documents/Processes Supporting the Code of Corporate Governance'.
- 3.6 The framework in operation directly supports the Council's five strategic themes, namely economy, communities, financial sustainability, digital transformation and environment.

4. REVIEW OF EFFECTIVENESS

Governance

- 4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Auditor's annual report, and also by comments made by the External Auditor and other review agencies and inspectorates.

External Audit

- 4.2 The Council's auditors, Ernest & Young LLP (EY), independently audit the Council and provide an opinion on the truth and fairness of the financial statements, the Council's use of resources and provide a value for money judgement. In reaching an opinion EY take account of statutory requirements, national standards, their own audit work and the reports of Internal Audit. The Council aims to achieve an unqualified audit opinion for the financial years 2020/21 and will respond to any improvements suggested. No interim recommendations for 2020/21 have been made to date by the External Auditor.

Risk Management

- 4.3 Risk Management covers all services and operations throughout the Council and is continuously monitored and managed across the Council by Corporate Governance Group (CGG) and as part of the governance arrangements for Strategic Plan Delivery Board and Strategic Theme Delivery Teams. The CGG meets at least every quarter and reviews the corporate risk register. Corporate risks continue to be fully integrated into the Council's overall performance management and embedded as part of the Strategic Plan Delivery Board meetings. Risks are also reviewed monthly at each Strategic Theme Delivery Team meeting
- 4.4 The risk management e-learning module is a mandatory requirement for all members of staff and is part of the induction programme for new members of staff.
- 4.5 As part of the ongoing risk management training programme, Zurich Insurance Group delivered, on behalf of the council, risk management training to members on 13 January 2021. The event was delivered to increase knowledge and understanding on risk management (including reporting and responsibilities and achieving objectives of the Council). On 9 November 2020 a session involving CMT focused on Covid-19 and how it impacted on the Council's existing risks and identification of new and emerging risks. Following this session an 'horizon scanning/risk session' was delivered to CMT on 22 January 2021 which reviewed and challenged existing risks and identified new risks. There is also a training programme to ensure risk management needs continue to be met.
- 4.6 The Council's risk management activity is co-ordinated and led by the CGG, chaired by the Chief Executive and supported by CMT members who have delegated responsibilities along with other senior officers. A risk management framework is also in place clearly identifying responsibilities and roles.
- 4.7 An annual report on corporate risk management, including any changes to processes, is reported to the Audit and Governance Committee. The Risk Management Strategy continues to provide details of risk management roles and the responsibilities of individuals and groups across the Council.

Senior Information Risk Owner

- 4.8 Senior Information Risk Owner (SIRO) – The Council has a designated SIRO (the Head of Internal Audit) who has responsibility for the Council's information management (governance) framework and acts as the champion for information risk. The SIRO aims to mirror the model prescribed by central government (Cabinet Office). Following this 'best practice' approach allows for uniformity across the public sector as it strives to meet the competing demands of further transparency and public/private engagement in contrast to increased cybersecurity threats and the need to prevent data leakage. By treating information as a business priority and not as an ICT or technical issues, the Council can ensure that risks are addressed, managed, and capitalised upon.
- 4.9 SIRO Annual Report - The following paragraphs represents the SIRO Annual Report. The main purpose of such reporting and management is to provide accountability and greater assurance that information

risks are addressed.

- 4.10 Risk Register – Information Governance is recognised as a serious risk on the Corporate Risk Register and is regularly monitored, with mitigation plans implemented, when necessary, by the Corporate Management Team and Councillors.
- 4.11 Information Governance – Information is treated as a priority by the Council which acknowledges that information is of value to enable effective and efficient outcomes for all stakeholders.
- 4.12 Data Quality - The importance of data quality is communicated at all levels throughout the organisation, via workshops covering business planning, performance and risk management and report writing, etc. The Council acknowledges that information is a priority, which aids the delivery of its services effectively and efficiently. Moreover, protecting personal data is the overarching responsibility of the Council to meet obligatory legal duties and to fulfil its public service duty to everyone.
- 4.13 Designated Posts – Job Descriptions are appropriate and filled i.e., Data Protection Officer, Deputy Data Protection Officer, and Senior Information Risk Owner, Freedom of Information Strategic Lead, ICT Security Officer. Plus, appointed Information Champions exist across all services.
- 4.14 Policies – Key information governance documents are promoted across the organisation, and some are listed at Appendix B.
- 4.15 Compliance – The Council is currently compliant with the Central Government Public Service Network (PSN) information security requirements (this is a mandatory annual process). The Council acts upon any advice from the Cyber Security Information Sharing Partnership and National Cyber Security Centre. Internal ICT training has been provided to all staff.
- 4.16 General Data Protection Regulations and UK Data Protection Act 2018 – Qualified and experienced staff in post. The impact on GDPR of the exit from the EU is also being closely monitored, and Government guidance on this will be followed.
- 4.17 Personal Data Breaches. The Data Protection Officer has investigated 71 potential personal data breaches, 32 were confirmed breaches. Zero breaches were reported to the Information Commissioners Office (ICO). Data Protection Act – Subject Access Requests and requests for advice has increased significantly, as expected given the change in the law in 2018 and post Brexit data protection amendments to the General Data Protection Regulation. There is recognition that the process of capturing and reporting any breaches is operating effectively.
- 4.18 Freedom of Information Act (FOI) – 3413 FOI requests (including EIR request) were received by the Council in 2020/21 of which 98.6% were answered within 20 days. One case has been referred to the ICO by a customer which is still being investigated. Twelve requests required an internal review (six upheld, four partly upheld, and two not upheld).
- 4.19 Training - Data Protection Act and Freedom of Information Act training is provided throughout the year and forms part of the induction process. Increased cyber security precautions including an e-learning training module for all staff and sponsoring a cyber security qualified officer demonstrates the Council's commitment to good information governance.
- 4.20 Whistleblowing - The Council has a whistleblowing policy, which encourages staff and other concerned parties to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment. Zero whistleblowing cases were reported in 2020-21.
- 4.21 Local Government Transparency Code – The Council provides all information that must be published to comply with this Code by ensuring local people can see and access data covering:
 - How money is spent – for example, all spending transactions over £250, all Corporate Credit Card spend, and contracts valued over £5,000;
 - Use of assets – ensuring that local people can scrutinise how well their local authority manages its assets enabling local people the information they need to ask questions about how their authority is managing its housing stock to ensure it is put to best use;

- Decision making – how decisions are taken and who is taking them, including how much senior staff are paid, and,
- Issues important to local people – for example, parking and the amount spent by an authority subsidising trade union activity.

East Suffolk Strategic Plan

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

Project Management

4.23 The Project Management Framework is fully established and can be adapted according to the scale of a particular project. Advice and support continue to be offered to relevant staff on the application of good project practices, particularly surrounding changes in service delivery.

4.24 A new governance structure has been implemented for projects delivering to the Strategic Plan, approved by full Council in February 2020. Each Theme of the Strategic Plan has a programme delivery team to monitor projects feeding into that theme including to govern the progress and delivery to the objectives. The Digital Theme Programme Team, for example, monitors all ICT and digital projects. All corporate projects and tasks are recorded on service plans to build up the programme for each Theme, covering the whole authority.

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

Contract Management

4.26 Contract Procedure Rules are in place and form part of the Council's Constitution. The Contracts Procedure Rules support effective procurement by setting out key responsibilities and actions that are required when undertaking procurements within the Council. They support officers to meet legislative requirements and to meet the Council's ambitions for procurement, the Council's Procurement Strategy and related policies and procedures.

4.27 Procurement reported the new Procurement Strategy to Cabinet in July 2021 summarising work carried out by cross party group. In addition, an external review by the East of England LGA was commissioned on our Procurement Team and processes to ensure that it is fit for the future and, in particular, implementing the Council's own strategy and the Government draft Procurement Strategy.

4.28 Guidance is published on the intranet, and support is offered by the specialist procurement and legal teams to relevant managers. In addition, a corporate contracts register is maintained by the Procurement Team, and contracts are monitored to ensure effective management. Comprehensive contract manuals are available detailing requirements of contracts, setting out business continuity arrangements, key personnel and key performance indicators.

4.29 A health and safety review has been carried out by an external organisation. A health and safety checklist has been produced for contract managers, and this will be used to carry out audits throughout the year of high-risk areas.

Corporate Governance Group

- 4.30 Membership of the Corporate Governance Group is those officers that hold statutory roles within the Council, such as Head of Paid Service, Monitoring Officer, Section 151 Officer and Head of Internal Audit. The group met regularly to discuss management of:
- finances and governing business (value for money / Medium Term Financial Strategy (MTFS) and budget setting / risk management / internal audit / ethical issues / business continuity);
 - resources (workforce planning / recruitment monitoring / absences / health & safety / asset management); and
 - performance (inspections / business plan / service plans / partnerships / measuring performance / emerging issues).

Head of Internal Audit

- 4.31 The Council's Head of Internal Audit conforms with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit in Local Government, <https://www.cipfa.org/roleofthehia>. The Internal Audit Service is also compliant with the Public Sector Internal Audit Standards. A sound system of internal control and the management of risks are integral elements of the Council's corporate governance arrangements. Based on the findings of the managed audits and governance reviews carried out throughout 2020/21 and considering the current climate in which the Council is operating it is the opinion of the Head of Internal Audit that the Authority's control environment provides **Reasonable Assurance** of sound systems of control. Generally, risks are professionally managed but some areas require internal control improvements to ensure strategic objectives are met.
- 4.32 This opinion is based on internal work undertaken, and completed, alongside emergency measures being implemented because of the Coronavirus Pandemic. These measures have resulted in significant levels of strain being placed on normal procedures and control arrangements. The level of impact is also changing as the situation continues. All findings that are found to be of a significant corporate concern have been considered during 2020/21 and are reported within the Annual Governance Statement for this year under areas called Ongoing Governance Issues.
- 4.33 Internal Audit is an independent and objective function with all audit work carried out in this capacity and in accordance with the Internal Audit Charter, Code of Ethics and Public Sector Internal Audit Standards. The Head of Internal Audit has performed her duties in accordance with CIPFA's guidance on the Role of the Head of Internal Audit. In giving the audit opinion, it should be noted that assurance can never be absolute. The most that can be provided is a reasonable assurance that there are no major weaknesses in risk management, governance, and control processes.
- 4.34 Quantifying the additional risks arising from the current short-term measures or the overall impact on the framework of governance, risk management and control brought about by the Coronavirus Pandemic continues. Ongoing assessments will take place by the Head of Internal Audit and be reported accordingly.

Financial Management

- 4.35 A new set of financial procedure rules were introduced for East Suffolk Council from 1st April 2019. It is planned to review these in mid-2021/22 as part of the implementation of the CIPFA Financial Management Code and a refresh of Financial Management.
- 4.36 The Government had announced proposals for Councils to retain 75% of all locally raised business rates and had intended to consult on Relative Needs and Resources as they look to revise the distribution of core grant from central Government. However, the Covid-19 pandemic has now meant that reforms to the local government finance system have been deferred until 2022/23 at the earliest and the planned national business rates revaluation exercise has also been postponed. The continuation of the current arrangements into 2021/22 is of significant financial benefit to the Council, given its advantageous position under the current system. The Government implemented a wide range of support measures to local authorities, including additional grant and compensation for lost income, mitigating the financial impact of the Covid-19 pandemic to a significant degree. However, there is still a net impact on the Council's General Fund in 2020/21 and some continuing impacts, primarily income reductions in areas such as car parking and increased spend in areas such as leisure provision are forecast in 2021/22. The most significant impacts on the Council's income streams of council tax and business rates are now

anticipated to be avoided as a result of Government support measures, the nature of the economic recession, and Government action to legislate against pandemic-related business rate appeals. Impacts over the rest of the MTF period are uncertain and dependent on the scale and duration of the economic recession, and the speed and nature of economic recovery. Significant changes are likely to be implemented for the New Homes Bonus (NHB), following consultation on replacement of the current scheme, although this has been of reduced importance in recent years.

- 4.37 The MTF report to Council in February 2021 indicates that future years beyond 2021/22 showed continuing budget shortfalls of core funding sources compared with budgeted expenditure. This position will be updated at high level summary level to Cabinet in July 2021 as part of reporting the outturn for 2020/21. Addressing this situation is the key objective of the Financial Sustainability theme of the Strategic Plan, highlighting the importance of continuing to develop and implement entrepreneurial and commercial models, efficiencies and some key changes to service provision in order to be sustainable over the medium and long term.

Chief Finance Officer

- 4.38 In accordance with the 'Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the Role of the Chief Financial Officer in Local Government' (published in April 2016), the Section 151 Officer / Chief Finance Officer, is a professionally qualified Accountant, and is a member of the Council's Corporate Management Team, reporting directly to the Chief Executive and Leader on key strategic finance matters. The Council's financial management arrangements conform with the governance requirements of the CIPFA [Statement on the Role of the Chief Financial Officer in Local Government](#).
- 4.39 In October 2019, CIPFA published the Financial Management Code (FM Code), which provides guidance for good and sustainable financial management in local authorities and will provide assurance that authorities are managing resources effectively.
- 4.40 The FM Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. CIPFA's intention is that the FM Code will have the same scope as the *Prudential Code for Capital Finance in Local Authorities*, which promotes the financial sustainability of local authority capital expenditure and associated borrowing. Although the FM Code does not have legislative backing, it applies to all local authorities, including police, fire, combined and other authorities.
- 4.39 Local authorities are required to apply the requirements of the FM Code with effect from 1 April 2020. CIPFA originally considered that the implementation date of April 2020 should indicate the commencement of a shadow year and that by 31 March 2021, local authorities should be able to demonstrate that they are working towards full implementation of the Code. However, CIPFA has recognised that the pandemic has severely affected the work of local authority finance departments, and although the first full year of compliance with the FM Code is 2021/22, CIPFA has indicated that direction of travel will be important rather than full compliance.
- 4.40 A review of compliance has been carried out and a draft action plan produced categorised by reference to the CIPFA financial management standards. Changes to processes and strategies required by the Code will be implemented during 2021/22, and financial management and financial reporting in the Council refreshed.

Monitoring Officer

- 4.41 The role of the Monitoring Officer is to ensure decisions made are legal and to promote high standards of conduct amongst members.

5. SIGNIFICANT GOVERNANCE ISSUES

- 5.1 In arriving at the areas to address during 2020/21, the Council has been informed by the results of the review of the effectiveness of the governance framework within the Council arising from last year's reports, by the outcomes of internal and external review bodies that report on the Council's performance to date, by undertaking a gap analysis of the seven core principles that underpin delivering good governance in local government, and by consulting Members.

Ongoing Actions – Significant Governance Issues Identified in 2018/19

- 5.2 'Significant Governance Issues Identified and Improvement Plan' outstanding records one carry forward issue identified in the 2018/19 Annual Governance Statement relating to contract. The Council is committed to completing agreed actions.

Ongoing Governance Issues	Progress/Improvement Plan	Status
<p>Contract Management The Council's strategic governance arrangements over contract management requires strengthening specifically around:</p> <p>a) Procurement Strategy b) Contracts Register</p> <p><i>Carry forward from 2017/18 and 2018/19</i></p>	<p>Head of Operations comment: A significant amount of work continued to be undertaken by the service area including:</p> <ul style="list-style-type: none"> • Contracts register now in place and regularly updated. • New Contract and Financial Procedure Rules implemented for East Suffolk Council from 1st April 2020. • Review of major contracts took place, including work being undertaken to review the contract for Norse, and the work to re-procure a leisure contract for East Suffolk. This work has been completed. • Task Group set-up to look at how the council can maximise benefit of council procurement to people in East Suffolk. Group has agreed a new policy for procurement for East Suffolk, which was considered by Cabinet in July 2021. • An external review of the procurement function has been commissioned by the East of England LGA and will be reported by July 2021. • The draft procurement strategy has been prepared and was considered by Cabinet in July 2021. 	<p>Ongoing</p>

Significant Governance issues identified in 2019/20

- 5.3 There were no governance issues in 2019/20 other than ongoing issues identified in 2018/19 (as stated in paragraph 5.2 above).

Other Governance Issues Identified in 2020/21

- 5.4 On the basis of assurance statements produced by the Heads of Service and the Council's Corporate Risk Register (CRR), the Corporate Governance arrangements are adequate and operating effectively. In 2020/21, issues under review with the intention to improve processes in 2020/21 were identified in the following areas:

AGS Action	Issues/Challenges Identified	Progress
External Audit Results Report 2019/20	2019/20 External Audit results reports for East Suffolk Council delayed due to Covid-19 pandemic and	<ul style="list-style-type: none"> • External Audit work was due to commence in August 2020 but was delayed. Planning work began in September and the main audit work was started in November 2020. A significant amount of work

	changes to the Accounts and Audit Regulations.	<p>was undertaken by the Council to ensure accounts were presented ready for audit to be undertaken. The draft Statement of Accounts was published on 10 August 2020, before the 31 August 2020 publication deadline prescribed in the amended Accounts and Audit Regulations.</p> <ul style="list-style-type: none"> • External Audit anticipate sign-off of audit by end of May 2021.
Brexit	Impact of national policy changes on the Council due to Brexit	<ul style="list-style-type: none"> • Extensive engagement with Government departments relating to Brexit. Countywide Brexit Task Group established and chaired by ESC's Strategic Director. Suffolk Public Sector Leaders funding of 2 Brexit advisor posts (hosted by the Suffolk Chamber of Commerce), more recently known as the Suffolk Trade Business Advisers. • Additional funding from FSA and Defra made available. Recruitment/training plans in hand. • Implications of Brexit and identification of possible issues managed by senior management. Business continuity planning in place. • SCPHA plan approved by Cabinet – implementation in progress.
Procurement review	Review procurement in line with council's new procurement strategy, and Government's green paper on post-Brexit procurement rules.	<ul style="list-style-type: none"> • An external review of the procurement function has been commissioned from the East of England LGA and will be reported to Cabinet by July 2021. • This will make recommendations on any changes needed in order to be able to implement East Suffolk Council's Procurement Strategy. • Make recommendations for service improvements where needed.
Delivery of Energy and Sizewell C Projects	Ongoing requirements for Sizewell C and offshore wind projects on resources and impact on Council, the District and wider community.	<ul style="list-style-type: none"> • Mechanism in place for ESC to influence Central Government. • Resource to support projects monitored and reviewed. Additional resource has been made, through PPA's to address capacity, although uncertainty remains relating to future funding. • Senior Officer Group in place looking at Sizewell C and its impact in short, medium and long term. • Detailed negotiations underway with EDF Energy (SZC developer) to ensure adequate local staffing capacity will be funded to co-ordinate interventions to maximise local economic benefit and ensure a strong economic legacy beyond construction phase. Good progress is being made in certain areas agreeing capacity to co-ordinate economic inputs and specialist capacity in areas such as inward investment, supply chain and business support is proving challenging. Discussions continuing.
Covid-19 Pandemic	Impacts from the Covid-19 pandemic upon all service areas within Council, residents, partners, communities, and businesses.	<ul style="list-style-type: none"> • Significant work undertaken to ensure the Council continued to deliver essential services to residents, businesses and communities. Work involved ensuring that those who were most vulnerable received support. • Financial impact on Council's costs and income is monitored and reported on regularly – internally to officers and members, to central Government via

AGS Action	Issues/Challenges Identified	Progress
		<p>monthly returns and information sharing with other Suffolk Local Authorities. The financial impact of Covid-19 is taken into consideration for updating the MTFS and the budget setting process for 2021/22.</p> <ul style="list-style-type: none"> • Systems and processes for paying grants to businesses implemented and administered including establishment of local authority determined Discretionary Grant and Additional Restrictions Grant schemes (within Government guidelines). • Functions and services impacted by Covid-19 including resources reallocating to support grant payments by Finance, Internal Audit, Corporate Fraud and IT teams. Economic Development and Community Teams focused on supporting communities and those most vulnerable and businesses (making high streets safe). Economic Development programme being refreshed to reflect Covid economic impact. • Delay in migrating new version of NAV financial management system due to project being committed to administering Covid-19 Business Grants. • ESC attends Local Resilience Forum Strategic Coordinating Group meetings (multi agency). • Established Tactical Management Team meetings and increased Senior Management Team frequency to deal with Covid-19 and organisational issues. • Remote council meetings implemented to continue ordinary council business. Homeworking and flexible working in place. Package of support available to promote mental health and wellbeing. • Council's interim response to pandemic considered by Scrutiny Committee (15 October and 26 November 2020) which considered Community and Business Support, Homelessness, Emergency Planning, Winter Preparedness, Track and Trace and Communications. • The Council will be monitoring the impact of the transition to long term recovery.
Local Authority Trading Companies	Work continues on business cases for the four trading companies in readiness to begin trading.	<ul style="list-style-type: none"> • The companies are registered as 'Dormant' for tax and accounting purposes however there is now an ambition for these companies to commence trading in 2021/22. • Governance Board commission arrangements to be reviewed before companies become active.
Completed in 2020/21		
Performance Framework (ARP)	Overview Improvement Board (OIB) requested further transparent reporting of performance	<ul style="list-style-type: none"> • Principles of new Framework requirements and links to ARP Strategic Themes agreed in 2019/20. • Framework and dashboard approved by OIB and Joint Committee and improved reporting.

AGS Action	Issues/Challenges Identified	Progress
Leisure Contracts	Review of existing partnership	<ul style="list-style-type: none"> In March 2020, ESC commenced a procurement process for an operator for Waterlane and Waveney Valley Leisure Centres following termination of its contract with Sentinel Leisure Trust. Process temporarily paused due to Covid 19 but resumed Autumn 2020 with new operator procured. New partnership with Everyone Active commenced in January 2021. Refurbishment works to leisure centres completed.

Examples of Good Governance in Operation in 2020/21

5.5 In the period covered by this Annual Governance Statement the following governance actions have taken place:

AGS Action	Good Governance and Improvements	Progress
General Data Protection Regulation (GDPR) Training	Target 100% staff and Councillors to receive refresher GDPR training.	<ul style="list-style-type: none"> Rollout of refresher Data Protection Act/ GDPR training for staff and Councillors. Completed training for staff and ongoing training programme in operation. Training for members planned June 2021 following elections in May 2021.
Corporate Fraud Plan and Internal Audit Plan	Refocussed corporate fraud plan and internal audit plan due to changing risks due to Covid-19	<ul style="list-style-type: none"> Significant anti-fraud work regarding Coronavirus Pandemic grant awards and other corporate anti-fraud activity e.g., cybercrime. Risk based holistic Internal Audit Plan in operation.
East Suffolk Strategic Plan	Strategic Business Plan has been embedded within the organisation and is the driver for everything the Council does.	<ul style="list-style-type: none"> Each of the five themes is supported by a themed group which meet regularly and reports to overarching Strategic Plan Delivery Board. Service Plans in place for each theme. Each theme adapted to take account of impact of Covid 19. Corporate report template updated to ensure appropriate links with Strategic Plan
Digital Transformation	Stakeholder Engagement: Building on customer satisfaction / customer access work. Looking to engage customers to better understand channel choice and channel performance.	<ul style="list-style-type: none"> Further work to be undertaken to upskill staff to engage with customers in a robust manner and understand data collected. Digital transformation a main theme within East Suffolk Strategic Plan and clearly identifies priorities for delivery. Channel shift group set up as part of the Digital Transformation Group. Digitally responded to Covid 19 in terms of Customer Services call centre, changes to IVR call menu, Zoom and MS Teams roll-out, specific emergency web/e-form processes/ updates/new content and support the Full Fibre (Suffolk Cloud project) and Smart Towns initiatives.

AGS Action	Good Governance and Improvements	Progress
Implement CIPFA Financial Management Code	Requirements of the Financial Management Code to be applied with effect from 1 April 2020. 2020/21 was shadow year for full compliance in 2021/22.	<ul style="list-style-type: none"> Review of compliance carried out and a draft action plan produced, categorised by reference to the CIPFA financial management standards. Changes to processes and strategies required by the Code will be implemented during 2021/22, including enhanced budget monitoring and reporting, and review of Financial Procedure Rules tested and embedded during 2020/21. CIPFA recognise the Covid-19 has delayed implementation and direction of progress will be important in 2021/22.
Review of other Partnerships	Review of existing partnerships including contracts to ensure value for money and good service delivery.	<ul style="list-style-type: none"> Ongoing review of major partnerships. Review to be completed June 2021, and recommendations due to be presented to Members in June/July 2021.
Corporate Peer Review	It is recognised that peer reviews are important to good governance and performance of the Council. Corporate Peer Review to be undertaken by LGA.	<ul style="list-style-type: none"> In October 2021 we will have a Remote Peer Support Review and we are currently in discussion with the LGA as to the scope of the review and timeline. The Corporate Peer Challenge will take place in February 2022.
Partnership working with other Councils	Partnerships in place including Building Control, Coastal Management, Internal Audit and Emergency Planning which ensure good governance, resilience and valuable delivery of services.	<ul style="list-style-type: none"> Regular partnership board meetings and aligned working practices. Work ongoing to ensure programmes are met and necessary legislation changes implemented. East Suffolk Building Control play a key part in the Suffolk Group collaboration between East Suffolk, Babergh Mid Suffolk, Ipswich and West Suffolk.
Forums for Towns and Parish Councils	Forums for town and parish councils undertaken to ensure two-way communication relating to planning matters within District and specific local areas.	<ul style="list-style-type: none"> Forums held every six months. One for developers and one for town and parish councils. Due to Covid-19 forums did not take place in 2020/21 but will be re-established in quarter 4 of 2021/22. Identified outcomes and issues are monitored and rectified where appropriate.
Community Partnerships	Community Partnership Board and eight Community Partnerships in place to meet ambitions within East Suffolk Strategic Plan	<ul style="list-style-type: none"> Community Partnership Board oversees governance of Community Partnerships. Regular Community Partnership meetings held. Delivers into East Suffolk Strategic Plan. Each Partnership had funding of £25k and £300k for the Board in in 2020/21. Full spend achieved and report taken to Scrutiny Committee in May 2020.
Corporate Training Plan	Improvements relating to Corporate Training Plan	<ul style="list-style-type: none"> Corporate training plan continues to provide training to meet identified individual/team needs. Working closely with Strategic Plan Theme Delivery Groups to align corporate training plan to organisational priorities.

AGS Action	Good Governance and Improvements	Progress
Management Development Programme	Ongoing management development programme in place.	<ul style="list-style-type: none"> Given the pandemic and number of vacancies/ absences in Corporate Management Team, the senior management development programme has been temporarily paused and will resume when the vacancies have been filled.
Member Development	Charter Plus status adopted for Member Development	<ul style="list-style-type: none"> East Suffolk Council adopted "Charter Plus" status for Member Development at its first Council meeting on 22 May 2019. A Member Development Strategy and Action Plan was approved by full Council in July 2020.
Staff Wellbeing	Health and wellbeing resources available to all staff.	<ul style="list-style-type: none"> Access to health and wellbeing information on Council's internal intranet. Up to date wellbeing information on topics such as domestic violence, anxiety, sleep, depression, money and debt advice. Care First website available. Mental first aiders in place. Regular managers bulletins focusing around staff wellbeing (e.g. 24 hour counselling).
Review of Safeguarding within Council	Our commitment to safeguarding is audited on an annual basis by the Suffolk Safeguarding Partnership.	<ul style="list-style-type: none"> Safeguarding is internally communicated through the Services for All Group and through regular training.
Waste Management Strategy	The council needs to identify opportunities and challenges arising as a result of the Resources and Waste Strategy (RAWS)	<ul style="list-style-type: none"> Overview to be reported to Cabinet in June 2021. ESC appointed external waste specialist to advise on implementation of RAWS, and impact on the council. ESC due to recruit permanent lead for waste services. This is anticipated to give the council better oversight of policy and improve controls that the council has over the service. Post anticipated to start October 2021.
FOI Improvement Plan	Continue to implement work identified in the recent FOI review (undertaken with working partners – Audit and Legal Services) to improve processes internally and externally.	<ul style="list-style-type: none"> Work is well underway in respect of process (to move to a more automated system) and providing clear guidance to all involved. Work now on track and continuous cycle of improvement embedded across the 3 departments with responsibility for this area.
Implement Customer Charter	Set out Customer Standards to ensure ESC delivers clear, accessible consistent service to all customers.	<ul style="list-style-type: none"> Draft has been signed off and to be released in Summer 2021.
Governance arrangements and operation (ARP)	<p>Joint Committee and Operation Improvement Board (ARP)</p> <p>Various groups inform and direct ARP to ensure corporate needs for each Council are met.</p>	<ul style="list-style-type: none"> Both groups maintained oversight of performance in all areas. GDPR group (GDPR officer from each Council) meet with ARP regularly to discuss protocol and any breach Customer Strategy Group meets regularly to ensure that link between front end and Back end (ARP) is seamless for customers and looks to improve online offering.
Carbon neutral by 2030	ESC Climate Action Plan sets out recommended actions	<ul style="list-style-type: none"> First draft of ESC Climate Action Plan had been developed with steer from the Environment Task

AGS Action	Good Governance and Improvements	Progress
	required for the Council to progress towards its aspiration declared in 2019 to become a carbon neutral organisation by 2030.	Group.
Lowestoft Place Board	ESC established the Lowestoft Place Board to oversee and provide strategic direction on the development and delivery of the Lowestoft Town Investment Plan.	<ul style="list-style-type: none"> • Board comprises of local, regional and national stakeholders representing business, public and CVS sectors and has an independent chair. ESC is represented by Deputy Leader, provides secretariat and officers provide technical support. • Board agreed the Lowestoft Town Investment Plan and projects which we successfully put forward for the Towns Fund award. They will provide oversight and direction of the delivery of these projects over next 5 years.
Freeport East	ESC is the Accountable Body and Lead Authority for the Freeport East initiative. Freeport East is one of eight Freeports nationally established by the Government in March 2021. It covers a contiguous area encompassing the ports of Felixstowe and Harwich and provides a range of business investment incentives in specified tax and customs site to encourage economic growth.	<ul style="list-style-type: none"> • As Accountable Body/Lead Authority ESC is responsible for holding any monies associated with Freeport East, hosting Freeport East staff and acting as main conduit to MHCLG on financial, legal and governance issues. Due to initiative in early stage the extent of responsibilities is subject of discussion with MHCLG. • An interim CEX and chair had been appointed and a draft governance model agreed by the shadow Freeport East Board and submitted to MHCLG for approval. The shadow board also agreed a draft implementation plan and risk register. These two documents will form the basis of the business plan and must be agreed with MHCLG before Freeport East can become operational. Business case phase will only commence once MHCLG agree governance model. Appointment of a permanent CEX and Chair will also only take place after this milestone. • Agreement of the governance model will trigger release of £200k to support business case development.
Data-led services and performance monitoring	A planned programme of work has been established to create performance dashboards for each theme of the Strategic Plan, to understand how we are performing as an authority.	<ul style="list-style-type: none"> • Using data to improve and address issues and aid transparency in accessing information on our performance measures. • Significant work underway to progress and develop dashboards. • Projects using data (e.g. LIFT project and Community Partnerships)
Digital Strategy	A new Digital Strategy is being produced to underpin the Digital Theme of the Strategic Plan to govern the way in which we will work as authority from a digital perspective.	<ul style="list-style-type: none"> • New Digital Strategy being implemented and will be rollout across the Council.

AGS Action	Good Governance and Improvements	Progress
Completed in 2020/21:		
E-enabled consultation on all planning applications	E-enabled consultation on planning applications to improve service delivery and processing.	<ul style="list-style-type: none"> • Successfully Implemented in April 2020. • All details and information accessible via the Council's website.
Workforce Values	Work being undertaken to continue to embed the corporate values, including review of the People Strategy in 2020.	<ul style="list-style-type: none"> • Strategy reviewed and updated following a number of staff engagement workshops which took place in October 2020.
Coastal Change Supplementary Planning Document across ES, GYBC and NNDC	Guidance for developers and local communities to support the implementation of Local Plan coastal change policies	<ul style="list-style-type: none"> • Initial consultation completed 16 October 2020. Draft document being prepared.
Assets included on GGP and Uniform	Details of assets (including properties) owned by ESC included on GGP and Uniform.	<ul style="list-style-type: none"> • Assets mapped on GGP and details held on Uniform relating to each property/asset owned by ESC. • Work continues to ensure information is accurate and update to taken. • Internal Audit undertaken assurance review outcome in future.
Cashless payment facilities in all Car Parks	All ESC car parks to have cashless payment facilities.	<ul style="list-style-type: none"> • Undertook full review of existing car parking systems and facilities. Identified improvements/efficiencies which could be achieved by cashless payments. • Most recent data indicates cashless payments increased from 5% in 2019 to 30% in 2021.
Asset Management Strategy (2019-2023)	Asset Management Strategy sets out high-level strategic framework for managing our non-residential property portfolio effectively for four years. It will guide future strategic property decisions to ensure we manage our property portfolio sustainability and efficiently.	<ul style="list-style-type: none"> • Approved by ESC Cabinet in July 2019. • Asset Management Strategy clearly identifies Key Performance Indicators which will be monitored. • Asset Management Group meets regularly and has clearly defined objectives and aims that are detailed within the terms of reference ensuring the Council's assets are governed appropriately.

Leisure Operations

- 5.6 During the course of 2019/20 there were two developments concerning the Council's relationship with related parties and associated companies which will entail governance changes during the course of 2020/21. Waterlane and Bungay Leisure Centres had been operated by Sentinel Leisure Trust since 2011.
- 5.7 As part of a contract review, East Suffolk Council gave Sentinel 12 months' notice in respect of the Waterlane Leisure Centre in October 2019. In respect of the Bungay Leisure Centre, Sentinel were given 12 months' notice of a major re-development in June 2019.
- 5.8 East Suffolk Council carried out a procurement exercise during 2020, with a nine year contract being awarded in December 2020 to Everyone Active. This was a contract to operate both Water Lane and Bungay Leisure Centre.

5.9 Bungay Leisure Centre was renamed Waveney Valley Leisure Centre upon completion of the redevelopment.

5.10 Commercial Partnerships

East Suffolk Holdings Limited

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

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

5.12 East Suffolk Holdings is the sole shareholder of East Suffolk Construction Services Limited, East Suffolk Property Developments Limited, and East Suffolk Property Investments Limited, all of which were incorporated on 26 November 2019. Two Council employees, Andrew Jarvis (Strategic Director) and Nicholas Khan (Strategic Director) are named as Directors of all three of these companies. All these companies were dormant in 2020/21 and are intended to commence trading in 2021/22.

5.13 Impact of Covid-19

During 2020/21, the Coronavirus pandemic resulted in nationwide lockdowns and an emergency response, which significantly impacted our 'business as usual' service delivery and alternative models were used to deliver critical services. This had an impact on the Council's governance arrangements. The impacts on governance will fall into the following broad categories:

- Impact on business as usual delivery of services;
- New areas of activity arising from the national response to coronavirus and any associated governance issues;
- Funding of financial implications and logistical consequences of delivering the local governance response;
- Assessment of the long-term disruption and consequences arising from the coronavirus.

In the last week of March 2020 over 170 members of staff were diverted to Covid-19 related work. The cost associated with staff time diverted to Covid-19 is estimated at over £995,000 for the 12 month period since April 2020. This includes activities such as, supporting communities, administration

During the lockdown period, temporary governance arrangements were put in place to allow for essential decision-making, either by making changes to the Scheme of Delegation to Officers, or by relying on the cascade of delegations to Officers in the Council's Constitution. Examples of this included:

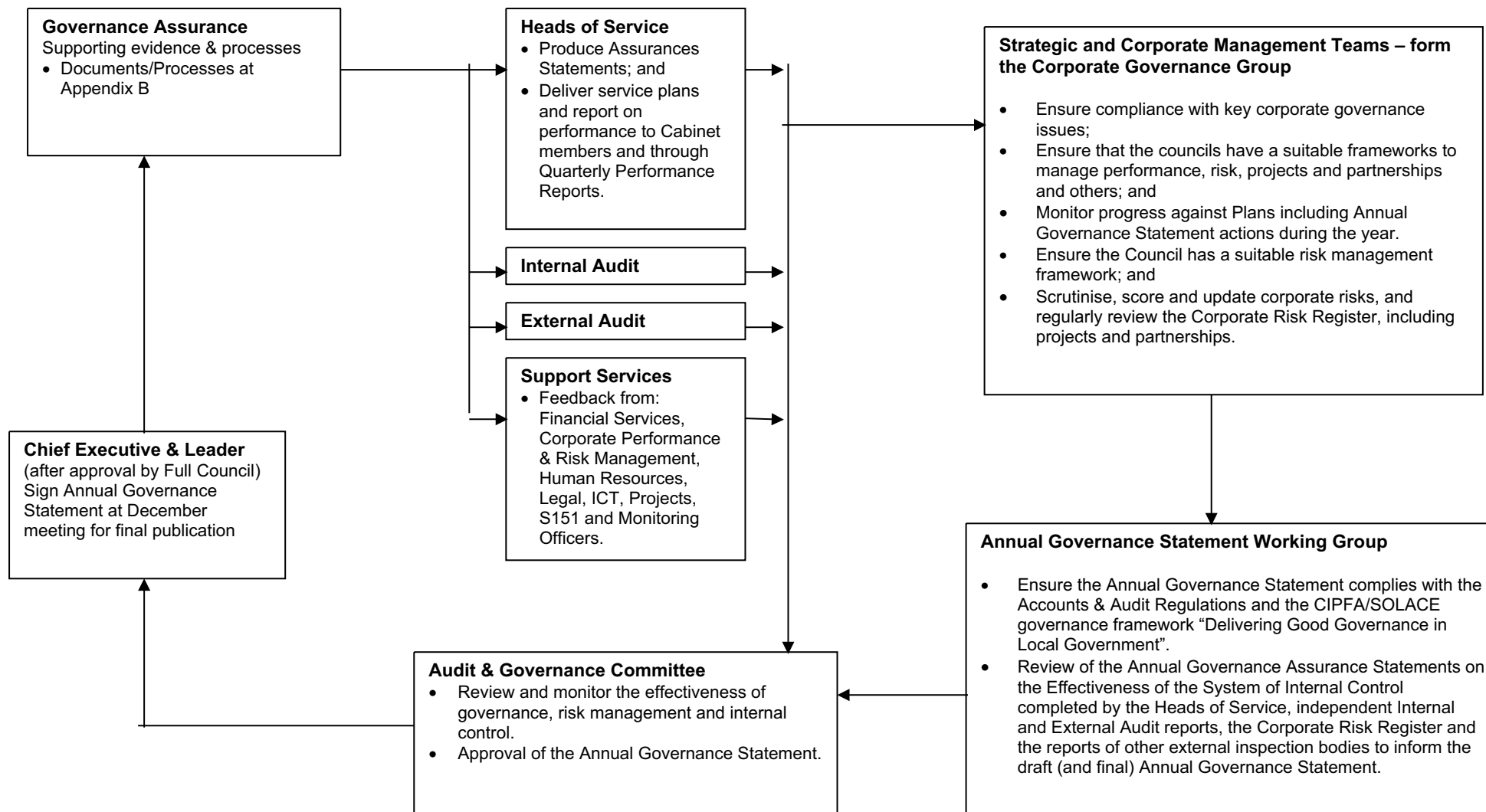
- Officers being able to make financial decisions up to £250K in consultation with the relevant Portfolio Holder.
- All development control decisions being delegated to the Head of Planning and Coastal Management, acting in consultation with Advisory Panels of Members.
- Some few formal meetings being cancelled during the early weeks of the lockdown whilst regulations were awaited from Government to allow meetings to be held remotely.
- Remote meetings were held from 6 May 2020 onwards, the relevant regulations to allow for this came into force on 4 April 2020. Following the end of this Regulation in May 2021 statutory function meetings were no longer required to be held remotely.

6 **ASSURANCE BY CHIEF EXECUTIVE AND LEADER OF THE COUNCIL**

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

Post	Signature	Date
Stephen Gallant Leader of the Council		
Stephen Baker Chief Executive		

The Council's Governance Assurance Framework



DOCUMENTS/PROCESSES SUPPORTING THE CODE OF CORPORATE GOVERNANCE

<ul style="list-style-type: none"> • Access and Customer Care Strategy • Air Quality Consultation • Air Quality Reports • Annual audit letters • Annual Governance Statement • Anti-Bribery Policy and Procedure • Anti-Money Laundering Policy • Anti-Fraud and Corruption Strategy • Asset Management Strategy 2019-24 • Assurance Statements • Audit & Governance Committee • Budget process • Business case appraisal process • Business Continuity Plan • Capital Programme • Capital Strategy • Code of Corporate Governance • Committee reports, agendas and minutes • Compliance and Enforcement Policy • My Conversation Managing Performance – people • Compliments, Comments and Complaints Policy • Complaints process and procedure • Contaminated Land Strategy • Contracts Register • Corporate Governance Group • Corporate Risk Register • Constitution <ul style="list-style-type: none"> - Part 2: Functions and responsibilities (including Scheme of Delegation) - Part 2: Terms of reference for committees - Part 3: Council Procedure Rules (contracts, budget & policy framework, financial, employment, meetings, scrutiny) - Part 4: Codes and Protocols - Part 4: Members’ Code of Conduct - Part 4: Officers’ Code of Conduct - Part 4: Suffolk Local Code of Conduct - Part 5: Members’ Scheme of Allowances • Council newsletter • Council website • Customer feedback process • Data Protection Policy • Data Quality Strategy • Digital Strategy 	<ul style="list-style-type: none"> • East Suffolk Strategic Plan (2020-2024) • East Suffolk Economic Growth Plan 2018-2023 • East Suffolk Housing Strategy 2017-2023 • East Suffolk Partnership priorities • East Suffolk People Strategy • East Suffolk Quarterly Performance Reports • Economic Growth Plan • Economic Development Delivery Plan • Efficiency Plan • Efficiency Strategy • Enabling Community Strategy • Enabling Communities Delivery Plan • East Suffolk Environmental Policy • Equality & Diversity Policy • External audit (and other reviews) • Felixstowe Town Forward Improvement • Financial procedure rules and standing orders • Financial services • FOI and EIR request performance statistics • Freedom of Information • Green Infrastructure Strategy • Head of Internal Audit • Head of Paid Service • Health and Safety Officer • Human Resources • Health and Safety Policy • Health and Safety policies • Housing Strategy • ICT Strategy and action plan • ICT Acceptable Use Policy • ICT Security Policy • Independent remuneration panel • Internal audit • JNC terms & conditions • Job evaluation process • Job descriptions • Joint Emergency Response Plan • Key decisions • Law & governance • Leisure Strategy • Licensing Policy • Local Plan • Local Government Ombudsman (report) 	<ul style="list-style-type: none"> • Medium Term Financial Strategy • Member training • Member Communication Guidelines • Member Development Strategy • Modern Slavery and Human Trafficking Statement • Monitoring Officer • Neighbourhood Plans • Our Values • Partnership framework • Pay Policy Statement • Petty Cash Policy • People Strategy • Performance Management (business) framework (including service plans) • Private Sector Housing Strategy • Procurement Forward Plan • Procurement regulations • Procurement Strategy • Prudential code • Record of decisions • Record Retention Policy • Recruitment Policy • Register of Councillors’ interest • Risk management process • Risk Management Strategy • S151 Officer • Safeguard Policy • Salary scales • Senior management remuneration report • Service plans • Staff surveys • Social Media Enterprise Project • Social Media Policy • Social Value Policy • Statement of Accounts • Suffolk Care Leavers Policy • Suffolk Code of Conduct • Suffolk Growth Strategy • Temporary Accommodation Policy • Timetable of council meetings • Tourism Strategy • Transparency publications • Training programs • Treasury Management Strategy • Treasury Management Policy Statement • Whistleblowing Policy • Workforce development and plans
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Blue = Available on Internet / Purple = processes / Green = Internal Use



AUDIT & GOVERNANCE COMMITTEE

Monday, 28 June 2021

Subject	CORPORATE FRAUD ANNUAL REPORT 2020-21
Report by	Councillor Maurice Cook, Cabinet Member with responsibility for Resources; and Councillor Richard Kerry, Cabinet Member with responsibility for Housing
Supporting Officer	Mrs Siobhan Martin Head of Internal Audit siobhan.martin@eastsuffolk.gov.uk 01394 444254

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

Purpose and high-level overview

Purpose of Report:

This report provides a summary of the performance of the Corporate Fraud Service for the period 1 April 2020 to 31 March 2021.

Options:

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

Recommendation:

That the Audit and Governance Committee comments upon the performance of the Corporate Fraud Service for the year 2020/21.

Corporate Impact Assessment

Governance:

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

ESC policies and strategies that directly apply to the proposal:

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

Associated policies are the Council's Covert Investigation Policy and Anti-Money Laundering Policy.

Environmental:

There are no known environmental impacts arising from this report.

Equalities and Diversity:

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

Financial:

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

Human Resources:

There are no known human resources implications arising from this report.

ICT:

There are no known ICT implications arising from this report.

Legal:

The Corporate Fraud Service conducts investigations in accordance with the Police and Criminal Evidence Act 1984, Criminal Procedures and Investigations Act 1996, Data Protection Act 2018, General Data Protection Regulation 2018, Human Rights Act 1998, Regulation of Investigatory Powers Act 2000, Investigatory Powers Act 2019, Criminal Justice Act 2003, Social Security Administration (Fraud) Act 2001, Council Tax Reduction

Scheme (Regulations) 2012, Bribery Act 2010, Prevention of Social Housing Fraud Act 2013, Proceeds of Crime Act 2002, Money Laundering & Terrorist Financing (amendment) Regulations 2019 and the Criminal Finance Act 2017.

Risk:

This report provides the results of the Council’s response to fraud risk management during 2020/21. The provision of an effective Corporate Fraud Service reduces the Council’s risks related to fraudulent activity.

External Consultees:

Consultation has taken place with the Council’s external auditor, Ernst & Young.

Strategic Plan Priorities

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

XXX	Governance		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>
How does this proposal support the priorities selected?			
The embedding of strong safeguards for countering fraud and corruption supports good governance and demonstrates effective financial management.			

Background and Justification for Recommendation

1 Background facts	
1.1	East Suffolk Council has a zero-tolerance approach to fraud and corruption, and has a dedicated Corporate Fraud Service with a comprehensive programme of proactive and reactive anti-fraud work.
1.2	The Corporate Fraud Team will investigate any aspects of fraud activity relating to the Council, partnerships and their services, whilst considering the risk of loss to the Council, loss of the services to its residents and reputational damage this may cause.
1.3	The Corporate Fraud Service consists of a Manager, two Investigation Officers (full time) and an Intelligence Officer (part-time) directed by the Head of Internal Audit. The Head of Service is a Senior Appropriate Officer, accredited by the National Crime Agency (NCA) and one Investigation Officer is an Accredited Financial Investigator. This provides the Council with an opportunity to recoup financial losses from fraudulent activity and another specific area of work.
1.4	The Internal Audit and Corporate Fraud Services have a contract with Ipswich Borough Council. This provides additional resources if required, as well as the services of two further Accredited Financial Investigators and one Financial Intelligence Officer.
2 Current position	
2.1	Each year the Corporate Fraud Service expects to recover at least two times the cost of the Service from preventing fraudulent cases or identifying fraudulent payments for recovery. Full details of the value of the anti-fraud work carried out during 2020/21 can be seen in the appendix to this report.
3 How to address current situation	
3.1	The Council will continue to uphold its zero-tolerance approach in working towards the prevention, detection and prosecution of fraud and corruption, as set out in the Corporate Anti-Fraud Business Plan 2021/22 presented to the Committee in March 2021.
4 Reason for recommendation	
4.1	This report is being presented to the Audit & Governance Committee to ensure the Committee is apprised of the Corporate Fraud work and performance over the last year, and in accordance with the Committee's terms of reference which stipulate (amongst other functions) that the Committee shall: 'Review the assessment of fraud risks and potential harm to the Council from fraud and corruption; and

	Monitor the counter-fraud strategy, activity and resources’,
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Appendices

Appendices:

Appendix A	Corporate Fraud Annual Report 2020/21
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Background reference papers:

Date	Type	Available From
June 2020	Corporate Anti-Fraud Business Plan 2020/21	Head of Internal Audit



CORPORATE FRAUD ANNUAL REPORT 2020/21

1 INTRODUCTION

- 1.1 East Suffolk Council has a dedicated Corporate Fraud Service and has an overall zero-tolerance approach to fraud and corruption. The Team had a comprehensive programme of proactive and reactive anti-fraud work which was approved and due to be undertaken in 2020/21. However, due to the impact of the Covid-19 pandemic from March 2020 and curtailment of external fraud work, Right to Buy (RTBs), tenancy visits etc, this programme was severely affected up to the current date. The Team had to undertake new working practices in times of uncertain risks and challenges.
- 1.2 The Corporate Fraud Service core function is to investigate any aspects of corporate fraud activity relating to the Council, its partnerships and their services, considering the risk of fraud and error and loss to the Council and reputational damage this may cause. Large anti-fraud focus this year relates to the Government's Covid-19 Business Grants, whereby fraud increased by over 400% in the first few months of the Covid pandemic nationally.
- 1.3 A continued focus during 2020/21 has been to maintain working relationships and closer liaison across specific service areas to widen the scope of the Corporate Fraud Service to provide fraud awareness training to show how fraud could permeate into their areas of work. This has been very apparent with the Covid Business Grants, and the Team were able to demonstrate their value in the confidential avenues of enquires they could undertake to ascertain certain fraudulent activity and provide confidential national intelligence to either recommend or not recommend payments of these grants.

2 RESOURCES

- 2.1 The Corporate Fraud Service consists of one full time Manager, two full time Investigation Officers and a part time Intelligence Officer. The Service works across East Suffolk Council, and sits within Internal Audit Services under the direction of the Head of Internal Audit and Fraud. The Head of Service is an Accredited Senior Appropriate Officer, and one Officer is an Accredited Financial Investigator, both authorised by the National Crime Agency (NCA) which provides the Council with an opportunity to recoup financial losses because of fraudulent activity.
- 2.2 The Internal Audit and Corporate Fraud Services have a contract with Ipswich Borough Council. This provides additional resources if required, as well as the services of two

further NCA Accredited Financial Investigators, if required.

- 2.3 Each year the Corporate Fraud Service expects to recover at least twice the cost of the Service from preventing fraudulent cases or identifying fraudulent payments for recovery. The Service cost £187k in 2020/21. The value of anti-fraud work is a combination of qualitative value, i.e., the value placed upon deterrent activity, plus financial values of the opportunity costs saved, and this equated to £1.8 million in 2020/21.

3 PERFORMANCE / OUTTURN

- 3.1 The Head of Internal Audit directs and monitors the overall performance of the Corporate Fraud Service. The day-to-day management of the Service resides with the Corporate Fraud Manager. This report represents the performance/outputs of the Corporate Fraud Service during 2020/21. It is acknowledged that East Suffolk Council has retained its social housing stock, and due to the Covid restrictions the fraud work has been restricted in this area under the Prevention of Social Housing Fraud Act 2013 and the Right to Buy (RTB) regulations. Some cases have an element of other irregularities e.g., Council Tax Single Person Discount (SPD), Local Council Tax Reduction Scheme (LCTRS), RTB (non-entitled) etc which are usually dealt with by this Team.

- 3.2 The Corporate Fraud Service investigated a limited variety of fraud cases which the Council was vulnerable to during the period April 2020 to March 2021 including:

- Covid Business Grants *
- Right to Buy *
- Social Housing Fraud (Prevention of Social Housing Fraud 2013) *
- Gateway to Home Choice applications
- Local Council Tax Reduction Scheme
- Council Tax Reduction Scheme
- Single Person Discount
- National Fraud Initiative – statutory Government led-exercise)

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

- 3.3 We have recorded a total of 93 Corporate Fraud referrals for this year.
- 3.4 The Anglia Revenues Partnership (ARP) delivers revenue and benefit services for the Council and have also contributed positively to anti-fraud activity and Appendix A.1 details their declared results, which are a mixture of application error, non-compliance, proactive exercises, and fraud.

4 GOVERNMENT COVID BUSINESS GRANTS

- 4.1 The Corporate Fraud Team along with Audit colleagues assisted with due diligence fraud checks, intelligence gathering and identifiable fraud issues providing recommendations to the Covid Team to request further documentation and/or enquiries to be undertaken prior to granting the Government Covid Emergency Business Grants to those eligible to receive this grant. The Team were able to demonstrate their value in the confidential avenues of enquires they could undertake to prevent and detect certain fraudulent activity and provide confidential national fraudulent intelligence to either recommend or not recommend payment of these grants. The grants the Team were involved in related to the following:

- Small Business Grant Fund
- Retail, Hospitality and Leisure Grant Fund

- Local Authority Discretionary Grant Fund
- Local Restrictions Support Grant
- Additional Restrictions Grant
- Restart Grants from 1 April 2021 (considerable risk preventive work was undertaken prior to the commencement date.)

5 RIGHT TO BUY (RTB)

- 5.1 A vital area of work undertaken by the Corporate Fraud Service this last year has been curtailed due to the Covid restrictions for a substantial amount of the year. When these restrictions were gradually lifted the Team continued to operate a robust “due diligence” reference check on all “Right to Buy” (RTB) application forms submitted during this period, along with our colleagues from the RTB Team. The application forms were still being accepted and logged by the RTB Team from March 2020, however due to the Covid pandemic no audit, site visits or interviews took place until later in the year. However, we still recorded 45 Right to Buy Applications from April 2020 to end March 2021. The Fraud Team requested the relevant ID/bank documentation etc prior to the interview of the tenant(s) or family members which then took place via Zoom or Skype, to ensure the due diligence money laundering checks were undertaken. Under the Proceeds of Crime Act 2002 and the Money Laundering & Terrorist Financing and Transfer of Funds Regulations Act 2017, financial checks must be undertaken to ensure that social housing is not being purchased under the RTB legislation using criminal assets. Following the relaxation of the Covid restrictions the RTB Team and Fraud Team have been inundated with RTB applications from tenants wishing to purchase their social housing.
- 5.2 The Corporate Fraud Service undertakes due diligence checks on the following for each RTB case referred by Tenancy Services:
- Tenant’s legal right to buy the property
 - Tenant’s residence at the property
 - Verify source of funding, including funds from third parties (including gifts/loans)
 - Interviews with tenants and any third parties
 - Identity verification.
- 5.3 No Council RTB property is sold unless the Corporate Fraud Service is satisfied that the tenant’s identity, circumstances, and finances have been derived from legitimate sources.
- 5.4 Figure 1 below provides details of all referrals made to the Corporate Fraud Service in 2020/21 and the ultimate results of each case.

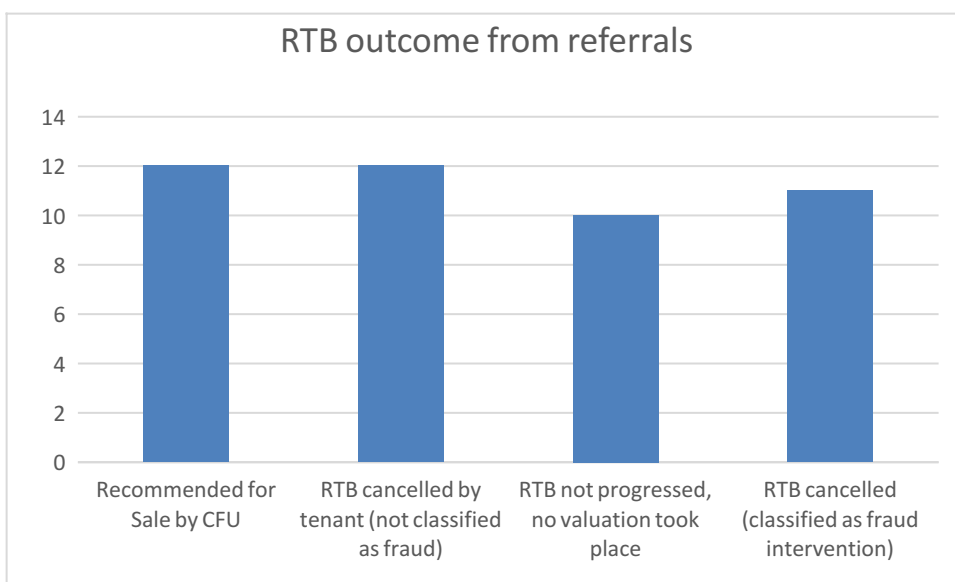


Figure 1: Outcomes of Right to Buy cases following their referral to the Corporate Fraud Service

5.5 As shown in Figure 1, as expected due to the turmoil and uncertainty of Covid, several RTB applications submitted during April 2020 to 31 March 2021 did not progress following referral to the Corporate Fraud Service. These have been classified into three areas, (a) those cancelled with an aspect of fraud intervention, (b) Those cancelled by the tenant for varying reasons (such as uncertainty and/or lack of funds) that were notified, and (c) those that have not undergone additional verification by the Corporate Fraud Service and no valuation took place:

- (1) 11 RTB applications have been classified as cancelled with an aspect of fraud intervention despite fraud reminders and no evidence submitted as to why this did not proceed further. As a result, these properties, with a market value of £1,674,000, remain part of the Council's housing portfolio due to the intervention of the Corporate Fraud Service.
- (2) 10 RTB applications have been cancelled without fraud intervention. These applications did not progress, and no valuation was undertaken. They had a market value of £1,700,000 (based on Zoopla figures). These properties remain part of the Council's housing portfolio.
- (3) 12 RTB applications cancelled by the tenant (not classified as fraud). They had a market value of £1,813,500. These properties remain part of the Council's housing portfolio.
- (4) 12 RTB applications were recommended following satisfactory interviews, financial and residency checks. The combined market value of these 12 properties was £1,775,100. Following the application of relevant discounts totalling £837,595 the income due to the Council from these agreed sales was £937,505.

5.6 Figure 2 below shows the East Suffolk Council geographical areas where the RTB sales were recommended to proceed, breaking down the agreed price and discount applied per geographical area.

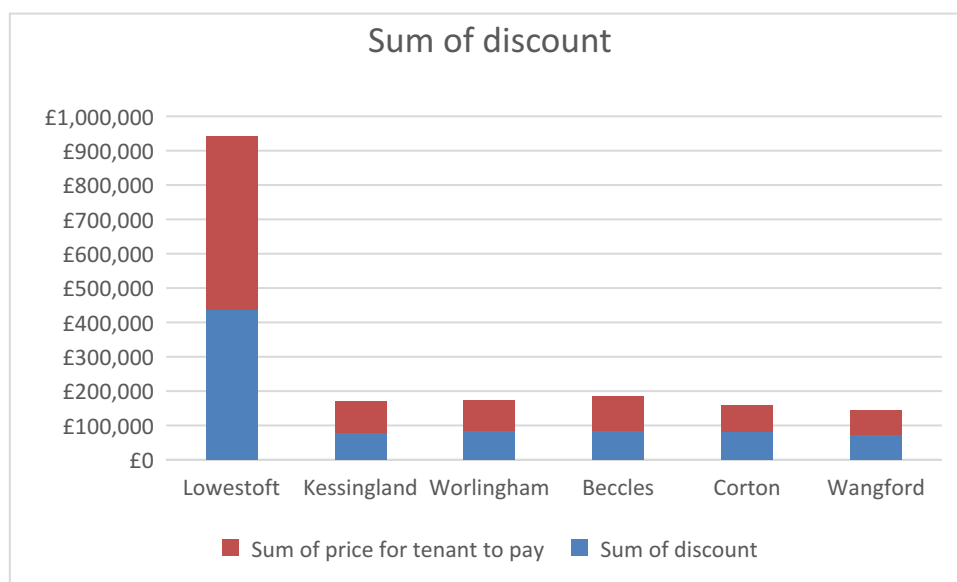


Figure 2: Sale price by geographic area, broken down by discount and sale price due to the Council

6 SOCIAL HOUSING FRAUD (TENANCY FRAUD)

- 6.1 Social housing fraud deprives legitimate tenants of access to affordable homes and has a direct impact on local people, their families, and communities. No more so than during this pandemic when accommodation was at a premium and councils struggled to find accommodation suitable for homeless people, as per the Government's Emergency Covid Regulations.
- 6.2 The Corporate Fraud Service has received 22 case referrals in the area of suspected Tenancy Fraud which have been/are currently being investigated. The Service has received external public fraud referrals re other Social Housing Associations. The Council has additional powers under the Prevention of Social Housing Fraud Act 2013 to undertake financial/household enquiries to prevent fraudulent activity to establish whether any criminal offences have been committed in respect of the tenancy (not living in the property as their main and principal home etc). Currently Social Landlords do not have these powers.
- 6.3 The Cabinet Office National Fraud Initiative (NFI) calculation methodology advise the notional value of £93,000 per property recovered based on the average four-year fraudulent tenancy and an estimate of the duration that the fraud may have continued undetected. This includes temporary accommodation for genuine applicants; legal cost to recover property; re-let cost; and rent foregone during the void period between tenancies.
- 6.4 Within the last year, of the cases reviewed (some current), two properties were returned to the housing stock, due to investigation joint checks by the Investigator and Housing Officer. The prevention of potential financial loss to the Council per property recovered is calculated using the National Fraud Initiative figures as above.

Tenancy recovered	No	Value
Notional Savings x2 @ £93,000	2	£186,000
	Total	£186,000

7 OTHER INVESTIGATIVE AREAS

7.1 The Corporate Fraud Service also investigate other areas shown below (along with another case classification) which to date have resulted in savings as follows:

7.2 **Council Tax – Single Person Discount**

SPD	No	Value
	6 cases	£1,867.08
Total		£1,867.08

7.3 **Housing Benefit**

Housing Benefit	No	Value
Housing Benefit overpaid	4 cases	£10,397.05
Total		£10,397.05

7.4 **Community Infrastructure Levy Scheme**

CIL payment	No	Value
None adhering to CIL regulations	1 case	£2,619.31
Total		£2,619.31

7.5 **Local Council Tax Reduction**

LCTR	No	Value
	2 cases	£1,689.56
Total		£1,689.56

7.6 **National Non-Domestic Rate Small Business Rate Relief Savings**

NDR SBRR Savings	No	Value
Not compliant	4 cases	£22,469.99
Total		£22,469.99

7.7 **Council Tax**

Council Tax	No	Value
	1 case	£478.62
Total		£478.62

7.8 **National Fraud Initiative**

The Corporate Fraud Service continues to participate in the 2020/21 Cabinet Office National Fraud Initiative (NFI) data matching exercise, which is currently ongoing.

8 EMBEDDING AN ANTI-FRAUD CULTURE (VARIOUS ASPECTS)

8.1 Through the strategic lead of the Head of Internal Audit, the Corporate Fraud Service (East Suffolk Council and Ipswich Borough Council) have co-operated in the development of common processes, policies, and training throughout the last year. The Anti-Fraud and Corruption Strategy has been reviewed, along with the Regulation of Investigatory Powers

Act 2000 (RIPA) Policy and the Whistleblowing Policy.

8.2 The Regulation of Investigatory Powers Act 2000 (RIPA) and Investigatory Powers Act 2016

- 8.2.1 The Head of Internal Audit and Fraud is the Council's single point of contact for The Surveillance Commissioner for information gathered under the RIPA Act or the Investigatory Powers Act 2016, relating to relevant data etc, before being submitted to the National Anti-Fraud Network for consideration and approval. The Strategic Head is answerable to the Surveillance Commissioner and returns are submitted to them on a yearly basis and as a result an inspection is undertaken by the Commissioner every two years. The Corporate Fraud Service management organises relevant RIPA/IPA training for all the Council's Enforcement Officers who are in this field of work.
- 8.2.2 In the year 2020 to 2021 East Suffolk Council submitted a NIL Return for surveillance requests completed by the Head of Internal Audit to the Surveillance Commissioner.

8.3 Council Members

- 8.3.1 All Council Members were given an opportunity to attend a Fraud and Corruption Awareness training session delivered via Zoom on 26 October 2020, by an external specialist provider. It is anticipated that further fraud awareness sessions will be delivered in 2021/2022.
- 8.3.2 To negate the possible fraud risks in respect of recruitment (such as allowing someone to be employed based on false documentation), Fraud management are currently creating a fraud awareness on-line training session for all new employees. This is to ensure understanding of what constitutes fraud risks not just for the local Council but the county and wider community and to report any issues to the Corporate Fraud Team.
- 8.3.3 All the Corporate Fraud Officers are members of the National Anti-Fraud Network and the Local Authorities' Intelligence Officers Group. These proved valuable though the Covid pandemic as National Fraud intelligence alerts were regularly disseminated to the relevant Teams to identify Covid scams that were prevalent during the pandemic.
- 8.3.4 A representative of the Fraud Team attends the Council/Landlord Stakeholders meetings, to promote the **Fraud Hotline of 01394 444444** and the email of **fraud@eastsoffolk.gov.uk**.

8.4 Proceeds of Crime Act 2002 and Money Laundering (Part 7)

- 8.4.1 The Fraud Team will provide training in the above to other relevant teams within the Council on the legal powers available to recover money obtained fraudulently by criminal acts. This programme will be rolled out in 2021/22. The Head of Internal Audit is the Councils Money Laundering Reporting Officer.

8.5 Cybercrime

- 8.5.1 Cybercrime is an important area of corporate fraud risk to the Council with the internet being at the centre of daily life, especially during the Covid pandemic. This can mean anything from unsecured devices, business fraud, identity fraud, online transactions, dubious invoices, scams etc. During the last year this has been more than prevalent and nationally Councils and public bodies have been subject to various cyber attacks.

9 CONCLUSION

9.1 The work of the Corporate Fraud Service, supported by Housing and Legal Services, including this year other relevant Teams, has resulted in financial benefits to the Council and its stakeholders, in preventing and identifying fraudulent payments as follows to date:

Fraud Area	Financial Results of CFS Intervention
Right to Buy	£1,674,000.00
Tenancy Fraud	£186,000.00
CTAX	£478.62
Housing Benefit	£10,397.02
Council Tax SPD	£1,867.08
CIL payment	£2,619.31
LCTR	£1,689.56
NDR SBRR Saving	£22,469.99
Total	£1,899,521.58



National Fraud Initiative Results 2020/21 Anglia Revenues Partnership

The tables show the results of the work undertaken by the Council's shared service partner, the Anglia Revenues Partnership, for the year 2020/21. These results include the savings as defined by the National Fraud Initiative (NFI) and a pro-active review of all new SPD awards. The CTRS is a result of investigations and the NDR/Council Tax savings are as a result of proactive work by the Visiting Officers (VOs) (spotting new businesses on visits etc).

Two Official Cautions were administered by ARP.

East Suffolk - Totals		
LCTS		£14,813.89
SPD		£537,301.57
Tenancy Fraud		£0.00
NDR		£70,704.25
Council Tax		£20,081.69
Band D equivalent (SPD)	625	127
Band D equivalent (CT)	14	3.3
Total		£642,901.40



AUDIT & GOVERNANCE COMMITTEE

Monday, 28 June 2021

Subject	COVERT INVESTIGATION POLICY
Report by	Councillor Maurice Cook Cabinet Member with responsibility for Resources
Supporting Officer	Mrs Siobhan Martin Head of Internal Audit siobhan.martin@eastsuffolk.gov.uk 01394 444254

Is the report Open or Exempt?	OPEN
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Category of Exempt Information and reason why it is NOT in the public interest to disclose the exempt information.	N/A
Wards Affected:	None

Purpose and high-level overview

Purpose of Report:

The Council has used the Regulation of Investigatory Powers Act 2000 (RIPA) for many years as a tool to combat fraud and corruption. Additional powers were granted to Local Authorities in 2016 with the introduction of the Investigatory Powers Act 2016. These Acts enable covert surveillance by public bodies under strict conditions.

The Council's current Policy was last reviewed in January 2018. It is expected practice to review the Policy regularly, and the Policy and associated procedures have been refreshed to ensure clarity for all parties.

Refresher training will be provided to all relevant senior offices listed in the Policy in the 2021/22 financial year.

Options:

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

Recommendation:

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

Corporate Impact Assessment

Governance:

Non-adherence to this Policy may facilitate serious corporate governance weaknesses. It is a mandatory requirement that the Council adheres to legislation.

ESC policies and strategies that directly apply to the proposal:

ESC Covert Investigation Policy

ESC Anti-Money Laundering Policy

Environmental:

There are no known direct or indirect environmental impacts arising from this report.

Equalities and Diversity:

There are no Equality and Diversity implications arising from this report apart from acknowledging that any application of this Policy and associated procedures would be enacted in accordance with the Human Rights Act 2010.

Financial:

Non-adherence to this Policy may facilitate serious financial weaknesses.

Human Resources:

There are no human resources impacts arising from this report, except that experienced and qualified staff are required to mitigate the risks associated with non-adherence to the relevant legislation associated with the use of investigatory powers.

ICT:

There are no ICT impacts arising from this report.

Legal:

It is a mandatory requirement that the Council adheres to the Regulation of Investigatory Powers Act 2000, the Investigatory Powers Act 2016, the Data Protection Act 2018, and associated Codes of Practice. Failure to comply with legislation could lead to reputational damage and the removal of investigatory tools by the IPCO. Prosecution cases may fail if the law has not been applied correctly and Human Rights may be breached.

Risk:

Mitigations to the risks outlined in the Legal section above, and others not listed, involve having experienced and qualified staff in this field with regular returns and inspections to the governing body, ie the IPCO, along with appropriate training for all relevant officers.

External Consultees: No external parties were consulted in relation to this report.

Strategic Plan Priorities

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

P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education and influence	<input type="checkbox"/>	<input type="checkbox"/>
XXX	Governance		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>

How does this proposal support the priorities selected?

Non-adherence to the Covert Investigation Policy may facilitate serious corporate governance weaknesses. The Policy is an important tool in combating fraud and corruption.

Background and Justification for Recommendation

1 Background facts

- | | |
|-----|---|
| 1.1 | The Council can use covert surveillance tools to combat fraud and corruption. The legislation linked with such powers includes The Regulation of Investigatory Powers Act 2000 (RIPA) and Investigatory Powers Act 2016, along with Codes of Practice. |
| 1.2 | The Investigatory Powers Commissioner’s Office (IPCO) provides independent oversight and authorisation of the use of investigatory powers by intelligence agencies, police forces and other public authorities. The IPCO’s purpose is to oversee how these powers are used, taking account of the public interest, and ensuring that investigations are conducted in accordance with the law. |

2 Current position

- | | |
|-----|--|
| 2.1 | The last IPCO inspection at East Suffolk Council occurred in 2020 and the Council was found to be compliant with the law but acknowledged its existing Policy should be refreshed more frequently as is good practice, and that up-to-date training should be provided to all relevant officers listed in the Policy and Procedures. |
|-----|--|

3 How to address current situation

- | | |
|-----|---|
| 3.1 | Promotion of the updated Policy will commence in July 2021. |
| 3.2 | Appropriate training for all relevant officers is planned to commence in the summer 2021. |

4 Reasons for recommendation

- | | |
|-----|---|
| 4.1 | It is good practice to review the Covert Investigation Policy on a regular basis. |
| 4.2 | This report is being presented to the Audit & Governance Committee in accordance with the Committee’s terms of reference which stipulate, (amongst other functions), that the Committee shall ‘Monitor the counter-fraud strategy, activity and resources’. |

Appendices

Appendices:

Appendix A	Covert Investigation Policy
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Background reference papers:

Date	Type	Available From
2000	Regulation of Investigatory Powers Act 2000	Head of Internal Audit
2016	Investigatory Powers Act 2016	Head of Internal Audit
2018	ESC Covert Surveillance Policy	Head of Internal Audit



Covert Investigation Policy

ON THE ACQUISITION OF COMMUNICATIONS DATA
AND USE OF COVERT SURVEILLANCE
AND COVERT HUMAN INTELLIGENCE SOURCES
*(REGULATION OF INVESTIGATORY POWERS ACT 2000 &
INVESTIGATORY POWERS ACT 2016)*

Approved by the Council's Audit and Governance Committee on 28 June 2021

Policy in force as of 28 June 2021

Statement

Officers and employees of (and contractors working on behalf of) East Suffolk Council may, during their investigatory, regulatory and enforcement duties, need to make observations of persons in a covert manner, to use a Covert Human Intelligence Source or to acquire Communications Data. These techniques may be needed whether the subject of the investigation is a member of the public, the owner of a business or a Council employee.

By its very nature, this sort of action is potentially intrusive and so it is extremely important that there is a very strict control on what is appropriate and that, where such action is needed, it is properly regulated to comply with legislation and to protect the individual's rights of privacy.

Privacy is a right, but in any democratic society, it is not an absolute right. The right to a private and family life, as set out in the European Convention on Human Rights, must be balanced with the right of other citizens to live safely and freely, which is the most basic function that every citizen looks to the state to perform.

Drawing on the principles set out in the Regulation of Investigatory Powers Act 2000, the Investigatory Powers Act 2016 and the Data Protection Act 2018, this policy sets out the Council's approach to Covert Surveillance, the use of Covert Human Intelligence Sources and the acquisition of Communications Data.

The policy also sets out Members' oversight of this area, adopts a set of procedures and appoints appropriate officers to ensure that these areas are properly controlled and regulated.

EAST SUFFOLK COUNCIL

Policy on the Acquisition of Communications Data, and the use of Covert Surveillance and Covert Human Intelligence Sources

Policy

- 1.1 It is the policy of East Suffolk Council (the Council) that all Covert Surveillance, the use of Covert Human Intelligence Sources (informants) and the acquisition of Communications Data by those working for or on behalf of this Council (investigators) will be carried out in accordance with this policy and the associated procedure (the Covert Surveillance Procedure). Any Member, officer or employee who deliberately or recklessly breaches this policy will normally be considered to have committed an act of gross misconduct and will be dealt with accordingly.
- 1.2 In so far as the Regulation of Investigatory Powers Act allows, Covert Surveillance and the use of Covert Human Intelligence Sources (informants) will always be subject to the RIPA application process. (This does NOT affect monitoring activities where the actions undertaken do not amount to covert surveillance.) Where officers wish to undertake covert surveillance or use informants but where RIPA is not available, a similar process of considering the proportionality and necessity of any such activities must be carried out before the activities are undertaken and approval gained from a RIPA authorising officer. Officers are instructed to consider when online investigations, where actions go beyond the scope of open-source enquiries, would meet the criteria for covert investigations and to obtain relevant authorisations in those cases.
- 1.3 When acquiring Communications Data officers are instructed to use the process set out in the IPA and the associated Communications Data Code of Practice, unless they are doing so with the consent of the data subject. DPA requests and other powers may NOT be used to seek the disclosure of Communications Data. Communications data may only be obtained using IPA powers for the applicable crime purpose. (Note that the guidance in the statutory code of practice takes precedence over any contrary content of a public authority's internal advice or guidance.)

Appointments

- 1.4 The Council appoints the Chief Executive of East Suffolk Council as the *Senior Authorising Officer (SAO)* for RIPA purposes.
- 1.5 The Council appoints the Head of Internal Audit as the RIPA Monitoring Officer (RMO) to monitor the use of covert techniques within this Council (whether using the RIPA or non-RIPA processes) and report to Members on the activities the policy covers. She is also appointed as Senior Responsible Officer (SRO) for all purposes under RIPA and IPA, and directed to ensure that appropriate training is made available to RIPA Authorising Officers (AOs) and applicants when it is required.
- 1.6 The Council directs that only those appointed by this policy as AOs may authorise covert surveillance, the use of informants or the acquisition of communications data.
- 1.7 The Council appoints Heads of Service who meet the training criteria as AOs, subject to a maximum number of six (including the SAO) at any given time. The Council instructs the RMO to maintain a list of all those currently authorised as part of the RIPA / IPA Procedures.
- 1.8 The Council directs the SAO to appoint such persons as he may from time to time see fit to be *Single Points of Contact (SPOC)* (or to make such other arrangements as he deems

EAST SUFFOLK COUNCIL

Policy on the Acquisition of Communications Data, and the use of Covert Surveillance and Covert Human Intelligence Sources

appropriate) for the purposes of acquiring communications data using RIPA.

- 1.9 In order for the Council's RIPA authorisations to take effect, they must be approved by a Magistrate. The chief legal officer (Head of Legal & Democratic Services) is instructed to authorise all those who may need to apply to a Magistrate to appear for that purpose for the Council. The RMO is directed to maintain a list, as part of the RIPA Procedures, of all those so authorised.
- 1.10 The Council instructs the RMO to maintain a list of all those currently authorised as part of the RIPA / IPA Procedures.

Oversight and Reporting

- 1.11 The RMO shall report to elected Members on the use of RIPA regulated activity by officers of the Council every six months. Such a report shall be presented to the Members (or to such a sub-committee as the Full Council shall deem appropriate to constitute for oversight purposes) by the RMO and the SRO. The report **must not** contain any information that identifies specific persons or operations but must be clear about the nature of the operations carried out and the product obtained.
- 1.12 Alongside this report, the RMO and SRO will report details of 'Non-RIPA' surveillance undertaken, or informants used in precisely the same fashion.
- 1.13 Elected Members shall have oversight of the Council's policy and shall review that policy annually, or more as soon as practicable, should it be deemed by the RMO that significant changes have been made. At that review (or following any six-monthly report) elected Members shall make such amendments as they deem necessary to the Council's policy and may give such directions as they deem necessary to the RMO and SRO to ensure that the Council's policy is followed.
- 1.14** Elected Members shall not interfere in individual authorisations. Their function is to, with reference to the reports, satisfy themselves that the Council's policy is robust and that it is being followed by all officers involved in this area. **Although it is elected Members who are accountable to the public for Council actions, it is essential that there should be no possibility of political interference in law enforcement operations.**

RIPA / IPA Procedures

- 1.15 The RMO is instructed to create a set of procedures that provide instruction and guidance for the use of surveillance and informants, and the acquisition of communications data. She is further instructed to maintain and update the RIPA / IPA Procedures, ensuring that they continue to be both lawful and examples of best practice.
- 1.16 The reference to 'maintain and update' in this section includes the duty to remove AOs from the list if they cease to be employed in a relevant role or if they no longer satisfy the requirements to be an AO, and the right to add names to that list so long as (a) they satisfy the policy and regulatory requirements and (b) at no time does the number of AOs exceed six.
- 1.17 If a change is required, in the opinion of the RMO, to comply with this part, they are authorised to make that change without prior approval from any person.

EAST SUFFOLK COUNCIL

Policy on the Acquisition of Communications Data, and the use of Covert Surveillance and Covert Human Intelligence Sources

1.18 The RMO must report any changes made under this section to Members when they undertake their annual oversight of the Policy, as set out above.

1.19 All managers are required to ensure that their staff understand that covert investigation techniques may only be used in accordance with this policy and the associated procedures.

Training

1.20 In accordance with this Code of Practice, AOs **must** receive full training in the use of their powers. They must be assessed at the end of the training, to ensure competence, and must undertake refresher training at least every two years. Training will be arranged by the RMO. Designated officers who do not meet the required standard, or who exceed the training intervals, are prohibited from authorising applications until they have met the requirements of this paragraph. AOs must have an awareness of appropriate investigative techniques, Data Protection and Human Rights Legislation.

1.21 Those officers who carry out surveillance work must be adequately trained prior to any surveillance being undertaken. A corporate training programme has been developed to ensure that AOs and staff undertaking relevant investigations are fully aware of the legislative framework, and the Council undertakes to continue with this programme.

1.22 The *Corporate Management Team* members who have no direct involvement with covert investigation will undertake a briefing at least biannually, to ensure that they have a good understanding of the activities that might fall into the definition of covert investigation techniques.

Exceptions, Notes and Complaints

1.23 CCTV cameras operated by this Council are NOT covered by this policy, unless they are used in a way that constitutes covert surveillance; only under those circumstances must the provisions of this policy and the RIPA Procedures be followed.

1.24 Interception of communications, if it is done as part of normal business practice, does NOT fall into the definition of acquisition of communications data. (This includes, but is not limited to, opening of post for distribution, logging of telephone calls for the purpose of cost allocation, reimbursement, benchmarking etc. and logging emails and internet access for the purpose of private reimbursement.)

1.25 Any person wishing to make a complaint about anything to which this policy applies is invited to use the Council's Complaints Procedure. Any complaint received will be treated as serious and investigated in line with this Council's policy on complaints. **Regardless of this, the detail of an operation, or indeed its existence, must never be admitted to as part of a complaint. This does not mean it will not be investigated, just that the result of any investigation would be entirely confidential and not disclosed to the complainant.**

Adoption and Amendment of the Policy

EAST SUFFOLK COUNCIL

Policy on the Acquisition of Communications Data, and the use of Covert Surveillance and Covert Human Intelligence Sources

1.26 This version of the Policy was approved by the Council's Audit and Governance Committee on behalf of the Council on 28 June 2021 and came into effect on that date. It replaces all previous policies on these subjects.

Duty to Comply

1.27 All those mentioned in this policy are reminded that deliberately or recklessly failing to comply with this policy (or to follow the procedures and processes created in accordance with this policy) will normally amount to misconduct, which can have serious disciplinary consequences, including summary dismissal.

Note: The procedures issued under paragraph 1.15 are confidential and must not be shared outside the Council. They are located on the intranet.



AUDIT & GOVERNANCE COMMITTEE

Monday, 28 June 2021

Subject	ANNUAL INTERNAL AUDIT REPORT 2020/21
Report by	Councillor Maurice Cook Cabinet Member with responsibility for Resources
Supporting Officer	Mrs Siobhan Martin Head of Internal Audit siobhan.martin@eastsuffolk.gov.uk 01394 444254

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

Purpose and high-level overview

Purpose of Report:

The Annual Internal Audit Report 2020/21 (Appendix A) details the work undertaken by the Internal Audit Service for the year 2020/21 in accordance with the plan for the year presented to the Committee in September 2020.

Options:

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

Recommendation:

That the Head of Internal Audit's Opinion for 2020/21, as set out in Appendix A to the report, be commented upon.

Corporate Impact Assessment

Governance:

This report is being presented to the Audit & Governance Committee in accordance with the Committee's terms of reference:

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

ESC policies and strategies that directly apply to the proposal:

The entire Internal Audit plan and outputs directly support the governance environment which proactively contributes to delivering the East Suffolk Strategic Plan.

Environmental:

Internal Audit actions are fundamental to support the Council's foundations of corporate governance, risk, and control. This report indirectly supports the Council's environmental aims by including actions relating to environmental and sustainability issues where appropriate.

Equalities and Diversity:

Internal Audit actions are fundamental to support the Council's foundations of corporate governance, risk, and control. There are no direct equalities and diversity implications, although this report indirectly supports the Council's approach to ethics, equality, and diversity where relevant audit actions in this area have been raised.

Financial:

Delivering the Internal Audit Service Plan in addition to the reactive work performed during the year is an essential element in mitigating the risk of losses arising from error, irregularity, and fraud. Internal Audit actions are fundamental to support the Council's foundations of corporate governance, risk, and control. The agreed actions produced by Internal Audit contribute to the Council's efficiency, effectiveness, and economy, and mitigate the financial and reputational risk of losses arising from error, irregularity, and fraud.

Human Resources:

Internal Audit actions are fundamental to support the Council's foundations of corporate governance, risk, and control. This may from time to time include internal audit actions relating to staffing, training or other human resources impacts where appropriate.

ICT:

Internal Audit actions are fundamental to support the Council's foundations of corporate governance, risk, and control. This includes technical governance and ICT impacts where relevant audit actions in this area have been raised.

Legal:

Internal Audit actions are fundamental to support the Council's foundations of corporate governance, risk, and control. This may include mitigating the risk of negative legal impacts and improving achievement of legal requirements via audit actions.

The Local Government Act 1972 and the Accounts and Audit Regulations 2015 require a relevant authority to '...undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, considering public sector internal auditing standards or guidance.'

Risk:

Internal Audit is considered the "third line of defence" in risk management, providing independent assurance on the effectiveness of governance, risk management, and internal controls in the Council. All audit actions reported for monitoring as part of this report are to support the effective management of risk and assist the Council in achieving its corporate objectives.

External Consultees:

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

Strategic Plan Priorities

Select the priorities of the Strategic Plan which are supported by this proposal: (Select only one primary and as many secondary as appropriate)		Primary priority	Secondary priorities
T01	Growing our Economy		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input checked="" type="checkbox"/>
T02	Enabling our Communities		
P06	Community Partnerships	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P08	Maximising health, well-being and safety in our District	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
T03	Maintaining Financial Sustainability		
P10	Organisational design and streamlining services	<input checked="" type="checkbox"/>	<input type="checkbox"/>
P11	Making best use of and investing in our assets	<input checked="" type="checkbox"/>	<input type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input checked="" type="checkbox"/>	<input type="checkbox"/>
P14	Review service delivery with partners	<input checked="" type="checkbox"/>	<input type="checkbox"/>
T04	Delivering Digital Transformation		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input type="checkbox"/>
P17	Effective use of data	<input checked="" type="checkbox"/>	<input type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
T05	Caring for our Environment		
P20	Lead by example	<input checked="" type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education and influence	<input type="checkbox"/>	<input type="checkbox"/>
XXX	Governance		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>
How does this proposal support the priorities selected?			
<ol style="list-style-type: none"> Internal Audit recommendations and advice support a robust corporate governance framework. The work of Internal Audit Services represents a fundamental function in delivering the Council's Corporate Governance responsibilities. The implications and benefits of agreed recommendations produced by Internal Audit affect all areas by improving controls and processes, which contribute towards efficient and effective management of services. 			

Background and Justification for Recommendation

1 Background facts

1.1	This Annual Report provides the Committee with an overview of the Internal Audit Service for 2020/21, in accordance with the Public Sector Internal Audit Standards 2013 (Amended 2016 and 2017) (PSIAS).
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2 Current position

2.1	The report attached at Appendix A sets out the Head of Internal Audit's opinion on the Council's control environment for 2020/21.
2.2	The report also details the work covered by the Internal Audit Team during 2020/21, which contributed towards the Head of Internal Audit's opinion, alongside the other sources of assurance set out in the report.

3 How to address current situation

3.1	It is the Head of Internal Audit's opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's systems of governance, risk management and internal control in the year to 31 March 2021.
3.2	The Internal Audit Plan for 2021/22 will continue to identify system weaknesses and/or non-compliance with expected controls, and to bring these to the attention of management and include appropriate recommendations and agreed action plans.

4 Reason for recommendation

4.1	To ensure the Committee fulfils its terms of reference and supports the Internal Audit process, enabling good governance over public funds.
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Appendices

Appendices:

Appendix A	Annual Internal Audit Report 2020/21
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Background reference papers:

Date	Type	Available From
Sept 2020	Annual Audit Plan 2020/21	Head of Internal Audit
April 2017	Public Sector Internal Audit Standards	



Appendix A: Annual Audit Report 2020/21

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

1. HEAD OF INTERNAL AUDIT'S OPINION ON THE COUNCIL'S CONTROL ENVIRONMENT 2020/21

1.1 This document is the Head of Internal Audit's annual statement on the adequacy and effectiveness of the systems of governance, risk management and internal control of the Council for the year ended 31 March 2021.

1.2 It is my opinion that **reasonable assurance** can be placed upon the adequacy and effectiveness of the Council's systems of governance, risk management and internal control in the year to 31 March 2021.

1.3 One important corporate improvement area is yet to be concluded:

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

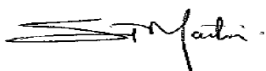
1.4 The Head of Internal Audit has performed her duties in accordance with CIPFA's guidance on the Role of the Head of Internal Audit. In giving the audit opinion it should be noted that assurance can never be absolute. The most that can be provided is a reasonable assurance that there are no major weaknesses in risk management, governance, and control processes.

2. THE IMPACT OF THE COVID-19 PANDEMIC

2.1 The impact of the COVID-19 pandemic on all public services has been considerable and resulted in a significant level of strain being placed on normal procedures and control arrangements, and the level of impact continues to change as the situation develops. As the Head of Internal Audit it has raised the question of whether I have undertaken sufficient internal audit work to gain assurance during 2020/21 to enable my opinion.

2.2 I have carefully considered the risk based internal audit work completed for the year, which includes the majority of the programmed strategic internal audit plan, along with a flexible approach taken to ensure coverage of emerging high-risk areas as the COVID-19 pandemic escalated. Internal Audit Services have undertaken risk assessments to identify and assess any changes to the Council's control environment given the Council's emergency response to the COVID-19 pandemic and this work continues. Examples include democratic decisions, statutory responsibilities, financial systems / processes, and procurement practices. The Internal Audit Service has also contributed to specific COVID-19 pandemic grant award processes to ensure good governance.

2.3 I am satisfied that internal audit priorities realigned to the new risks and changes driven by the impact of the COVID-19 pandemic throughout 2020/21 are adequate to support my Head of Internal Audit opinion.



.....
Siobhan Martin
Head of Internal Audit, East Suffolk Council
28 May 2021

2. RESPECTIVE RESPONSIBILITIES OF MANAGEMENT AND INTERNAL AUDITORS IN RELATION TO INTERNAL CONTROL

2.1 It is the responsibility of the Council's senior management to establish an appropriate and sound system of internal control and to monitor the continuing effectiveness of that system. It is the responsibility of the Head of Internal Audit to provide an annual overall assessment of the robustness of the internal control system. The internal auditor cannot be expected to give total assurance that control weaknesses or irregularities do not exist.

3. SOUND INTERNAL CONTROLS

3.1 The main objectives of the Council's internal control systems are:

- To ensure adherence to management policies and directives in order to achieve the Council's objectives;
- To safeguard assets and protect the interests of the Council;
- To secure the relevance, reliability and integrity of information, thus ensuring as far as possible the completeness and accuracy of records; and
- To ensure compliance with statutory requirements.

3.2 A sound system of internal control reduces, but cannot eliminate, the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

3.3 A sound system of internal control therefore provides reasonable, but not absolute, assurance that the Council will not be hindered in achieving its objectives or in the orderly and legitimate conduct of its business by circumstances which may reasonably be foreseen. A system of internal control cannot, however, provide protection with certainty against any organisation failing to meet its objectives or all material errors, losses, fraud, or breaches of laws or regulations.

4. INTERNAL AUDIT PURPOSE

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

4.2 The Internal Audit Service operates in accordance with the Accounts and Audit Regulations (2015), Public Sector Internal Audit Standards and Local Government Application Note (2019), the Audit Charter and professional bodies' Codes of Ethics. The service undertakes a strategic risk based annual programme of work approved by the Audit and Governance Committee. The strategic audit plan is amended throughout the year to reflect evolving risks and changes within

the Council.

- 4.3 All internal audit reports identifying system weaknesses and/or non-compliance with expected controls are brought to the attention of management and include appropriate recommendations and agreed action plans. It is management's responsibility to ensure that proper consideration is given to internal audit reports. The internal auditor is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action. Significant matters arising from internal audit work are reported to the Chief Executive, relevant Cabinet Member and the Audit and Governance Committee.

5. PURPOSE AND BACKGROUND

- 5.1 The statutory basis for Internal Audit in local government is provided by the Accounts and Audit Regulations 2015 which require a local authority to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
- 5.2 CIPFA's Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to report periodically to senior management and the Audit & Governance Committee on Internal Audit's purpose, authority, and responsibility via the Internal Audit Charter.
- 5.3 To comply with the Internal Audit Charter, this end of year report provides a summary of the year's work of the Internal Audit Service. This report includes information on the performance of the Internal Audit Service against the audit plan; an objective evaluation and opinion from the Head of Internal Audit on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control; and any significant issues related to the processes for controlling the activities of the Council. The issue of this report is timed to support the annual review of the Council's Corporate Governance and production of the Council's Annual Governance Statement.

6. PERFORMANNCE/OUTTURN FOR 2020/21 AND A SUMMARY OF WORK UNDERTAKEN IN-YEAR WHICH ENABLED THE HEAD OF INTERNAL AUDIT TO PROVIDE AN OPINION

- 6.1 For the 2020/21 year, the Head of Internal Audit's Annual Opinion states that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system. There is no qualification to this opinion, but it has been highlighted that improvements are still required in one main area as detailed within Section 1.
- 6.2 There have been no formal reports of internal frauds or Whistleblowing cases to the Head of Internal Audit.
- 6.3 Significant issues raised by the Internal Audit Service are progressed to the Corporate Risk Management Group for recording in the Council's Risk Register, which is monitored at Corporate Governance meetings.

- 6.4 Four categories are used to classify the overall level of assurance of the processes examined and the adequacy of the individual key control area. These are Effective, Reasonable, Limited, and Ineffective. A clear definition of each has been supplied in a table at the start of this report.
- 6.5 The table in **Appendix A** constitutes a summary of the audit work undertaken in the year (planned audit coverage for 2020/21 was presented to the Audit and Governance Committee on 22 September 2020), resulting in an individual audit opinion that has enabled (along with other audit activity) the Head of Internal Audit to provide the Annual Audit Opinion as set out in Section 1.
- 6.6 The tables in **Appendices B & C** detail work that has been undertaken where an audit opinion was not applicable, but that has contributed towards the Head of Internal Audit's yearly opinion.
- 6.7 The table in **Appendix D** details work that was planned for the 2020/21 annual plan and has not been undertaken, with commentary on the reasons why this work was either cancelled or deferred.

7. OTHER SOURCES OF ASSURANCE SUPPORTING THE HEAD OF INTERNAL AUDIT OPINION

- 7.1 The Head of Internal Audit's evaluation of the control environment is informed by a number of sources, including:
- a) The planned audit work undertaken by Internal Audit during the year 1 April 2020 to 31 March 2021;
 - b) Consultancy and additional work requested and performed by the Service throughout the year;
 - c) The representation of the Head of Internal Audit within Corporate Management Team (CMT), governance days and direct line management contact with the Chief Executive;
 - d) Reports issued by the Council's external auditors;
 - e) The involvement of the Head of Internal Audit in the Council's governance, risk management, performance monitoring and internal control arrangements; and
 - f) The on-going work with management to assess and provide assurance on the efficiency, effectiveness and reliability of key systems.

8. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (INCLUDING A STATEMENT ON CONFORMANCE WITH PSIAS)

- 8.1 The Public Sector Internal Audit Standards (PSIAS) require periodic self-assessments and an assessment by an external person every five years.
- 8.2 East Suffolk Council was reviewed in August 2019 by a suitably qualified and competent person within the Internal Audit field by a qualified accountant with over 30 years' experience in public sector auditing. The results of the review, which were considered by the Audit & Governance

Committee in March 2020, also included checking compliance with the Local Government Application Note (LGAN) where this has requirements in addition to those in PSIAS.

- 8.3 The independent review concluded that East Suffolk Council Internal Audit Service conforms with all key elements of the PSIAS.
- 8.4 An annual self-assessment was completed prior to the external review which generated an action plan with improvement points. The self-assessment concluded continued compliance.
- 8.5 The Quality Assurance and Improvement Programme Action Plan incorporates actions from self-assessment and external quality assessment which include 6 actions which are complete, and 5 actions carried forward into 2021/22.
- 8.6 A quality review process is in place within the Internal Audit Team which includes:
 - a) All work carried out within the audit team is reviewed to ensure that audit work has been performed in accordance with the agreed objectives for that audit, and that risk based assessments and fair conclusions have been reached based on clearly demonstrable evidence.
 - b) A draft audit report is issued to management at the end of each audit which is accurate, clear, concise, and based on risk-based assessments. The draft report includes a supported opinion (if applicable) with a set of agreed actions which are achievable, make sense, and mitigate risks.
 - c) At the conclusion of each audit a customer satisfaction survey is provided to Service Managers to complete. This gives the opportunity for the customer to give their view of the quality and usefulness of the audit review undertaken. Negative feedback is rare and when received will be investigated by the Internal Audit Manager and reported to the Head of Internal Audit. During 2020/21 customer feedback received has been positive.
- 8.7 During 2020/21 the Head of Internal Audit has approved and overseen changes to the staff structure and procedural changes, both of which have been implemented to improve the service provided, and to adapt to increased demand, the ever-changing risk environment and the introduction of East Suffolk Council. These improvements are ongoing and will continue throughout 2021/22.

9. ORGANISATIONAL INDEPENDENCE AND OBJECTIVITY OF INTERNAL AUDIT

- 9.1 The mission of the Internal Audit Service is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. All Internal Audit activity forms part of the crucial evidence that enables the Chief Executive and Leader of the Council to sign the Annual Governance Statement (the obligatory statement that accompanies the Annual Accounts and reports on the effectiveness of the Council's governance and internal control

arrangements). External Audit may also place reliance upon Internal Audit's work coverage to ensure that systems controls are adequate and effective.

- 9.2 To provide this service Internal Audit must have freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.
- 9.3 The Internal Audit Charter agreed by the Audit & Governance Committee in January 2020 sets out how the internal audit function will operate to ensure independence and objectivity.
- 9.4 The Council's Constitution clearly supports independence and objectivity and requires that the Chief Executive 'ensure that the Head of Internal Audit has direct access to and freedom to report in his or her name and without fear or favour to the Chief Executive and the CFO, the Cabinet and the Audit & Governance Committee, all levels of management, officers and elected Members'.
- 9.5 During 2020/21, the Head of Internal Audit confirms that the internal audit activity was independent and objective from the organisation, in accordance with the requirements of the PSIAS.

10. **BASIS OF OPINION**

- 10.1 My evaluation of the control environment is informed by a number of sources: the planned audit work undertaken by internal audit during the year; consultancy and additional work requested and performed throughout the year; reactive risk based work performed as a direct result of the COVID-19 pandemic; the preparation and ongoing review of the strategic internal audit plan; reports issued by the Council's external auditors; my knowledge of the Council's governance, risk management, performance monitoring and internal control arrangements; and the on-going work with management to assess and provide assurance on the efficiency, effectiveness and reliability of key systems.

11. **OPINION**

- 11.1 The Head of Internal Audit is required to provide an independent opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework which includes consideration of any significant risk or governance issues and control failures which arise.
- 11.2 75% of internal audit work completed during 2020/21 has yielded an acceptable level of assurance (good or adequate). For those audit reviews that have presented concern, actions have been agreed to improve controls and are closely monitored until such time as they are addressed. Any outstanding weaknesses in the governance, risk and control framework will continue to be followed up by Internal Audit. Senior officers have agreed an improvement action plan to enable governance improvements as part of the Annual Governance Statement assurance process; these are also monitored within the Corporate Risk Register and overseen

by the governance arrangements in place at the Council.

APPENDIX A – Reviews completed with an assurance audit opinion

Audit	ASSURANCE
Payroll (KS & P) ¹	Reasonable (draft)
Coronavirus Business Grants Phase 1 – Small Business Grant (P & C)	Reasonable (draft)
Coronavirus Business Grants Phase 2 – Retail, Hospitality and Leisure (P & C)	Reasonable (draft)
Coronavirus Business Grants Phase 3 – Local Authority Discretionary Grant (P & C)	Reasonable (draft)
Local Government Transparency Code (P)	Limited
Key Financial Controls (KS & P)	Reasonable (draft)
Treasury Management (KS & P)	Effective
Disabled Facilities Grant (Certification) (P)	Reasonable
Asset Management Follow-up (P)	Reasonable
National Non Domestic Rates * Undertaken by East Suffolk Council Internal Audit (P)	Adequate/Reasonable (draft)
Housing Benefits Overpayments Recovery and Council Tax Recovery Undertaken by West Suffolk Council Internal Audit (P)	Adequate/Reasonable (draft)
Housing Benefits and Council Tax Undertaken by West Suffolk Council Internal Audit (P)	Adequate/Reasonable (draft)
ARP Enforcement Undertaken by Fenland District Council Internal Audit (P)	Good/Substantial (draft)

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

¹ Work performed comprises consultancy (C), probity (P), computer audit (CA), or key systems (KS) which feed into the general ledger.

APPENDIX B – All other audit work undertaken where no formal report has been issued that has contributed towards the Head of Internal Audit annual opinion.

Audit	COMMENTS
Corporate Governance and Risk Management Support	Head of Internal Audit attendance on Corporate Governance days, and provision of independent professional advice.
Annual Governance Statement Framework	Attendance on AGS Working Group to support changes arising from any revisions to the CIPFA & SOLACE code of practice and provide controls advice/gap analysis in connection with Internal Audit work.
Members' Requests	As agreed by the Audit and Governance Committee.
National Fraud Initiative (NFI)	Participation in mandatory exercises and identification of fraud through data matching exercises with the Cabinet Office.
Information Governance Strategic Support and Advice 2020/21 (excluding data protection)	Attending project meetings and providing advice throughout the year.
Port Health PRS due diligence	To attend project meetings and support the Port Health Technical programme.

APPENDIX C - Special investigations, consultancy and compliance work

Audit	COMMENTS
Coronavirus Business Grants	The Council has administered critical grant funding to local businesses on behalf of central government. Work provided assurance to management and supported government returns required, as well as any counter fraud activities.
Port Health PRS due diligence	To attend project meetings and support Port the Health Technical programme.

APPENDIX D – Reviews that have been cancelled or deferred and the reasons why

Audit	Status	COMMENTS
Declarations of Interests (follow up and re-visit) (P)	Deferred	Deferred due to Coronavirus.
Port Health Cyber Essentials Accreditation (CA)	Deferred	Deferred due to Coronavirus.
Income (Paye.net) (P)	Deferred	Deferred due to Coronavirus.
User Role Management (CA)	Deferred	Deferred due to Coronavirus.
CCTV Review (C)	Deferred	Deferred due to Coronavirus.
Public Sector Internal Audit Standards (PSIAS) self-assessment	Deferred	Deferred due to Coronavirus.



AUDIT & GOVERNANCE COMMITTEE

Monday, 28 June 2021

Subject	INTERNAL AUDIT REPORTS RECENTLY ISSUED
Report by	Councillor Maurice Cook Cabinet Member with responsibility for Resources
Supporting Officer	Mrs Siobhan Martin Head of Internal Audit siobhan.martin@eastssuffolk.gov.uk 01394 444254

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

Purpose and high-level overview

Purpose of Report:

Internal Audit reports are issued to the Audit and Governance Committee to enable the Committee to fulfil its Terms of Reference: 'To consider reports from the Head of Internal Audit...'.

Options:

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

Recommendation:

The Audit and Governance Committee is invited to comment upon the content of the attached Internal Audit report:

- Treasury Management 2020/21

Corporate Impact Assessment

Governance:

Each Internal Audit report details any applicable governance implications.

ESC policies and strategies that directly apply to the proposal:

The findings within each Internal Audit report are directly linked to good governance arrangements and practices at the Council, which underpin the Council's strategic and operational workings including the East Suffolk Strategic Plan.

Environmental:

There are no environmental implications.

Equalities and Diversity:

There are no equalities and diversity implications.

Financial:

Each Internal Audit report details any applicable financial implications.

Human Resources:

There are no human resources implications.

ICT:

There are no ICT implications.

Legal:

The Local Government Act 1972 and the Accounts and Audit Regulations 2015 require a relevant authority to '...undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'

Risk:

1. The Internal Audit reports presented to this Committee set out the main risks associated with the scope and objectives of that individual audit. A mechanism exists, including meetings between the Head of Internal Audit and Senior Management Team, to ensure that any remaining uncovered risks are fed back into the Audit risk model to ensure these are covered within the Strategic Audit Plan.
2. Any significant findings within individual reports will clearly state the associated risk that the Council is exposing itself to.
3. A crucial element within the Council's risk environment is the implementation of the recommendations put forward by Internal Audit and agreed by Management.

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

Strategic Plan Priorities

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

XXX	Governance		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>
How does this proposal support the priorities selected?			
1	Internal Audit recommendations and advice support a robust corporate governance framework. The work of Internal Audit Services represents a fundamental function in delivering the Council's Corporate Governance responsibilities.		
2	The implications and benefits of agreed recommendations produced by Internal Audit affect all areas by improving controls and processes, which contribute towards efficient and effective management of services.		
3	The audit reports attached reviewed the management of the Council's investments, cash flows and banking, and the Council's compliance with the Local Government Transparency Code 2015.		

Background and Justification for Recommendation

1 Background facts	
1.1	Internal Audit reports are independent, evidence-based documents that provide assurance on the level of governance in operation and a clear roadmap for improvement if required.
1.2	The Internal Audit reports attached have recently been issued to those listed on the report distribution lists.
2 Current position	
2.1	The position as at the conclusion of each Audit is set out in each of the Internal Audit reports attached.
2.2	Full copies of Internal Audit reports are forwarded to the Chief Executive and relevant senior officers, including the Section 151 Officer where appropriate. Full reports are also sent to the relevant Portfolio Holder and all Members of the Audit and Governance Committee once the reports are finalised.
2.3	All agreed recommendations are recorded on a database maintained by Internal Audit. This database provides the Head of Internal Audit with the mechanism to both track and follow up outstanding recommendations. Overdue recommendations which have poor governance implications are reported regularly to the Audit and Governance Committee.
3 How to address current situation	
3.1	Recommendations relating to the findings arising from each Internal Audit can be seen on the Internal Audit Reports attached, for the consideration of relevant lead officers.
4 Reasons for recommendation	
4.1	To ensure that this report is considered within the overall control environment operated within the Council.

4.2	To enable the Audit and Governance Committee to assure itself that the coverage by Internal Audit as outlined in the Audit Plan is adequate, and to enable the Committee to comment upon the contents of the attached Internal Audit Reports in support of effective corporate governance.
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Appendices

Appendices:

Appendix A	Internal Audit Report: Treasury Management 2020/21
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Background reference papers:

Date	Type	Available From
2017	Public Sector Internal Audit Standards	Head of Internal Audit siobhan.martin@eastsoffolk.gov.uk
Nov 2020	Internal Audit Charter	Head of Internal Audit siobhan.martin@eastsoffolk.gov.uk



Final Internal Audit Report

Treasury Management 2020/21

Issued by the Head of Internal Audit, May 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 and Section 151 Officer M McKissock, Finance Manager (Compliance) J Sturman, Senior Accountant (Treasury and Capital Management)
	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	
Cashflow	0	0	0	Effective
Investments	0	0	0	Effective
Borrowing	0	0	0	Effective
OVERALL				Effective

1. Executive Summary

- 1.1 Treasury Management is the management of an organisation's investments and cash flows, its banking, money market and capital market transactions. Financial Services Corporate Performance and Risk Management are responsible for the administration of Treasury Management at East Suffolk Council.

At the time of the audit the Council had the following investments and borrowings:

Term Investments (invested for a specified time period)	£158m
Call Account Investments (invested with no fixed deposit period to allow instant access)	£14m
Borrowings	£77m

- 1.2 The overall assurance of Effective has been made for the Council's Treasury Management arrangements during the period under review (2019/20 and 2020/21).
- 1.3 No reportable findings have been identified and management are not required to take further formal action.

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 – The management of the Council’s cash flows, borrowing and investments, and the associated risks.
- East Suffolk Business Plan – Remaining Financially Sustainable.
- Corporate Risk Register – Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) 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 2020/21, approved by the East Suffolk Council Audit and Governance Committee on 22 September 2020.

This audit has been conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, and the UK’s current Public Sector Internal Audit Standards.

This audit examined the following key controls for the period April 2019 to July 2020.

- Cashflow
- Investments
- Borrowing

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 testing as operating effectively and efficiently:

- The Council's Treasury Management Policy and Investment Strategy was agreed by Audit and Governance Committee and full Council.
- Cashflow statements are completed daily.
- Sampled Investment decisions were authorised and supported with documentation from the relevant counterparty.
- Investment and borrowing reconciliations tested were found to be accurate, authorised and completed timely.
- Access to CHAPS payments is restricted to appropriate members of the Finance team and benefits from a segregation of duties during the authorisation process.
- Sampled investment principals and interest agreed with investment documentation.
- No new borrowings had been made, and sampled loan repayments agreed to the loan repayment schedules.

2.5 Audit Team

The audit team for this review comprised

Audit Manager	L Fuller
Auditor	J Irvine

2.6 Acknowledgements

We would like to thank the management and staff of Finance Team for their co-operation and time during the course of this audit.



This audit has been undertaken in accordance with the Internal Audit Partnership arrangements between East Suffolk Council and Ipswich Borough Council.



AUDIT & GOVERNANCE COMMITTEE

Monday, 28 June 2021

Subject	Standards Matters, Declarations of Gifts and Hospitality received by Members and Officers and Review of Complaints
Report by	Councillor Steve Gallant, Leader of the Council
Supporting Officer	Chris Bing Interim Head of Legal & Democratic Services & Monitoring Officer chris.bing@eastsoffolk.gov.uk 01394 444408

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

Purpose and high-level overview

Purpose of Report:

This report updates the Committee on declarations of gifts/hospitality received by Members and Officers, and on the number of complaints received under the Suffolk Code of Conduct (the Code) since the last report to the Committee in December 2020.

Options:

Not applicable.

Recommendation/s:

That Members are asked to note the report and the contents of Appendix A.

Corporate Impact Assessment

Governance:

The Council has a duty to promote and maintain high standards of behaviour, under the Localism Act 2011. The declaration of interests is an element of this duty. It is key to effective governance and compliance. Therefore, the declaration of these interests, and the openness, and transparency associated with this, helps to maintain the standard of the Council's decision-making. If sound decisions are made, good governance is supported. This leads to public confidence in the Council's decision making, and in the Council, itself. Sound decision making underpins how the Council operates and sits behind all of the decisions made to achieve the themes of the Council's Strategic Plan.

ESC policies and strategies that directly apply to the proposal:

Not applicable

Environmental:

Not applicable

Equalities and Diversity:

The Council is required to maintain the highest ethical standards and the declaration of interests is an element of this duty. It is key to effective governance and compliance. Therefore, the declaration of these interests, and the openness, and transparency associated with this, helps to maintain the standard of the Council's decision-making. If sound decisions are made, good governance is supported. This leads to public confidence in the Council's decision making, and in the Council, itself. Sound decision making underpins how the Council operates and sits behind all of the decisions made to achieve the themes of the Council's Strategic Plan.

Financial:

Not applicable

Human Resources:

Not applicable

ICT:

Not applicable

Legal:

Not applicable

Risk:

Not applicable

External Consultees: None

Strategic Plan Priorities

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

How does this proposal support the priorities selected?

Click or tap here to enter text.

Background and Justification for Recommendation

1 Background facts

- | | |
|-----|---|
| 1.1 | This report updates the Committee on declarations of gifts/hospitality received by Members and Officers, and on the number of complaints received under the Suffolk Code of Conduct (the Code), since the last update in December 2020. Written complaints may be made to the Monitoring Officer (MO) of this Council that a Parish, Town or District Councillor has breached the Code. |
|-----|---|

2 Current position

- | | |
|-----|--|
| 2.1 | The process for dealing with the complaints is that each complaint is copied to the subject Member, and they are asked to comment on it. The complaint and the comments are then considered by the MO, in consultation with one of the Council's Independent Persons (IPs). An initial assessment of the complaint is made. At the initial assessment, no further action may be taken in response to the complaint. Or it may be recommended that some form of local resolution is undertaken, such as training, mediation or an apology given. In some cases, it may be decided to refer the complaint for a full investigation. This involves the appointment by the MO of an independent investigator who will look at the facts, interview the subject Member and the complainant, together with any witnesses, and make findings. Relevant documents will be examined as part of the investigation and a report written as a result, setting out those findings. If it is found that the Code has been breached, the investigatory report will be referred to the IP, and if he agrees with the findings, further referred to this Committee for determination. |
| 2.2 | Between 1 January 2021 to 16 June 2021, 27 code of conduct complaints were received and have been determined ,or are in the process of being determined. 16 of the 27 complaints concerned the conduct of Councillors at 1 Planning Committee meeting , all of which were later withdrawn by the complainants or dismissed by the Monitoring Officer. 4 district Councillors have been the subject of complaints during this period. |
| 2.3 | The Code requires that Councillors declare gifts and hospitality which they have received that are worth at least £25. In order to make such receipts of gifts and hospitality transparent, the Code requires that the person from whom the Councillor receives the gift or hospitality worth at least £25 be declared as a Local Non-Pecuniary Interest (LNPI). The declarations of gifts and hospitality received are set out in each Councillor's online Register of Interests. Members are asked to up-date their Register of Interests on an annual basis, and any changes to it that occur should be made to the form, within 28 days of the change taking place. |
| 2.4 | For officers, all offers of gifts and / or hospitality must be recorded on a form which can be found on the Council's intranet. The form requires that the date of any offers of gifts/hospitality must be included, together with the financial value of it, and the name of the donor. Gifts above £10 should be refused by officers. |

	Please see Appendix A for officer declarations since the last committee meeting.
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3 How to address current situation

3.1	Continue to promote and apply the Councillor and Officer codes of conduct.
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4 Reason/s for recommendation

4.1	To update Councillors on standards matters.
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Appendices

Appendices:

Appendix A	List of gifts and hospitality declared by Officers from 30.12.2020 to 09.06.21
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Background reference papers:

None.

Appendix A

Date	Job Title	Declared	Hospitality/Gift to declare	Interested Parties	Value (£)	Additional Info	Declined/ Accepted?
02/03/21	Head of Communities	Gift	A gift box including crossword book, recipe and ingredients, snack items, pens, notebook, coffee sachets	Access Community Trust Lowestoft	£8		Accepted
23/03/21	Tenant Services Manager	Gift	Flowers and homemade cupcakes	Member of the public	£10	Given as a thank you for giving housing advice. Accepted as felt refusal would cause upset.	Accepted
31/03/21	Principal Planner	Gift	Homemade cake	Planning Agent	£10		Declined
08/03/21	Legal Services Manager	Gift	Book	Sharpe Pritchard Solicitors London	£10		Accepted
08/03/21	Legal Services Manager	Gift	Seasonal confectionery	Sharpe Pritchard Solicitors London	£5	Promotional gift	Accepted