

Public Document Pack
SOUTHEND-ON-SEA CITY COUNCIL

Audit Committee

Date: Wednesday, 10th January, 2024

Time: 6.30 pm

Place: Committee Room 1

Contact: Robert Harris, Principal Democratic Services Officer

Email: committeesection@southend.gov.uk

A G E N D A

- 1 Apologies for Absence**
- 2 Declarations of Interest**
- 3 Minutes of the Meeting held on Wednesday, 25 October 2023 (Pages 3 - 8)**
- 4 Deloitte: Final report to the Audit Committee on the audit for the year ended 31 March 2022 (Pages 9 - 42)**
Report of the Executive Director (Finance and Resources)
- 5 Deloitte: Auditor's Annual Report 2021/22 (deferred from last meeting as paper circulated at that meeting) (Pages 43 - 72)**
Report of the Executive Director (Finance & Resources)
- 6 Deloitte: External Audit 2022/23 Status Update**
Verbal report of the Executive Director (Finance and Resources) (no papers)
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Report of the Executive Director (Strategy & Change)
- 8 Complaints, SARs, FOIs, and Data Breach Update**
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- 9 Treasury Management Policy for 2024/25 (Pages 79 - 112)**
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- 10 Homes England compliance report for 2022/23 (Pages 113 - 126)**
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- 11 Counter Fraud & Investigation Team Quarterly Performance Report (Pages 127 - 142)**
Report of the Executive Director (Finance & Resources)
- 12 Internal Audit Service Quarterly Performance Report (Pages 143 - 162)**
Report of Executive Director (Finance and Resources)
- 13 Internal Audit Report on Appointments and Disciplinary Committee**
Report of the Executive Director (Finance & Resources) to follow

Chair & Members:

Cllr M Terry (Chair), Cllr O Cartey (Vice-Chair), Cllr L Burton, Cllr P Collins, Cllr M Dent, Cllr N Folkard, Cllr J Harland, Cllr M O'Connor, Cllr M Stafford and K Pandya

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SOUTHEND-ON-SEA CITY COUNCIL

Meeting of Audit Committee

Date: Wednesday, 25th October, 2023

Place: Committee Room 1 - Civic Suite

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Present: Councillor M Terry (Chair)
Councillors O Carley (Vice-Chair), L Burton, P Collins, *T Cowdrey,
M Dent, N Folkard, J Harland, M O'Connor and K Pandya

*Substitute in accordance with Council Procedure Rule 31.

In Attendance: Councillors T Cox and J Moyies
A Barnes, R Harris, P Bates, S Dutton, C Fozzard and V Smith

Start/End Time: 6.30 pm - 9.00 pm

9 Apologies for Absence

Apologies for absence were received from Councillor Stafford (substitute: Cllr Cowdrey).

10 Declarations of Interest

There were no declarations of interest at this meeting.

11 Minutes of the Meeting held on 19th July 2023

Resolved:

That the Minutes of the Meeting held on 19th July 2023 be confirmed as a correct record.

12 Annual Report on Comments, Complaints and Compliments 2022/23

The Committee considered a report of the Executive Director (Strategy and Change) presenting:

- Performance information about general comments, complaints and compliments received across the Council for 2022/23.
- An annual report concerning compliments, concerns and complaints received about the Council's Children and Adults' social care functions.
- The findings of certain Local Government and Social Care Ombudsman investigations.
- Assurance that the above complaints systems are effective.

The Committee asked questions which were responded to by officers.

Resolved:

1. That it be noted that the Council has the necessary structures in place to manage complaints received through the General and Children's and Adult Social Care statutory complaint processes.
2. That it be noted that the Council has the necessary structures in place to manage comments, compliments and concerns received.
3. That the contents of the annual letter of the Local Government and Social Care Ombudsman, be noted.
4. The summary of complaints upheld by the Ombudsman, be noted.
5. That it be noted that compliance with timescales in all types and stages of complaints requires improvement and the Governance Board will be asked to drive improvement across the organisation.
6. That the timeliness of remedial actions agreed with the Ombudsman requires improvement and that the Governance Board will be asked to drive improvement across the organisation, be noted.
7. That it be noted that the Local Government and Social Care Ombudsman and Housing Ombudsman are jointly consulting on a proposed Complaint Handling Code which if adopted will require amendment to the Council's current general complaints process and a report be presented to a future meeting of the Committee on any amendments arising from the joint consultation.
8. That quarterly progress reports be presented to future meetings of the Audit Committee to update on complaints, compliments and comments, including details of any trends/common themes.

13 Information Governance Update and Senior Information Risk Owner (SIRO) Annual Report 2022/23

The Committee considered a report of the Executive Director (Children and Public Health) presenting a summary of the Council's key actions in regard to information governance and management during 2022/23.

The Committee asked questions which were responded to by officers.

Resolved:

1. That the submitted report of the Senior Information Risk Owner on Information Governance for 2022/23, be noted.
2. That it be noted that the Council has the necessary structures in place to manage information lawfully as demonstrated by the compliance with the Data Security and Protection Toolkit and cyber security audits.
3. That it be noted that officers have good external networks ensuring good practice is shared regionally and implemented within the Council.

4. That it be noted that in response to the Corporate Peer Review the Council has introduced a Governance Board as a means of providing oversight of the information framework.

5. That it be noted that training and awareness tools are available to officers and Councillors, however, participation while adequate could be improved and the Governance Board will be asked to improve the cascade of training throughout the organisation.

6. That it be noted that the fulfilment of Freedom of Information/Environmental Information requests and Subject Access Requests requires improvement and the Governance Board will be asked to drive improvement across the organisation.

7. That it be noted that officers across the Council are participating in a major drive to move information to a better structured and more secure environment as part of the Shared Data Migration project led by ICT.

14 CIPFA Financial Management Code Action Plan Progress Report

The Committee considered the report of the Executive Director (Finance and Resources) presenting an update on the Council's continued compliance with CIPFA's Financial Management Code and to report on progress against the action plan that resulted from the Council's previous self-assessment undertaken in March 2023.

The Committee asked questions which were responded to by officers.

Resolved:

1. That it be noted that the Council's latest mid-year self-assessment continues to demonstrate overall compliance with CIPFA's Financial Management Code.

2. That the progress against the Financial Management Code action plan that was reported to the Audit Committee on 26 April 2023, be noted.

3. That it be noted that the next annual self-assessment of the Council's compliance status against CIPFA's Financial Management Code will be undertaken and reported to the Audit Committee in April 2024.

15 Deloitte: Report to the Audit Committee on the audit for the year ended 31 March 2022

The Committee considered a report of the Executive Director (Finance and Resources) presenting the summary of the results of the work completed to date for the 2021/22 financial year with regard to the opinion on the Statement of Accounts and the commentary on the Council's Value for Money arrangements conclusion.

Resolved:

That the Report to the Audit Committee on the audit for the year ended 31 March 2022, be accepted.

16 Deloitte: Auditor's Annual Report for 2021/22 to the Audit Committee

This matter was deferred and will be considered at the Audit Committee meeting to be held on 10th January 2024.

17 Adoption of the final Annual Governance Statement 2021/22 and Statement of Accounts 2021/22

The Annual Governance Statement for 2021/22 was presented to Audit Committee on 20 July 2022 and approved, subject to any further views expressed by External Audit. This report is to recommend the final Annual Governance Statement for 2021/22 (which incorporates only minor changes requested by External Audit) to the Leader of the Council and Chief Executive for authorisation and signature.

The Committee asked questions which were responded to by officers and the external auditors.

Resolved:

1. That the Annual Governance Statement for 2021/22 be recommended to the Leader of the Council and Chief Executive for authorisation and signature, and incorporation in the Statement of Accounts 2021/22.

2. That the Statement of Accounts for 2021/22 be adopted and approved for publication, subject to any final review and amendments required, as a result of the remaining audit matters outstanding.

18 Deloitte: Planning Report to the Audit Committee for the year ended 31 March 2023

The Committee considered a report of the Executive Director (Finance and Resources) presenting the External Auditor's Audit planning report for 2022/23 to the Audit Committee.

Resolved:

That Deloitte's Audit planning report for 2022/23, be noted.

19 Counter Fraud & Investigation Team Quarterly Performance Report

The Committee considered a report of the Executive Director (Finance and Resources) presenting an update on the progress made by the Counter Fraud & Investigation Team (CFIT) in delivering the Counter Fraud Strategy and Work Programme for 2023/24.

The Committee asked questions which were responded to by officers. On consideration of the report the Leader of the Council gave his commitment that where there is a critical business need the resources/funding would be made available to ensure the CFIT have the necessary resources and tools.

Resolved:

That the performance of the Counter Fraud & Investigation Team over the last three months, be noted.

20 Internal Audit Service Quarterly Performance Report

The Committee considered a report of the Executive Director (Finance and Resources) presenting an update on the progress made in delivering the Internal Audit Strategy and Plan for 2023/24.

The Committee asked questions which were responded to by officers.

Resolved:

That the progress made in delivering the 2023/24 Internal Audit Strategy and Plan, be noted.

Chair: _____

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Title:	Deloitte: Final Report to the Audit Committee on the 2021/22 audit
Meeting:	Audit Committee
Date:	10 January 2024
Classification:	Part 1
Key Decision:	No
Report Authors:	Deloitte External Auditor
Executive Councillor:	Not applicable

1. Executive Summary

- 1.1. This final report summarises the results of the work completed for the 2021/22 financial year with regard to:
- the opinion on the Statement of Accounts
 - the commentary on the Council's Value for Money arrangements conclusion.

2. Recommendations

- 2.1. The Committee accepts the Final Report to the Audit Committee on the 2021/22 audit.**

3. Background

- 3.1. The Audit Committee received an earlier version of this report at its 25 October meeting, which summarised the results of the work that Deloitte had completed at that date. At that time their audit was substantially complete and subject to the finalisation of a few matters. This report is the final report now that their audit is complete.
- 3.2. A senior representative of Deloitte (the appointed External Auditor to the Council) will present this report to the Audit Committee and respond to Members' questions.
- 3.3. The Auditor's Annual Report for 2021/22 is being presented elsewhere on this agenda and includes the reporting on Deloitte's Value for Money work and commentary on the Council's arrangements.

4. Financial Implications

- 4.1. The fee for the audit work is set by Public Sector Audit Appointments Limited and agreed with the Council before the start of the audit. Issues arising during the course of the audit can impact on the audit fee payable. Any increases on top of the original scale fee for 2021/22 have not yet been confirmed with the Council or approved by PSAA.

5. Legal Implications

- 5.1. The Council is required by statute to have an external audit of its activities that complies with the requirements of the Code of Audit Practice (the Code) issued by the National Audit Office. By considering this report, the Committee can satisfy itself that this requirement is being discharged with no direct legal implications for the Council.

6. Carbon Impact

- 6.1. None

7. Equalities

- 7.1. None

8. Consultation

- 8.1. The contents of this report have been discussed and agreed with the Executive Director (Finance and Resources).

9. Background Papers

None

10. Attachment: Deloitte Final Report to the Audit Committee on the 2021/22 audit

Report Authorisation

This report has been approved for publication by:

This report has been approved for publication by:		
	Name:	Date:
S151 Officer	Pete Bates	21/12/2023
Monitoring Officer	Not applicable	
Executive Director(s)	Joe Chesterton	19/12/2023
Relevant Cabinet Member(s)	Not applicable	



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Southend-on-Sea City Council

Final Report to the Audit Committee on the 2021/22 audit

Issued on 19 December 2023

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Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Audit Committee of Southend-on-Sea City Council (the Council) for the 2021/22 audit. The scope of our audit was set out within our planning report presented to the Committee in March 2023.

Status of our Statement of Accounts audit

Our audit is now complete.

We have included a section in this report providing observations arising from the work we have undertaken on the areas of significant risk and other areas of audit focus reported to you in our audit planning report.

Our report presented to the Audit Committee on 25 October 2023 covered reporting on the majority of our work performed, this report serves as an update report and therefore the majority of the pages of our report are consistent with the previous report.

Status of our Value for Money audit

Our Value for Money work is complete and is reported to the Audit Committee in our Auditor's Annual Report for 2021/2022, which is being presented at this meeting.

We have not identified any significant weakness in arrangements to secure economy, efficiency and effectiveness in the use of resources.

We have no matters to report by exception in our financial statement audit opinion.

Whole of Government Accounts (WGA)

We are required to report our overall audit opinion and key issues from our audit to the National Audit Office (NAO) following completion of the audit. However, the NAO have not yet confirmed for 2021/22, bodies which may be subject to additional procedures for reporting to the NAO to gain comfort over the WGA. Therefore, we are not able to confirm completion of the audit in this regard.

Introduction

The key messages in this report (continued)

Conclusions from our testing

- The key judgements in the audit process related to:
 - valuation of investment properties and Property Plant and Equipment (hereafter referred to as PPE);
 - capitalisation of expenditure;
 - valuation of pension liabilities.
 - valuation of the long-term debtor in relation to Porters Place Southend-on-Sea LLP; and
 - valuation of infrastructure assets.
- We have identified one unadjusted misstatement noted on Page 7. All other adjustments and disclosure deficiencies noted during testing have been corrected by management in the financial statements.
- We have issued an unmodified audit opinion, with no reference to any matters in respect of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources, or the Annual Governance Statement.

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Narrative Report & Annual Governance Statement

- We have reviewed the Council's Annual Report & Annual Governance Statement to consider whether it is misleading or inconsistent with other information known to us from our audit work.
- The Annual Governance Statement complies with the Delivering Good Governance guidance issued by CIPFA/SOLACE.
- We have no matters to raise with you in respect of the Narrative Report.

Duties as public auditor

- We did not receive any queries or objections from local electors this year.
- We have not identified any matters that would require us to issue a public interest report. We have not had to exercise any other audit powers under the Local Audit and Accountability Act 2014.

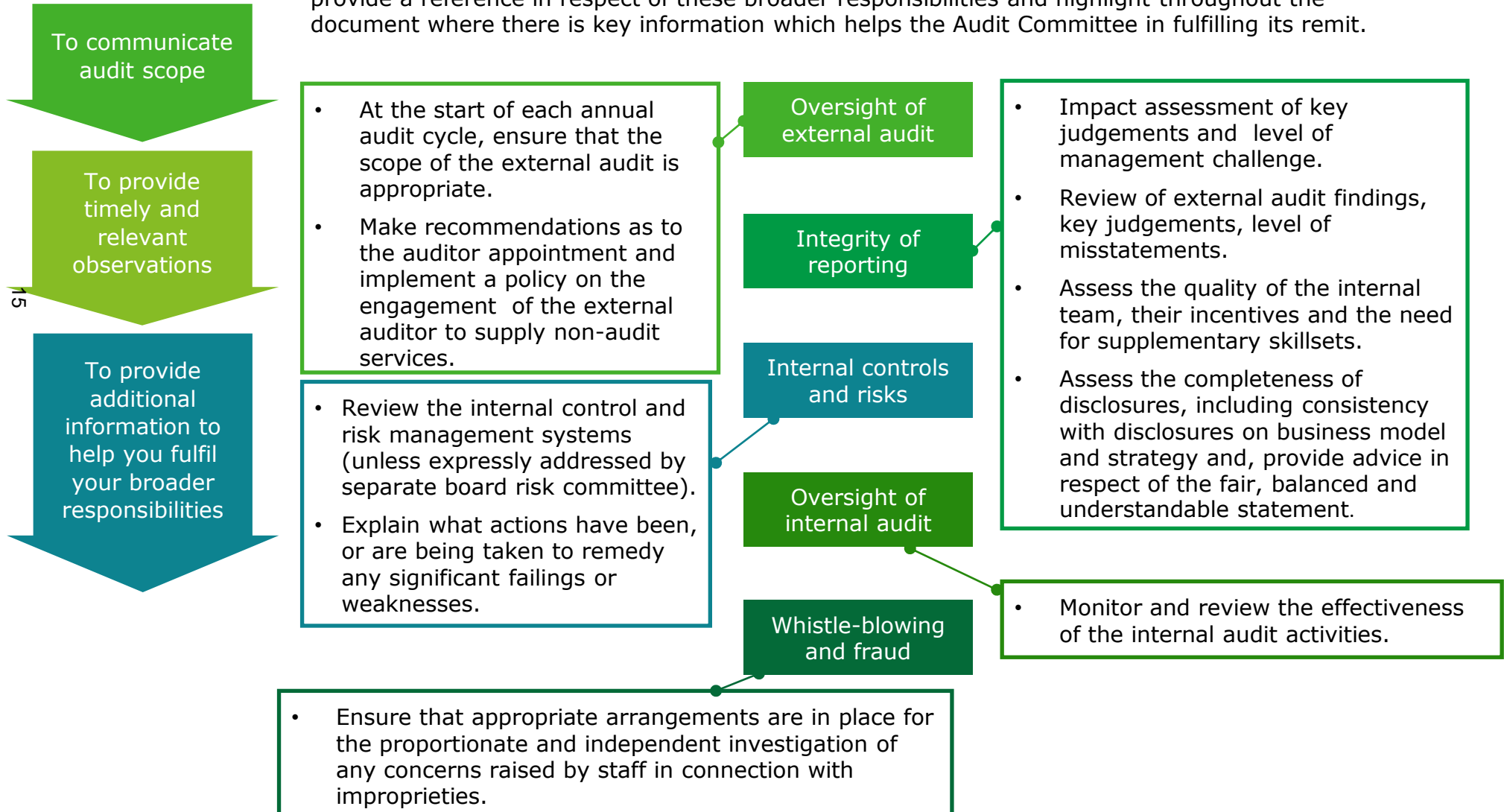
Mohammed Ramzan
Audit lead

Responsibilities of the Audit Committee

Helping you fulfil your responsibilities

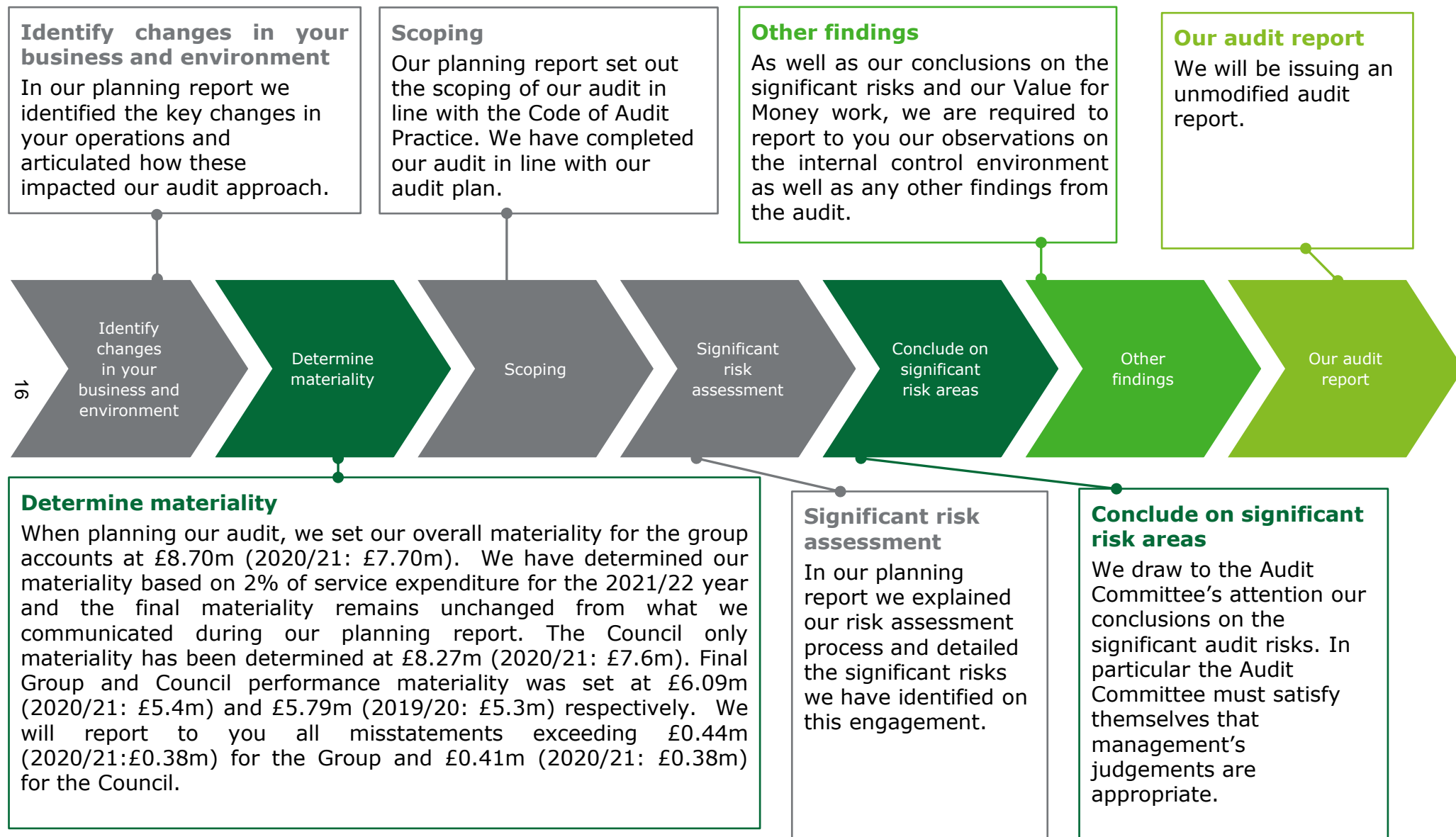
Why do we interact with the Audit Committee?

As a result of regulatory change in recent years, the role of the Audit Committee has significantly expanded. We set out here a summary of the core areas of Audit Committee responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Audit Committee in fulfilling its remit.



Our audit explained

We tailor our audit to your organisation and your strategy



Significant risks

Valuation of property assets

Risk identified

The Council is required to hold dwellings, other land and buildings within Property, Plant and Equipment and Investment Properties at valuation. The valuations are by nature significant estimates which are based on specialist and management assumptions, and which can be subject to material changes in value.

The Authority held £715m of property assets (land and buildings) at 31 March 2022 (£666m as of 31 March 2021) as per the draft accounts. This movement from the prior year is due to revaluation movements as a result of the revaluation exercise during 2022/23 (i.e. 1 April 2022), reclassifications from assets under construction and material additions and disposals during the year.

The Council updates the valuation of its properties using a rolling revaluation programme. The main assets which were revalued in the year were Schools, Sports Pavilions, Park WCs, Park Messrooms, Day Centres, Marine Activity Centre and Lagoon WCs.

Deloitte response and challenge

We are in the process of completing the following procedures:

- We have reviewed the design and implementation of the controls in place in relation to property valuations;
- We have considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- We have engaged our valuation specialists, Deloitte Real Assets Advisory, to review and challenge the appropriateness of the assumptions used in the valuation of the Council's property assets;
- We sample tested key asset information used by the Council's valuers in performing their valuation, such as gross internal areas, back to supporting documentation;
- We have reviewed assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated;
- Through discussions with management in the prior year, the property assets valued under the rolling valuation programme on 1 April 2022, has been updated to reflect the fair value as at 1 April 2022 to ensure these properties' valuations align to the most up to date information. We confirmed through inspection of updates to the valuation and the latest valuation report that there were no differences noted.
- For assets not revaluated at 1 April 2022, we have performed an analysis of the indexation calculations applied to arrive at the valuation of property assets as at yearend to ensure the indexation adjustments were deemed reasonable; and
- We have reviewed the presentation of revaluation movements, and the disclosures included in the Statement of Accounts.

Conclusion

We have identified an unadjusted misstatement of £844k in relation to the Shared Revaluation. We have been informed by the management that the new version of the RAM system implemented from 01/04/2023 will address this issue in the future reporting.

Significant risks (continued)

Capitalisation of expenditure

Risk identified	<p>At the time of publishing the 2021/22 financial statements, it has been noted that as part of the Medium Term Financial Strategy, the Council had a substantial capital programme of £202m over the next five years. The capital programme included £69.5m spend in 2021/22.</p> <p>Determining whether expenditure should be capitalised can involve judgement. There is also an incentive to inappropriately capitalise expenditure as the Council has greater flexibility over its use of revenue compared to capital resources. Given this incentive to capitalise costs that are not capital in nature, we specifically identify this area as a significant risk of material misstatement and a fraud risk.</p>
Deloitte response and challenge	<p>We have tested the design and implementation of controls around the capitalisation of costs.</p> <p>We have selected a sample of additions in the year to test whether they have been appropriately capitalised in accordance with the accounting requirements. This sample included Assets Under Construction.</p>
Conclusion	<p>After concluding our work, we have no matters to bring to the attention of the Audit Committee.</p>

Significant risks (continued)

Management override of controls

Risk identified

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although management is responsible for safeguarding the assets of the Council, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Statement of Accounts.

Deloitte response and challenge

We have considered the overall sensitivity of judgements made in preparation of the Statement of Accounts, and note that:

- The Council's results throughout the year were projecting overspends in operational areas. This was closely monitored and whilst projecting overspends, the underlying reasons were well understood; and
- Senior management's remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

Journals

- We have tested the design and implementation of controls in relation to journals.
- We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.
- We have used Spotlight data analytics tools to test a sample of journals, based upon identification of items of potential audit interest. Our analysis has covered all journals posted in the year.

Significant transactions

- We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.
-

Significant risks (continued)

Management override of controls (continued)

Deloitte response and challenge

Accounting estimates

- We have performed design and implementation testing of the controls over key accounting estimates and judgements.
- The key judgements in the financial statements are those selected as significant audit risks and other areas of audit interest as discussed elsewhere in this report.
- We reviewed accounting estimates for biases that could result in material misstatements due to fraud. We note that overall the changes to estimates in the period were balanced and did not indicate a bias to achieve a particular result.
- We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources.

Conclusion

After concluding our work, we have no matters to bring to the attention of the Audit Committee.

We have not identified any significant bias in the key judgements made by management and we have not identified any instances of management override of controls in relation to the specific transactions tested as part of our audit.

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Other areas of audit focus

Pension liability valuation

Risk identified

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme (LGPS).

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's Balance Sheet. Per the draft financial statements at 31 March 2022, this totalled £92.4m (2020/21: £169.6m). As a result of this being an estimated balance there is a risk that inappropriate inputs and assumptions are used, which could result in the pension liability valuation being materially misstated

Deloitte response and challenge

We are in the process of completing the following procedures:

- We obtained a copy of the actuarial report for the Council produced by Barnett Waddingham, the scheme actuary, and agreed the report to the Statement of Accounts pension disclosures.
- We reviewed the disclosures made in the Statement of Accounts against the requirements of the Code.
- We liaised with the audit team of Essex Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Council.
- We assessed the independence and expertise of the actuary supporting the basis of reliance upon their work.
- We reviewed and challenged the assumptions made by Barnett Waddingham, including benchmarking as shown in the table on the following page through utilising our pension experts' team.
- We assessed the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund financial statements.




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Other areas of audit focus (continued)

Pension liability valuation (continued)




Review of assumptions used by actuary

As part of our testing, we reviewed the assumptions used by the actuary and have set out below our assessment of the assumptions used in the IAS19 valuation based on our specialist's preliminary report.

Assumption	Council	Benchmark	Deloitte Assessment
Discount rate (% p.a.)	2.60%	2.60-2.85%	
Retail Price Index (RPI) Inflation rate (% p.a.)	3.85%	3.75-3.85%	
Consumer Price Index (CPI) Inflation rate (% p.a.)	3.20%	Council specific	

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Assessment key

-  In reasonable range
-  Towards limit of reasonable range
-  Optimistic or Prudent

Conclusion

After concluding our work, there are no matters to bring to the Audit Committee's attention.

Other areas of audit focus (continued)

Porters Place Southend-on-Sea LLP

Risk identified We have noted a long term debtor balance of £3.325m within the financial statements of the Council due to be received from Porters Place Southend-on-Sea LLP (hereafter referred to as Porters Place). Porters Place is one of the joint ventures in which the Council participates. It was a 30-year partnership with Swan Housing Association and their wholly owned subsidiary Swan BQ Limited, with the purpose to regenerate the Queensway Estate and surrounding environs. Over the last year Swan Housing Association have been in discussions with parties around a possible business combination. In February 2023 Swan joined Sanctuary housing as a subsidiary. Through discussions with management and our knowledge obtained around the possible transaction we concluded that there is a risk that balances due under the Porters Place agreement may not be recoverable.

Deloitte response and challenge

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We are completing the following procedures:

- We inquired of management as to the latest update on the planned business combination to understand the level of risk within the balance noted.
 - We inspected documentation and information available to us to substantiate the amounts at risk as well as mitigations of the risk noted. The Council has included additional disclosure in this regard within note 5 of the Statement of Accounts.
 - We inspected the Statement of Accounts and confirmed that the disclosures given were reasonable and in line with our expectation.
 - We have added a representation within the management representation letter that will need to be signed by the Council at the signing date to confirm information obtained in relation to Porters Place and any developments have been considered for any impact on the financial statements and communicated to the audit team.
-

Developments to date

During August 2023 we received an update on the Better Queensway scheme and noted that Sanctuary Housing Association are seeking to exit from the partnership and the Better Queensway scheme. An appropriate settlement agreement is under development that will cover the terms of Sanctuary's withdrawal.

It was however noted by management that they believe the Council to still be fully committed to the Better Queensway regeneration scheme and that the Council will now explore alternative options to progress the scheme.

Conclusion

After concluding our work, there are no matters to bring to the Audit Committee's attention.

Other areas of audit focus (continued)

Infrastructure Assets

Risk identified

During our FY20/21 audit there was a discussion held at national level on the accounting for subsequent expenditure on infrastructure assets (for example the cost of renewing a road surface) and specifically whether local authorities should be assessing if there is any undepreciated cost remaining on the balance sheet for the replaced components which need to be derecognised.

The council held infrastructure assets of £128.7m (2020/21:£116.9m) at yearend.

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 requires authorities to derecognize the gross cost and accumulated depreciation on infrastructure assets when a major part/component of that asset has been replaced or decommissioned. In the prior year we recognised the valuation of infrastructure assets as a significant risk however after we performed a detailed assessment on the Council's processes in relation to infrastructure assets in the prior year, we deemed the risk in relation to infrastructure assets for the current year to be a higher risk rather than a significant risk.

Deloitte response and challenge

We have completed the following procedures:

- On derecognition of components: The audit team have confirmed that the Council has opted to apply the Statutory Instrument and have made the assumption that the carrying amount of any assets that have been replaced was nil. The audit team reviewed the Statement of Accounts and confirmed that this disclosure has been made.
- Gross book value and accumulated depreciation: The audit team reviewed the infrastructure assets disclosure included in the Council's financial statements and compared this to the CIPFA Bulletin example to confirm that no issues have been identified.
- Infrastructure Asset disaggregation: The audit team have challenged the disaggregation of infrastructure assets as reflected on the fixed asset register and concluded that the disaggregation was reasonable.
- The audit team reviewed and challenged the determination of the useful economic lives applied to infrastructure assets by the Council and confirmed the rationale for the determination of the useful economic lives to be appropriately supported and reasonable in light of information reviewed.
- The audit team have reviewed the accounting policy in relation to infrastructure assets and compared these to the example accounting policy included in the CIPFA Bulletin annex A and confirmed the accounting policy were in line with expectation

Conclusion After concluding our work, we have no matters to bring to the attention of the Audit Committee.

Covid-19 pandemic

Impact on reporting and our audit

Requirements

CIPFA has issued guidance highlighting the importance of considering the impact of Covid-19 in preparation of the financial statements, including communicating risks and governance impacts in narrative reporting. This is consistent with the Financial Reporting Council's guidance to organisations on the importance of communicating the impact of Covid-19 and related uncertainties, including their impact on resilience and going concern assessments.

Entity-specific explanations of the current and expected effects of Covid-19 and the Council's plans to mitigate those effects should be included in the narrative reporting (including where relevant the Annual Governance Statement), including in the discussion on Principal Risks and Uncertainties impacting an organisation.

As well as the effects upon reserves, financial performance and financial position, examples of areas highlighted by CIPFA include the impact on service provision, changes to the workforce and how they are deployed, impacts upon the supply chain, cash flow management, and plans for recovery. Risks highlighted include those relating to subsidiaries and investments, capital programmes, and resilience of the community including partner organisations and charities.

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Actions

A thorough assessment of the current and potential future effects of the Covid-19 pandemic is required including:

- A detailed analysis across the council's operations, including on its income streams, supply chains and cost base, and the consequent impacts on financial position and reserves;
- The economic scenario or scenarios assumed in making forecasts and on the sensitivities arising should other potential scenarios materialise (including different funding scenarios);
- Any material uncertainties relating to the council's financial position, the financial sustainability of the Council, and the potential requirement for a section 114 notice; and
- The effect of events after the reporting date, including the nature of non-adjusting events and an estimate of their financial effect, where possible.

Covid-19 pandemic

Impact on reporting and our audit (continued)

Impact on the Council	Impact on Statement of Accounts	Impact on our audit
<p>We have considered the key impacts on the business such as:</p> <ul style="list-style-type: none">• Interruptions to service provision.• Supply chain disruptions.• Unavailability of personnel.• Reductions in income.• The closure of facilities and premises.	<p>We have considered the impact of the outbreak on the Statement of Accounts (including the financial statements), discussed further on the next page including:</p> <ul style="list-style-type: none">• Principal risk disclosures• Impact on property, plant and equipment• Valuation of commercial or investment properties• Impact on pension fund investment measurement and impairment• Financial sustainability assessment• Events after the reporting period and relevant disclosures• Narrative reporting• Impairment of non-current assets• Allowance for expected credit losses	<p>We have considered the impact on the audit including:</p> <ul style="list-style-type: none">• Resource planning• Timetable of the audit• Impact on our risk assessment• Logistics including meetings with entity personnel.

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Covid-19 pandemic

Impact on reporting and our audit (continued)

	Potential Impact on Statement of Accounts	Audit response
Expected credit losses	Since 31 March 2020, there has been a significant downturn in economic activity, with many businesses and individuals significantly impacted. The Council will need to consider the provision for credit losses for receivables, including for expected credit losses for assets accounted for under IFRS 9.	For non-public sector debtors consideration is needed of the impact on the required level of provision for expected credit losses under IFRS 9. The Council reflected a decrease in debtor balances on prior year and we noted that the Council has increased level of provisioning against these balances. We have included consideration of the impact of Covid 19 on the provisioning levels against these balances and deem the provisioning to be reasonable and in line with IFRS 9.
Covid-19 grants	Our judgement is that there is a high risk at the Council relating to the recognition of grants with terms and conditions attached, specifically around the new grants received in year relating to Covid-19 where terms and conditions may be less clear and there is no historical basis for the accounting treatment. There is a risk that the Council will recognise the income before the terms and conditions of the Covid-19 grants have been met. There are also a number of grants relating to Covid-19, such as the business rates relief, where management need to determine if they are acting in the capacity of an Agent or Principal. We deemed the risk to be significant in the prior year, however given the decline in the values relating to the grants and the comfort we obtained through the prior year testing we did not deem this to be a significant risk for the current year.	<p>We have tested the design and implementation of key controls in place around the recognition of Covid-19 grant income;</p> <p>We have reviewed the accounting treatment of new Covid-19-related grants for 2021/22 to confirm that they have been correctly accounted for as either an Agent or Principal arrangement; and</p> <p>We have tested a sample of grants including the new Covid-related grants to ensure that any terms and conditions were met prior to recognition as income.</p>

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Covid-19 pandemic

Impact on reporting and our audit (continued)

	Potential Impact on Statement of Accounts	Audit response
Narrative and other reporting issues	<p>The following areas will need to be considered by local authorities as having been impacted on by the Covid-19 pandemic.</p> <ul style="list-style-type: none">• Narrative reporting as well as the usual reporting requirements will need to cover the effects of the pandemic on services, operations, performance, strategic direction, resources and financial sustainability.• Reporting judgements and estimation uncertainty, the Council will need to report the impact on material transactions including decisions made on the measurements of assets and liabilities.	<p>We note that the narrative report adequately discloses matters related to Covid-19, including risks, potential impacts and other issues. The report is compliant with the guidance in this area.</p>
Impact on pension fund investment measurement	<ul style="list-style-type: none">• As a result of the Covid-19 pandemic pension fund investments have been subject to volatility. At 31 March 2022, we noted that the Council's share of pension fund assets had moved by £59m.	<p>We engaged early with the Pension Fund auditor to not only gather information for year-end measurements but to also understand any estimation techniques and any changes to those techniques that may be needed to measure the financial instruments. Where such volatility exists it may mean that the inputs used in the fair value measurement may change and may require a change of measurement technique, and consideration of the level of uncertainty in valuations where there is significantly more estimation.</p> <p>Our audit work has been completed and did not identify any material misstatement.</p>

Covid-19 pandemic

Impact on reporting and our audit (continued)

	Potential Impact on Statement of Accounts	Audit response
Valuation of commercial or investment properties	Following the Covid-19 pandemic, the fair value measurements for financial instruments and investment properties held by the Council needs to be reviewed against the conditions and assumptions at the measurement date. Although volatility continues to reduce relative to 31 March 2020, there have been market movements during the year which may impact valuations.	<p>The Council has considered its approach to the measurement of Investment property (IP). Where property held at current value is based on market valuations the Council considered with their valuers the impact that Covid-19 has had on current value. The Council also considered whether there are any indications of impairment of assets requiring adjustment at 31 March 2022.</p> <p>The is no material uncertainty disclosed in the Statement of Accounts as expected relating to IP.</p>

Value for money

Our conclusions are reported in our Auditor's Annual Report for 2021/2022

Value for Money requirements

We are required to consider the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources. Under the revised requirements of the Code of Audit Practice 2020 and related Auditor Guidance Note 03 ('AGN03'), we are required to:

- Perform work to understand the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources against each of the three reporting criteria (financial sustainability, governance, and improving economy, efficiency and effectiveness);
- Undertake a risk assessment to identify whether there are any risks of significant weaknesses in arrangements;
- If any risks of significant weaknesses are identified, perform procedures to determine whether there is in fact a significant weakness in arrangements, and if so to make recommendations for improvement;
- Issue a narrative commentary in the Auditor's Annual Report, setting out the work undertaken in respect of the reporting criteria and our findings, including any explanation needed in respect of judgements or local context for findings. If significant weaknesses are identified, the weaknesses and recommendations will be included in the reporting, together with follow-up of previous recommendations and whether they have been implemented. Where relevant, we may include reporting on any other matters arising we consider relevant to Value for Money arrangements, which might include emerging risks or issues arising; and
- Where significant weaknesses are identified, report this by exception within our financial statement audit opinion.

Work performed to obtain an understanding of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources

As part of our risk assessment, we have reviewed the summary of Value for Money arrangements prepared by the Council, reviewed supporting documentation on arrangements, and held follow-up interviews on areas where additional information was required.

In addition, we have:

- reviewed of the Council's draft Annual Governance Statement;
- reviewed internal audit reports through the year and the Head of Internal Audit Opinion
- considered issues identified through our other audit and assurance work; and
- considered the Council's financial performance and management throughout 2021/22.

Value for money

Our conclusions are reported in our Auditor's Annual Report for 2021/2022 (continued)

Work performed to obtain an understanding of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources (continued)

We have also obtained an understanding of:

- The changes in governance processes as a result of Covid-19;
- The changes to control processes as a result of Covid-19; and
- The processes and controls put in place in order to deal with the Covid-19 business support schemes.

Findings of our work

Our Value for Money work is complete and is reported in full in our Auditor's Annual Report.

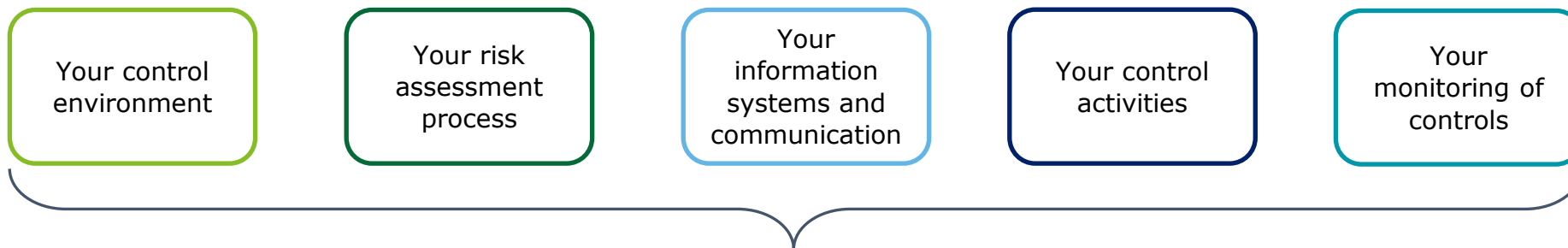
We have not identified any significant weakness in arrangements to secure economy, efficiency and effectiveness in the use of resources.

We have no matters to report by exception in our financial statement audit opinion.

Your control environment and findings

High-level impact on our approach

ISA (UK) 315 requires we obtain an understanding of internal control relevant to the audit. It is a matter of the auditor’s professional judgment whether a control, individually or in combination with others, is relevant to the audit. We do not test those controls we do not consider relevant to the audit. Below we provide a view, based on our audit procedures, on the effectiveness of your system of internal control relevant to the audit risks that we have identified.



Area	Deloitte comment	Maturity CY/PY
∞ Valuation of property assets	No deficiency was identified in the design and implementation of the controls in the process.	● ●
Management override of controls	No deficiency was identified in the design and implementation of the controls in the process	● ●
Capitalisation of expenditure	No deficiency was identified in the design and implementation of the controls in the process	● ●

Key: ● Mature ● Developing ● Lagging

Your control environment and findings

Control deficiency

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p>During our testing of the key controls in relation to covid-19 grants we have noted that the Council do not maintain a revenue grant register.</p> <p>We acknowledge that tracking of grants has been done by individual service lines, however without a central revenue grant register, the Council cannot monitor grants received; track expenditure against the amount awarded; and ensure any conditions have been met.</p>	2021, medium, control activities	We recommend that management maintain a central revenue grant register – both for covid-19 and non-covid grants.	Management has agreed and have prepared a revenue grant register to be maintained centrally going forward.

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Your control environment and findings

Area for management focus

Observation	Deloitte recommendation	Management response and remediation plan
<p>During our infrastructure assets testing we noted that most capitalised costs to infrastructure assets are reflected as enhancements with limited additions.</p> <p>Given the aging of the initial assets that has been enhanced there is a risk that capital costs are incorrectly capitalised and depreciated as enhancements rather than additions. Although we have not noted a material error within the current year statement of accounts there is a risk that this can result in a material error in depreciation and subsequently the valuation of the assets in future years.</p>	<p>It is recommended that management confirms that amounts capitalised to infrastructure assets in future is accurately reflected as enhancements or additions. Supporting documentation needs to be retained in the instances where capital costs are reflected as enhancements rather than additions.</p>	<p>This has been agreed. It was noted that this will be put in place for future year end closedowns, starting with the 2022/23 financial year.</p>

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The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

Audit adjustments

Uncorrected misstatements

The following uncorrected misstatements were identified in relation to the current year audit:

		Credit/(Charge) to the income statement £'m	Increase/ (Decrease) in net assets £'m	Increase/ (Decrease) in retained earnings £'m
Factual misstatements				
	Other Expenses	[1]	(3.6)	
35	Equity	[1]		3.6
	PPE	[2]	0.8	
	Equity	[2]		0.8

- (1) Shared Revaluation Reserve Error: Deloitte identified several instances where the revaluation reserve and impairment reserve balances for land and building components were combined together and treated as one balance in FY22.
- (2) Assets Not Indexed in FY22: Deloitte were unable to tie the NBV of properties indexed to the FAR. This issue was raised in FY21 in March 2023, which explains why it's still an issue for FY22. Southend have confirmed that the implementation of their new PPE system has fixed this issue for the FY23 audit.

Written representations have been obtained from the Board of Directors confirming that after considering the uncorrected items, no adjustments were required.

Our audit report

The form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.



Our opinion on the financial statements

Our audit is now complete. We have issued an unmodified audit opinion.



Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



Value for Money reporting by exception

Our opinion notes that our Value for Money work is complete and will be reported in our Auditor's Annual Report.

We have no matters to report by exception in our financial statement audit opinion.



Irregularities and fraud

We explain the extent to which we considered the audit to be capable of detecting irregularities, including fraud.

In doing so, we describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations. We will discuss the areas identified where fraud may occur and any identified key audit matters relating to fraud.

Recent changes to ISAs (UK) mean this requirement will apply to **all** entities for periods commencing on or after 15 December 2019.

Your annual report

We are required to report by exception on any issues identified in respect of the Annual Governance Statement.

	Requirement	Deloitte response
Narrative Report	<p>The Narrative Report is expected to address:</p> <ul style="list-style-type: none"> • Organisational overview and external environment; • Governance; • Operational Model; • Risks and opportunities; • Strategy and resource allocation; • Performance; • Outlook; and • Basis of preparation 	<p>We have assessed whether the Narrative Report has been prepared in accordance with CIPFA guidance.</p> <p>We have also read the Narrative Report for consistency with the annual accounts and our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p> <p>We note that the Narrative Report was updated for the implications of Covid-19.</p>
Annual Governance Statement	<p>The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.</p>	<p>We have assessed whether the information given in the Annual Governance Statement meets the disclosure requirements set out in CIPFA/SOLACE guidance, is misleading, or is inconsistent with other information from our audit. No issues were noted from our review.</p>

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Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations.
- Other insights we have identified from our audit.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Audit Committee.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and work under the Code of Audit Practice in respect of Value for Money arrangements.

We welcome the opportunity to discuss our report with you and receive your feedback.

38 The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

A stylized, handwritten-style signature of 'Deloitte LLP' in black ink, enclosed within a thin teal rectangular border.

Deloitte LLP
Birmingham | 19 December 2023

Appendices



Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council.
Fees	There are no non-audit fees.
Non-audit services	We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no other relationships with the Authority, its members, officers and affiliates, and have not supplied any services to other known connected parties.

The professional fees expected to be charged by Deloitte, as per our Audit Plan for the period from 01 April 2021 to 31 March 2022 are as follows:

	2021/22 £k (exc VAT)	2020/21 £k (exc VAT)
Financial statement audit including Whole of Government and procedures in respect of Value for Money assessment	110*	159*
Total audit	TBC	159
Other assurance services	TBC	6
Total assurance services	TBC	6
Total fees	TBC	165

* In line with PSAA correspondence that scale fees should be negotiated by individual s151 officers based on the individual circumstances of each body, we will be discussing the final position with the Council on completion of the 2020/21 audit. We will subsequently provide an estimate of fees for the 2021/22 audit.

All additional fees are subject to agreement with PSAA.

Our other responsibilities explained

Fraud responsibilities and representations



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Required representations:

We have asked the Council to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the Council.

We have also asked the Council to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



Audit work performed:

In our planning, we identified the risk of fraud in the accounting for capital expenditure and management override of controls as a significant audit risk.

During course of our audit, we have had discussions with management and those charged with governance including the Head of Internal Audit.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We have reviewed the paper prepared by management for the on the process for identifying, evaluating and managing the system of internal financial control.

Concerns:

No significant concerns have been identified from our work



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Meeting: Audit Committee
Date: 10 January 2024
Classification: Part 1
Key Decision: No
Title of Report: **Deloitte: Auditor's Annual Report for 2021/22**

Executive Director: Joe Chesterton: Executive Director (Finance and Resources)

Report Author: Deloitte External Auditor

Executive Councillor: Not applicable – external report

1. Executive Summary

1.1 To present the External Auditor's Annual Report for 2021/22 to the Audit Committee, that was tabled at the last meeting.

2. Recommendations

2.1 **The Committee approves the Auditor's Annual Report for 2021/22.**

3. Background

3.1 This Annual Report summarises the key issues arising from the work Deloitte have carried out during the year as the Council's auditors and highlights the key findings that should be considered by the Council. This includes the reporting on Deloitte's Value for Money work and commentary on the Council's arrangements.

3.2 It is intended to be a short document, aimed at key external stakeholders including members of the public, to inform them about the results of the audit. It will be posted onto the Council's website.

3.3 A senior representative of Deloitte (the appointed External Auditor to the Council) will present this report to the Audit Committee and respond to Members' questions.

4. Reason for decision

4.1 **External audit provides assurance to assist the Audit Committee to effectively discharge its responsibilities as per its Terms of Reference. The delivery of the external audit assists the Audit Committee with obtaining assurance that the Financial Statements and Annual**

Governance Statement appropriately reflects the conditions at the Council.

5. Other options

5.1 None.

6. Financial implications

6.1 The fee for the audit work is set by Public Sector Audit Appointments Limited and agreed with the Council before the start of the audit. Issues arising during the course of the audit can impact on the audit fee payable. Any increase on top of the original scale fee for 2021/22 has not yet been confirmed with the Council or approved by PSAA.

7. Legal implications

7.1 The Council is required to have an external audit of its activities that complies with the requirements of the National Audit Offices (NAO)' Code of Audit Practice (the Code). The production and publication of an Auditor's Annual Report is also a requirement of the Code. By considering this report, the Committee can satisfy itself that this requirement is being discharged.

8. Policy context

8.1 None.

9. Carbon impact

9.1 None.

10. Equalities

10.1 None.

11. Consultation

11.1 The Auditor's Annual Report for 2021/22 has been discussed and agreed with the Executive Director (Finance and Resources).

12. Contribution to the Council's aims and objectives

12.1 Audit work provides assurance and identifies opportunities for improvement that contribute to the delivery of all Corporate Plan objectives.

13. Risk assessment

13.1 External audit work is undertaken on a risk-focussed basis as outlined the in the external audit planning report each year.

14. Value for money

14.1 None.

15. Report Authorisation

This report has been approved for publication by:		
	Name:	Date:
S151 Officer	Joe Chesterton	29/12/2023
Monitoring Officer	N/A	N/A
Executive Director	Joe Chesterton	29/12/2023
Relevant Cabinet Member	N/A	N/A

16. Appendices

16.1 Appendix 1: Deloitte's Auditor's Annual Report 2021/22

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Deloitte.



Southend-on-Sea City Council

Auditor's Annual Report 2021/22

December 2023

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Key Messages

Audit opinion on the financial statements

We issued an unqualified opinion on the Council's financial statements.

The Councils arrangements to secure Value for Money

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

- The Council generated a deficit on the provision of services of £18.4m (2020/21:£8.4m). However, on a funding basis the Council achieved a net underspend of £0.4m compared to a net underspend of £1m in the prior year.
 - The Council produced an annual forecast as well as a rolling 5 year Medium Term Financial Forecast (MTFF) which is reviewed annually. Whilst a balanced budget was in place for 2021/22, the latest MTFF shows an accumulated budget gap of £24m to the end of 2026/27. The Council continues to implement measures as part of annual financial planning to address the budget gap for the year.
 - The Council's Financial Sustainability Strategy (FSS) has been updated for the period 2022 – 2032 to take into account uncertainty at a national level, financial pressures from rising energy prices and service demand. Work continues to develop an outcome-based approach to budgeting through a Budget Transformation Programme for 2023/24 to 2026/27.
 - Cash balances were lower at 31 March 2022, standing at £53.7m compared to £66m at the 31 March 2021. At 31 March 2022, the Council had total reserves of £641.9m (2020/21: £518.2m), with usable reserves standing at £203.1m (2020/21: £201.5m) and supporting the Council's overall financial position.
-

Governance

How the body ensures that it makes informed decisions and properly manages its risks

- The Council has policies in place to facilitate informed decision making. The five independent thematic overview and scrutiny committees, hold officers accountable for the decisions made. The Constitution is regularly reviewed and sets out the rules and procedures under which the Council operates. It sets out how decisions are made and the rights of citizens to obtain information and influence decisions.
 - The Council utilises an internal audit function which undertakes a risk-based programme of work. They provide an annual audit report and opinion on the framework of governance, risk management and control, highlighting any significant control weaknesses. A total of 42 audits were completed during the year with the majority being given satisfactory or high assurance.
 - The Council has a Risk Management Strategy and Toolkit. Internal Audit have commented that there is a strong understanding of risks being faced by the individual Directors and discipline in the production of the Corporate Risk register. However, arrangements are still to be fully embedded at a service level. **The Council should consider further actions necessary to embed the operation of risk management at a service level in a timely manner.**
-

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

- The Council uses financial and performance information to identify areas for improvement, addressing any poor performance and sharing good practice at a corporate and service level. The most recent CIPFA Financial Resilience Index (published 2021) highlights that the Council is the 13th most financially resilient out of 56 unitary authorities when ranked across 16 indicators of financial stress.
 - The Council delivers its role through partnership working and wider engagement with other stakeholders. This includes partnerships with neighbouring local councils, commercial partnership arrangements and other public bodies including the third sector. Funding is awarded via SLAs with agreed outcomes monitored on a quarterly basis to Cabinet to review performance.
 - A settlement agreement is currently underway between the Council and Sanctuary Housing in relation to the Porters Place Southend-on-Sea LLP joint venture partnership to progress the Better Queensway regeneration project. **The Council will need to carefully consider the options available in respect of the Better Queensway Scheme as it seeks a way forward whilst ensuring that value for money risks are effectively recognised and managed.**
-

Purpose of this report

Our Auditor's Annual Report sets out the key findings arising from the work we have carried out at Southend-on-Sea City Council ("the Council") for the year ended 31 March 2022.

This report is intended to bring together the results of our work over the year at the Council, including commentary on the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM"). This report fulfils the requirements of the Accounts and Audit Regulations for an Annual Audit Letter.

In preparing this report, we have followed the National Audit Office's ("NAO") Code of Audit Practice and its Auditor Guidance Note ("AGN") 03, Value for Money, and AGN 07, Auditor Reporting. These are available from the NAO website.

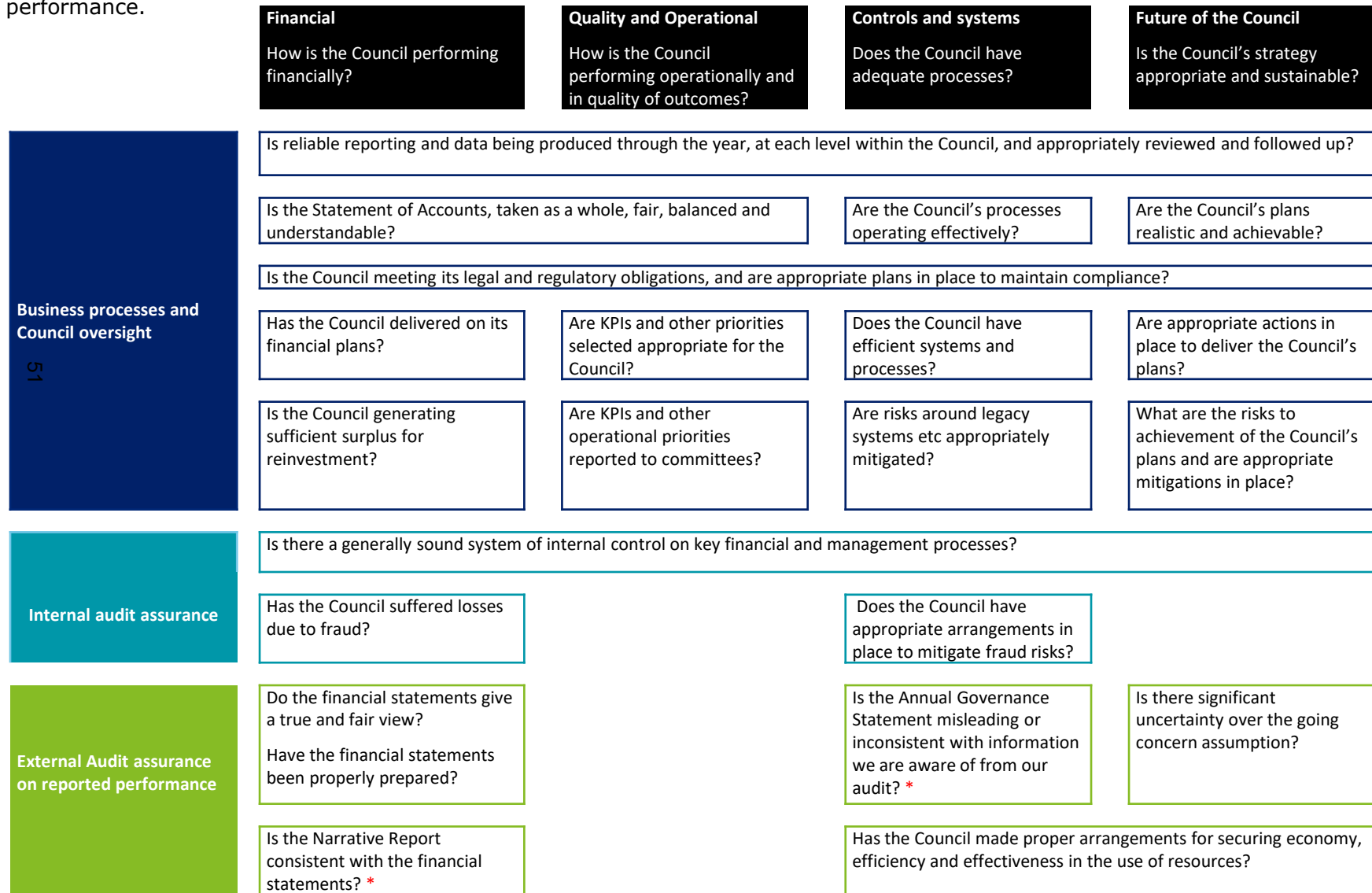
A key element of this report is our commentary on the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM"). Our work considering these arrangements is based on our assessment of the adequacy of the arrangements the Council has put in place, based on our risk assessment. The commentary does not consider the adequacy of every arrangement the Council has in place, nor does it provide positive assurance that the Council is delivering or represents value for money.

Where we find significant weaknesses in the Council's VfM arrangements or areas where arrangements could be further strengthened, we include recommendations setting out what the Council needs to do to strengthen its arrangements.

⁹¹
We have not identified any significant weaknesses in the Council's VfM arrangements, and so have not reported any recommendations in respect of significant weaknesses.

Assurance sources for the Council

The diagram below illustrates how the assurances provided by external audit around finance, quality, controls and systems and the future of the Council (in the green rows) fits with some of the other assurances available over the Council's position and performance.



Opinion on the financial statements

We provide an independent opinion on whether the Council's financial statements:

- Give a true and fair view of the financial position of the Council at 31 March 2022 and of the Council's income and expenditure for the year then ended;
 - Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom in 2021/22; and
 - the full opinion is included in the Council's Statement of Accounts, which can be obtained from the Council's website.
-

We conduct our audit in accordance with the NAO's Code of Audit Practice, International Standards on Auditing (UK) ("ISAs (UK)") and applicable law.

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements:

We issued an unqualified opinion on the Council's financial statements. We did not identify any matters where, in our opinion, proper practices had not been observed in the compilation of the financial statements.

Narrative Report:

We reported that the information given in the Narrative Report for the year ended 31 March 2022 is consistent with the financial statements.

Annual Governance Statement:

We did not identify any matters where, in our opinion, the Annual Governance Statement did not meet the disclosure requirements set out in the Code of Practice on Local Council Accounting, was misleading, or was inconsistent with information of which we are aware from our audit.

Reports in the public interest and duties as public auditor:

We did not exercise any of our additional reporting powers in respect of the year ended 31 March 2022.

Audit Certificate:

We are not able to certify completion of the audit until the Whole of Government Accounts requirements are published by the NAO and the audit procedures in relation to these are completed.

Our financial statement audit approach

An overview of the scope of the audit

Our audit was scoped by obtaining an understanding of the Council and the environment it operates in, including internal control, and assessing the risks of material misstatement to the financial statements. Our risk assessment procedures include considering the size, composition and qualitative factors relating to account balances, classes of transactions and disclosures. This enables us to determine the scope of further audit procedures to address identified risks of material misstatement.

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team, led by the audit director, Mohammed Ramzan. The audit team included integrated Deloitte specialists bringing specific skills and experience in property valuations and in relation to local government pension scheme.

Materiality

Our work is planned and performed to detect material misstatements. We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Council to be £8.27m, on the basis of 2% of total cost of service expenditure.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £410k for the council as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Procedures for auditing the financial statements

Our audit of the financial statements included:

- developing an understanding of the Council, including its systems, processes, risks, challenges and opportunities and then using this understanding to focus audit procedures on areas where we consider there to be a higher risk of misstatement in the financial statements;
 - performing sample tests on balances in the financial statements to supporting documentary evidence, as well as other analytical procedures, to test the validity, accuracy, completeness and existence of those balances; and
 - interviewing members of the Council's management team and reviewing documentation to test the design and implementation of the Council's internal controls in certain key areas relevant to the financial statements.
-

Approach to audit risks

We focused our work on areas where we considered there to be a higher risk of misstatement. We refer to these areas as significant audit risks.

We provided a detailed audit plan to the Council's Audit Committee setting out what we considered to be the significant audit risks for the Council, together with our planned approach to addressing those risks. We have provided a summary of each of the significant audit risks on the following pages.

Significant risks

Valuation of property assets

Risk identified	<p>The Council is required to hold dwellings, other land and buildings within Property, Plant and Equipment and Investment Properties at valuation. The valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value.</p> <p>The Authority held £715m of property assets (land and buildings) at 31 March 2022 (£666m as of 31 March 2021) as per the draft accounts. This movement from the prior year is due to revaluation movements as a result of the revaluation exercise during 2022/23(i.e. 01 April 2023), reclassifications from assets under construction and material additions and disposals during the year.</p> <p>The Council updates the valuation of its properties using a rolling revaluation programme. The main assets which were revalued in the year were be Schools, Sports Pavilions, Park WCs, Park Messrooms, Day Centres, Marine Activity Centre and Lagoon WCs.</p>
Deloitte response and challenge	<p>We undertook the following procedures:</p> <ul style="list-style-type: none">• We have reviewed the design and implementation of the controls in place in relation to property valuations;• We have considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;• We have engaged our valuation specialists, Deloitte Real Assets Advisory, to review and challenge the appropriateness of the assumptions used in the valuation of the Council's property assets;• We sample tested key asset information used by the Council's valuers in performing their valuation, such as gross internal areas, back to supporting documentation;• We have reviewed assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated;• Through discussions with management in the prior year, the property assets valued under the rolling valuation programme on 1 April 2022, has been updated to reflect the fair value as at 1 April 2022 to ensure these properties' valuations align to the most up to date information. We confirmed through inspection of updates to the valuation and the latest valuation report that there were no differences noted.• For assets not revaluated at 1 April 2022, we have performed an analysis of the indexation calculations applied to arrive at the valuation of property assets as at yearend to ensure the indexation adjustments were deemed reasonable; and• We have reviewed the presentation of revaluation movements, and the disclosures included in the Statement of Accounts.
Conclusion	<p>We identified an unadjusted misstatement of £844k in relation to the Shared Revaluation. We were informed by the management that the new version of the RAM system implemented from 01/04/2023 will address this issue going forward.</p>

Significant risks (continued)

Capitalisation of expenditure

Risk identified

At the time of publishing the 2021/22 financial statements, it has been noted that as part of the Medium Term Financial Strategy, the Council had a substantial capital programme of £202m over the next five years. The capital programme included £69.5m spend in 2021/22.

Determining whether expenditure should be capitalised can involve judgement. There is also an incentive to inappropriately capitalise expenditure as the Council has greater flexibility over its use of revenue compared to capital resources. Given this incentive to capitalise costs that are not capital in nature, we specifically identify this area as a significant risk of material misstatement and a fraud risk.

Deloitte response and challenge

We have tested the design and implementation of controls around the capitalisation of costs.

We have selected a sample of additions in the year to test whether they have been appropriately capitalised in accordance with the accounting requirements. This sample included Assets Under Construction.

Conclusion

After concluding our work, we have no matters to bring to the attention of the Audit Committee.

Significant risks (continued)

Management override of controls

Risk identified

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although management is responsible for safeguarding the assets of the Council, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Statement of Accounts.

Deloitte response and challenge

We have considered the overall sensitivity of judgements made in preparation of the Statement of Accounts, and note that:

- The Council's results throughout the year were projecting overspends in operational areas. This was closely monitored and whilst projecting overspends, the underlying reasons were well understood; and
- Senior management's remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

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Journals

- We have tested the design and implementation of controls in relation to journals.
- We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.
- We have used Spotlight data analytics tools to test a sample of journals, based upon identification of items of potential audit interest. Our analysis has covered all journals posted in the year.

Significant transactions

- We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.
-

Significant risks (continued)

Management override of controls (continued)

Deloitte response and challenge

Accounting estimates

- We have performed design and implementation testing of the controls over key accounting estimates and judgements.
- The key judgements in the financial statements are those selected as significant audit risks and other areas of audit interest as discussed elsewhere in this report.
- We reviewed accounting estimates for biases that could result in material misstatements due to fraud. We note that overall the changes to estimates in the period were balanced and did not indicate a bias to achieve a particular result.
- We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources.

Conclusion

After concluding our work, we have no matters to bring to the attention of the Audit Committee.


We have not identified any significant bias in the key judgements made by management and we have not identified any instances of management override of controls in relation to the specific transactions tested as part of our audit.

Auditor's work on Value for Money (VfM) arrangements

The section 151 Officer and the Council are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

The section 151 Officer reports on the Council's arrangements, and the effectiveness with which the arrangements are operating as part of their Annual Governance Statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources. Under the National Audit Office's Auditor Guidance Note 3, we are required to assess arrangements under three areas:

Financial Sustainability	<i>How the body plans and manages its resources to ensure it can continue to deliver its services</i>
Governance 	<i>How the body ensures that it makes informed decisions and properly manages its risks</i>
Improving economy, efficiency and effectiveness	<i>How the body uses information about its costs and performance to improve the way it manages and delivers its services</i>

In this report, we set out the findings from the work we have undertaken. Where we have found significant weaknesses in arrangements, we are required to make recommendations so that the Council can consider them and set out how it plans to make improvements. We have not identified any significant weaknesses in arrangements.

In planning and performing our work, we consider the arrangements that we expect bodies to have in place, and potential indicators of risks of significant weaknesses in those arrangements. As a result of the Covid-19 pandemic, there have been changes in nationally led processes, changes in expectations around Council's arrangements, and events occurring outside of the Council's control, which affect the relevance of some of these indicators. We have still considered whether these indicators are present, but have considered them in the context of the circumstances of 2021/22 in assessing whether they are indicative of a risk of significant weakness.

In addition to our financial statement audit, we performed a range of procedures to inform our VfM commentary, including:



Interviews with key stakeholders, including Executive Director Finance and Resources, Monitoring Officer, Director of Strategy, Head of Procurement, Head of Internal Audit and Audit Committee Chair.



Review of Council and committee reports and attendance at Audit Committee meetings.



Reviewing reports from third parties including internal audit reports.



Considering the findings from our audit work on the financial statements.



Review of the Council's Annual Governance Statement and Narrative Report.

VfM arrangements: Financial Sustainability

Approach and considerations

We have considered how the Council plans and manages its resources to ensure it can continue to deliver its services, including:

- How the Council ensures it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning; and
- How the Council identifies and manages risks to financial resilience, including challenge of the assumptions underlying its plans.

Commentary

The Council reported a deficit on the provision of services of £18.4m (2020/21: £8.4m) before adjustments between the accounting and the funding basis. The current year deficit is mainly driven by the residual impacts of COVID-19 which resulted in significant increases in expenditure for the Council in supporting residents and local businesses, partly offset by financial support from the Government, which was at reduced levels compared to 2020/21. In addition, there has been an increase in financing expenditure for the current year and there has been significant investments made in financial assets during the year.

At 31 March 2022, the Council had net asset of £641.9m (31 March 2021: £518.2m) and cash of £53.7m (31 March 2021: £66m). At 31 March 2022, the total reserves balance of £641.9m included usable reserves of £200.4 m (£201.5m in the prior year).

The Council's annual planning process and processes around identification of significant pressures were significantly impacted by the Covid-19 pandemic. We saw evidence that the Council adapted its arrangements to respond and they were in line with our expectation in the current operating environment.

There has continued to be some impact of the Covid-19 pandemic on the operations of the Council and planned delivery of its capital programme, with additional Covid-19 grant income being received during the year. The Council has reviewed the additional costs of Covid-19 and utilised Covid-19 grants to support the delivery of services during the pandemic.

The Council has a well-established annual financial planning and forecasting process. The financial plan is considered as part of the overall operational planning process and this process is led by the Executive Director Finance and Resources.

VfM arrangements: Financial Sustainability

Approach and considerations

We have considered how the Council plans and manages its resources to ensure it can continue to deliver its services, including:

- How the Council ensures it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning; and
- How the Council identifies and manages risks to financial resilience, including challenge of the assumptions underlying its plans.

Commentary

In line with the national picture, during 2021/22 the Council continued to face challenges relating to the covid pandemic coupled with the impact of inflationary pressures in the latter part of the year. Whilst there were variances in the income and expenditure profiles compared to the plan, the Council has managed its resources for 2021/22 within the approved budget.

The Council remained financially resilient in managing both the impact of Covid-19 and the range of local demand and spending pressures, at the end of 2021/22 the Council was predicting a cumulative budget gap of £24m to the end of 2026/27. Continued uncertainty at a national level, financial pressures from rising energy prices and service demands are all impacting on the Council's approved financial plans for 2022/23 and forecasts for future years.

As a result, the Council's Financial Sustainability Strategy (FSS) has been updated for the period 2022 - 2032, as well as the Medium-Term Financial Strategy (MTFS) for 2022/23-2026/27. This outlines the Council's desire and commitment to plan effectively for the future and invest in local priorities.

During the year the Council continued to work to make progress towards fulfilment of the jointly owned ambition for Southend in 2050. A new Corporate Plan for the period 2022-2026 provides additional focus to support the Council in achieving this ambition.

Work continues on developing an outcome-based approach to budgeting through a Budget Transformation Programme for 2023/24 to 2026/27. The areas identified are to be scoped and developed further during 2022/23 so that resources become more aligned to delivery of the 2050 desired outcomes and, the priorities within the Corporate Plan. Areas of focus identified by the Council include on-going budget reviews; implementation of outcome-based budgeting; better linking of business planning and budgeting to service outcomes; effective and creative management of service demand; review of major contractual arrangements; further implementation of the Commissioning Framework; exploring new commercial opportunities; a range of income generation initiatives and continuing to enhance systems, processes and internal business transformation arrangements.

VfM arrangements: Governance

Approach and considerations

We have considered how the Council ensures that it makes informed decisions and properly manages its risks, including:

- How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.

Commentary

The Council has a Risk Management Strategy and Toolkit in place which outlines the arrangements for identifying, recording and monitoring corporate risks. The Trust's Head of Internal Audit Opinion for 21/22 highlights that there is a strong understanding of risks being faced by the individual Directors and discipline in the production of the Corporate Risk register. However, these arrangements need embedding so that risks below the corporate risk register are effectively captured and managed at a service level. Whilst recognising progress, the Head of Internal Audit Opinion for 22/23 identified the need for further embedding of risk management operations to deliver the Council's corporate and service plans going into 23/24. **The Council should consider further actions necessary to embed the operation of risk management at a service level in a timely manner.**

The Council has a Counter Fraud and Investigations Team that has a work plan to enhance awareness of the risk of fraud, to prevent and detect fraud and that also receives and investigates allegations of fraud or impropriety. The Counter Fraud and Investigation Team reports the delivery of that plan and an outline of the investigations that have been undertaken to the Audit Committee on a quarterly basis.

The Audit Committee reviews the adequacy of risk management arrangements and has oversight of the Council's system of internal control, including arrangements to prevent and detect fraud. The Council has a series of policies covering internal controls, including a whistleblowing and anti-money laundering policy. These policies are readily available for all staff to review on the Council's website. The Audit Committee approves the annual Internal Audit Plan and receives updates at committee meetings through the year.

The internal audit function is required to provide independent, objective assurance and designed to add value to and improve operations. The Head of Internal Audit opinion for the year provided "Satisfactory Assurance", whilst there is a largely sound system of control, there are some weaknesses, which may put a limited number of the system objectives at risk. A total of 42 audits were completed and overall the audits were positive with the majority being given satisfactory or high assurance. There were no qualified reports and no audit received minimal assurance. Management have an action plan in place to address the risks identified. Where follow-up audits were undertaken, the Council has demonstrated progress in implementing recommendations.

VfM arrangements: Governance

Approach and considerations

We have considered how the Council ensures that it makes informed decisions and properly manages its risks, including:

- How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.

Commentary

The Council undertakes detailed budget monitoring on a monthly basis and provides reports to Cabinet and Corporate Leadership Team (CLT) on a quarterly basis which includes a review of the actual outturn position against the budget, and details any significant variances.

National and local guidance is assessed and used to form the basis of a number of assumptions in the budget. Current year performance is evaluated with notable variances explained to determine any ongoing impact. The budget seeks to explain year on year movements and any pressures are identified. There is a clear process in place to set the annual budget and this is approved by the Council on a timely basis.

The Council produces a quarterly performance report which includes a review of the actual outturn position against the budget, and details any significant variances. This is reported to the Authority quarterly, which ensures there is sufficient oversight of the budget monitoring process. The report also includes non financial information and reports on how the Authority is achieving against the Councils strategic objectives.

The Council received OFSTED Findings from the HM Inspector which indicates improvement are required in Children's Services. Based on the procedures performed, we confirmed that measures were in place and action was being taken to address these findings and are satisfied that no significant weakness in arrangements exist. A Children Services Improvement Board was adopted by the Council to address the OFSTED findings, the HM Inspector was satisfied with the progress on the findings as confirmed in his letter 27 June 2022. **The Council should continue to focus on ensuring planned actions fully address the findings and improvements are embedded.**

VfM arrangements: Governance

Approach and considerations

We have considered how the Council ensures that it makes informed decisions and properly manages its risks, including:

- How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.

Commentary

The Authority has an approved decision making methodology for investment and divestment decisions, which includes approval by the Investment Board and Council. Where necessary, decisions will be reviewed by Cabinet for comment and to determine if the proposal should be approved. Business cases with supporting information are submitted to the relevant committee for approval. This allows for challenge and transparency before decisions are approved.

We have reviewed the Annual Governance Statement and confirmed that no significant control weaknesses were identified which is consistent with our work performed.

The Council has a number of staff policies in place including a code of conduct. These are all contained within the Constitution and are readily available for all staff. Declarations of interest are maintained for all senior members of staff and decision making officers.

The Council has a Monitoring Officer in place, assisted by a team of lawyers to deal with complaints and in certain instances external providers are used for drawing up major contracts. The legal team is currently reviewing the Whistle-blower policy, Constitution and complaints process against members. The complaints process is reported to the Scrutiny committee. The Council has confirmed it is not involved in legal proceedings that may impact on financial sustainability nor has it been subject to any external investigations

During 2021/22, the Council continued to play a central role as part of Association of South Essex Local Authorities (ASELA). The Growth & Recovery Prospectus published by ASELA outlines the investment programmes and projects required for the area. In October 2021, the governance arrangements to oversee the work of ASELA and its associated programmes was formalised with the establishment of a Joint Committee with other councils under Section 101 of the Local Government Act 1972.

The Council was awarded over £1m funding for two projects under the UK Community Renewal Fund to help the local drive to invest in recovery and support the community. As part of the shortlisting process to identify which bids would be put forward in the funding proposal to government, the Council recruited an Assessment Panel made up of local partners representing various groups in Southend. Panel members included representatives from the Department of Work and Pensions, South East Local Enterprise Partnership (SELEP), and local charities and community groups.

VfM arrangements: Governance

Approach and considerations

We have considered how the Council ensures that it makes informed decisions and properly manages its risks, including:

- How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.

Commentary

The Council has continued to be an active partner in SELEP, with representation by the Deputy Leader at the main (Strategic) Board and Accountability Board, and by the Portfolio Holder or Deputy Leader at the South Essex sub-board Opportunity South Essex.

The Council has an established Shareholder Board which oversees the governance of the Council's companies and joint ventures. During the year, it received the accounts and business plans of South Essex Homes; Southend-on-Sea Forum Management Ltd, PSP Southend LLP, Southend Care and Porters Place Southend LLP.

The Council also acts as the accountable body for a number of externally funded projects operating across Southend, South Essex and the wider South East. These include the South East Business Boost (SEBB) European Regional Development Fund programme (although funding for this has now come to an end), the Enterprise Advisor Network provision in Southend and the Construction Industry Training Board funded South Essex Construction Training Academy (SECTA).

The Council has been impacted by the national issue with Reinforced Autoclaved Aerated Concrete (RAAC). Kingsdown School was forced to close prior to the new 23/24 academic year as a result of a Department for Education (DfE) warning on 31st August. Structural assessments were undertaken and mitigations put in place that enabled the school to open on 11th September with the cost of the mitigations being covered by DfE. Due to the heightened concerns over the use of RAAC, the Council's property team subsequently carried out risk assessments to identify any potential areas within council-owned buildings where there is a presence of RAAC. Through this process, The Dixon Studio (an extension of the Palace Theatre) was discovered to contain RAAC. Remedial works are currently underway with consideration being given to the long-term solution.

VfM arrangements: Improving economy, efficiency and effectiveness

Approach and considerations Commentary

We have considered how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the Council evaluates the services it provides to assess performance and identify areas for improvement;
- How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- Where the Council commissions or procures services, how the Council ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

The Council assesses its performance through quarterly Performance and Finance Monitoring Reports which are reported to Cabinet. There is also a Quarterly Budget Monitoring process in place which ensures that both revenue and capital net spending is controlled and reported through a rolling forecast that goes through scrutiny and Cabinet process.

The Cabinet committee is also the basis for challenging management as well as identifying emerging risks; this allows financial plans to align as smoothly as possible with emerging financial challenges and therefore maintain financial sustainability and identify areas for improvement.

Outcome Success Measure Reports outlining progress against the key areas of delivery of the Southend 2050 Roadmap are reviewed by the Corporate Leadership Team, Cabinet and Scrutiny Committees. This process is being further developed through the move to a four yearly Corporate Plan 2022-2026. The new Performance Management Framework outlined within the Corporate Plan presented to Cabinet in July 2022 is aligned with the Council's financial reporting and risk management. Key performance indicators are aligned to each of the Corporate Priorities. In turn, all council employees will have performance and development conversations, connecting them to the delivery of the Council's outcomes.

As highlighted on pages 17 & 18, the Council delivers its role through partnership working and through wider engagement with other stakeholders. This includes commercial partnership arrangements with the private sector for the delivery and discharging its responsibilities in areas such as Housing, Health and Wellbeing with other public bodies, including the third sector. Funding is awarded via SLAs with agreed outcomes monitored on a quarterly basis to Cabinet to ensure VfM and effective performance.

Porters Place Southend-on-Sea LLP was established in April 2019 as a joint venture partnership to progress the Better Queensway regeneration project. However, a settlement agreement is currently underway between the Council and Sanctuary Housing (who merged with the original partner Swan Housing in February 2023). Whilst Sanctuary has subsequently chosen to withdraw from the joint venture, the Council is currently exploring alternative options to progress the scheme. **The Council will need to carefully consider the options available in respect of the Better Queensway Scheme as it seeks a way forward whilst ensuring that value for money risks are effectively recognised and managed.**

VfM arrangements: Improving economy, efficiency and effectiveness

Approach and considerations

Commentary

We have considered how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the Council evaluates the services it provides to assess performance and identify areas for improvement;
- How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- Where the Council commissions or procures services, how the Council ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

The most recent CIPFA Financial Resilience Index (published 2021) highlights that the Council is the 13th most financially resilient out of 56 unitary authorities when ranked across 16 indicators of financial stress.

As part of its focus on financial resilience, the Council launched a 'Getting to Know Your Business' programme in 2020. The first phase of the programme helped to establish a baseline for all council services on costs, income generation potential, value for money and relative performance. This programme, aimed at service managers continues to be embedded with the ambition that all service managers in the Council will have a comprehensive understanding of their business areas in terms of benchmarked operational and financial performance, key demand and cost drivers, income levels, commercial opportunities and customer insight that helps to secure value for money and an outcomes-based approach to investment.

The Council has procurement procedures and policies to ensure that the Council operates in an open and transparent manner, achieves value for money and sustainable quality through a proactive commercial approach to procurement and commissioning for the communities of Southend.

The Procurement Plan and Contract Procedure Rules are reviewed annually by Cabinet. The Council has also been working to embed the commissioning framework to move towards an outcome-based commissioning organisation, aimed at ensuring alignment with the 2050 outcomes, the Corporate Plan, the annual procurement plan, contract procedure rules and market position statements going forward.

The Council received an LGA Corporate Peer Challenge (CPC) in October 2022. Following the peer challenge, the LGA provided the Council with a report based on its findings. The report included nine recommendations relating to: Constitutional Review; Organisational commitment to behaviour change; election cycle; partnership working; strategic priorities; communication; operating model, systems and processes; equality; and influencing the devolution agenda. The Council has put an action plan in place to respond to the recommendations.

The Council has recognised the need to change the way that it works and has a transformation programme in place, to help achieve its ambitions. This has been complemented by a leadership development programme and member development programme.



Appendices

Appendix 1: Purpose of our report and responsibility statement

What we report

Our report fulfils our obligations under the Code of Audit Practice to issue an Auditor's Annual Report that brings together all of our work over the year, including our commentary on arrangements to secure value for money, and recommendations in respect of identified significant weaknesses in the Council's arrangements.

What we don't report

Our audit was not designed to identify all matters that may be relevant to the Audit Committee.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and work under the Code of Audit Practice in respect of Value for Money arrangements.



The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.



Appendix 2: Council's responsibilities

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The section 151 Officer of the Council, 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 Council Accounting.

In preparing the Statement of Accounts the section 151 Officer is required to select suitable accounting policies and make judgements and estimates that are reasonable and prudent. The section 151 Officer is required to confirm that the Statement of Accounts, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for Council Tax payers, regulators and stakeholders to assess the Council's performance, business model and strategy.

The section 151 Officer is required to comply with the CIPFA Code of Practice and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. In applying the going concern basis of accounting, the section 151 Officer has applied the 'continuing provision of services' approach set out in the CIPFA code of practice as it is anticipated that the services the Council provides will continue into the future.

The section 151 Officer and Council are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of the Council's resources, for ensuring that the use of public funds complies with the relevant legislation, delegated authorities and guidance, for safeguarding the assets of the Council, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Appendix 3: Auditor's responsibilities

Auditor's responsibilities for the audit of the financial statements

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

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

Auditor's responsibilities relating to the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under the Code of Audit Practice and the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance, published by the Comptroller & Auditor General in April 2021, as to whether the Council has proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Council a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022. Other findings from our work, including our commentary on the Council's arrangements, are reported in our Auditor's Annual Report.

Auditor's other responsibilities

We are also required to report to you if we exercise any of our additional reporting powers under the Local Audit and Accountability Act 2014 to:

- make a written recommendation to the Council, copied to the Secretary of State;
- make a referral to the Secretary of State if we believe that the Council or an officer of the Council is:
 - about to make, or has made, a decision which involves or would involve the Council incurring unlawful expenditure; or
 - about to take, or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency; and
- consider whether to issue a report in the public interest.



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Meeting: Audit Committee
Date: 10th January 2024
Classification: Part 1
Key Decision: No
Title of Report: **Transformation**

Executive Director: Claire Shuter (Executive Director, Strategy and Change)
Report Author: Tony Wisken (Director, Transformation)
Executive Councillor: Cllr Tony Cox

1. Executive Summary

- 1.1. Southend City Council continues to be under considerable financial pressure and transformative change will be required to ensure the sustainability of the organisation. Focus, in the near term, has shifted to addressing current financial pressures, however, to assure Southend for the longer term, more rigour and coherent senior level oversight of the transformation agenda is required.

2. Recommendations

- 2.1. **That the Audit Committee notes the content of this report which outlines the need for transformation, the oversight mechanisms required and being established, the approach to developing the transformation delivery plans (including resourcing), as well as the associated risks and opportunities.**

3. Background

- 3.1. Southend City Council needs to transform the way in which services are delivered to become a modern and sustainable council. With a concerning forecast budget gap in 2023/24, the Council must change and modernise to maximise the output and impact for residents, from the constrained resources that are available. There is an immediate need to focus on savings to balance the 2023/24 and 2024/25 budgets.
- 3.2. Southend, like many other local authorities, is facing increased demand for services and therefore needs to do more with similar income levels. This, at present, is causing an excess of expenditure compared to income. In this

context the Council needs to be financially sustainable for the future, whilst delivering the right services at the appropriate level of quality.

- 3.3. Demand for services continues to increase and the inflation pressures / cost-of-living crisis are the latest in a series of events which have impacted the financial sustainability of local public services. Covid-19 perhaps had the biggest impact for many residents, including their expectations of the way that they access and receive services from Councils.
- 3.4. Southend City Council is still relatively 'traditional' in its mode of service delivery and there is opportunity to digitalise and streamline, apply early interventions, and prevention methodologies to build more sustainable solutions.
- 3.5. Recent attempts at a cross-organisational transformation at the Council have, for a mixture of reasons been unsuccessful. Currently, there does not exist a single coherent Transformation Programme. However, there are pockets of transformation activities underway across the organisation, most notably within ICT, which has a well-developed programme to overcome the technical debt built up over a period of under investment, that will position the organisation for the coming years.
- 3.6. Grant Thornton was engaged in September 2022 and provided a 'Transformation Blueprint' in January 2023. Whilst some elements of this work were taken forward, this did not lead to a coherent programme of delivery for Southend City Council.
- 3.7. A transformation partner, Ernst and Young (EY), was appointed in August to undertake a fourteen-week period of review to advance thinking around transformation and help develop strategy. This, in part, built on some of the work delivered by Grant Thornton. However due to the imminent financial challenges, the Council requested that this work be 'pivoted' to develop cost-saving ideas and to focus on; Estate Optimisation, Demand Management in Adults & Children, Front Door Redesign, Procurement / Commissioning / Contract Management & Shared Services. Once EY completed the initial collation of ideas, ongoing management of the cost-saving ideas has been taken over by the Strategy and Change directorate.
- 3.8. Whilst the immediate focus of transformation is to balance the near-term budget challenge, a far more extensive and challenging approach, based on experience in other local authorities, is required to ensure a sustainable organisation in the longer term. This approach will need to question current ways of working which are embedded in the culture, explore different ways to achieve the same goals while forming clear As-Is and To-Be views and outlining efficiency and effectiveness to be gained, is required. Service re-design is a necessity to support this process.
- 3.9. The original Transformation Board that was established in March 2023, was considered not 'fit for purpose'. The board lacked the breadth of oversight and appropriate senior level ownership to govern the necessary transformation at the Council including the prioritisation of initiatives and available resources.

- 3.10. A new Transformation Board, led by the Corporate Leadership Team with support from key Directors was established in November 2023. It's terms of reference includes oversight of a newly developed Transformation Programme, identification, prioritisation, and approval of transformation initiatives that align to the Corporate Strategy, and remediation of initiatives considered to be at risk. The standing agenda for Transformation Board includes:
- I. **Headline Commentary**, summarising the overall transformation position and demonstrating where we are and where we are going.
 - II. **Savings Delivery Risk Assessment**, robustly tracking the progress against cost-savings to balance the budget, with an expectation that any planned savings that cannot be delivered will have mitigating proposals submitted for approval.
 - III. **Headline Plans**, showing the key workstreams, their major milestones and associated status.
 - IV. **Risks and Issues**, that may or are impacting transformation, with mitigating or remediating actions.
 - V. **Pending Demand / Business Cases**. These will support the Board in making decisions about where to apply available resources and ensure a balanced portfolio of change is maintained, i.e., not overloading any part of the organisation.
 - VI. **Good News**. It is important to recognise and celebrate success.
- 3.11. The first Transformation Board supported the following recommendations:
- The establishment of Corporate Project Management Office. This had previously been agreed, but not yet put in place.
 - Centralisation, where appropriate, of Project Management resources from across the organisation. This will allow for common standards, improved delivery and oversight, prioritisation of resource, and potentially cost savings.
 - Although one-off transformation funding has been set aside, recognising that transformation is a continuum, these team and governance arrangements should be established on a permanent basis.
- 3.12. The new role of Transformation Director has been appointed to, with effect from 18th September 2023 and is currently holding a dual role – Transformation (under Strategy and Change) and Communities, Culture & Tourism services (under Adults and Communities). There are currently no other resources directly focussed on the overall organisation transformation. However, CLT have recently agreed the recruitment of a Lead PMO, Programme Manager and Project Support Officer to support the development of the programme.

3.13. Six design principles for transformation were developed by the Council's Senior Leadership Network with support from Ernst and Young. The principles guide activity to ensure any change initiatives across services align to the following:

- **Resident Centric:** We will be resident centric, putting residents at the heart of everything we do and focusing on the experience of residents across all services. This is to ensure the best possible services for Southend-on-Sea residents, making sure their needs are met.
- **Efficient & Effective:** Working in ways that are streamlined, preventative, optimise resources, and prioritise the right things at the right times, providing the right results. This is to ensure staff are enabled to work in a proactive and productive manner, and that residents receive smooth and streamlined services.
- **Inclusive:** Promoting a positive culture within the Council and outside of it, accommodating the needs of all and creating a sense of true acceptance. This is to ensure there are no unspoken boundaries, and that everyone has equal opportunity and sense of belonging, regardless of who they are.
- **Evidence-Based Decisions:** We will make decisions based on reliable data and evidence to ensure the best possible outcome for residents and the Council. This is to ensure residents receive the best services, and staff are empowered by decisions backed by good and reliable evidence.
- **Digitally Enabled:** Digital by default, we will reduce our manual tasks and processes to optimise how we work and deliver services. This is to enable each service to utilise resources optimally and effectively to meet residents and staff needs.
- **Commercially Viable:** We will ensure that the Council is financially viable and sustainable for the future, taking a commercial approach and running as efficiently as possible to drive value for money whilst maintaining future viability and longevity.

4. Reasons for Decisions

- 4.1. As described above, the necessary team structures, governance and professional Project / Change Management processes are required to ensure the success of the Transformation Programme. These recommendations align with industry best practice, LGA advice and the experience of other successful local authorities.

5. Other Options

- 5.1. N/A

6. Financial Implications

- 6.1. As described, without the appropriate resourcing, team structure and governance the necessary organisational transformation is unlikely to be successful. This will have consequences for the longer-term sustainability of the organisation.

7. Legal Implications

- 7.1. Whilst the content of this report has no direct legal implications, the Transformation Programme, and its initiatives within, will all be considered for their individual legal implications.

8. Policy Context

- 8.1. N/A.

9. Carbon Impact

- 9.1. The recommendation regarding transformation, team structures and governance do not have a direct carbon impact themselves. It is however anticipated that many transformation initiatives will require consideration of any potential carbon impact and remediating actions or alternatives.

10. Equalities


- 10.1. The recommendation regarding transformation, team structures and governance do not have a direct equality impact themselves. It is however anticipated that many transformation initiatives will require Equality Impact Assessments as part of their formal Project governance.

11. Consultation

- 11.1. Not required.

12. Appendices

12.1. Transformation Board Terms of Reference

Terms of Reference			
Purpose The 'Transformation Board' plays a critical role in driving transformational change in Southend City Council (SCC), initially focussing on the necessary cost savings to deliver a balanced budget. By providing guidance, support, and oversight, the board ensures that Transformation Projects are aligned with the SCC's strategic objectives and are delivered in a coordinated, efficient and effective manner, and at pace.		Key Members <ul style="list-style-type: none"> • Rob Tinlin. • Joe Chesterton. • Mark Harvey. • Michael Marks. • Alan Richards. • Claire Shuter. 	
Responsibilities / Objectives The Transformation Board will: <ol style="list-style-type: none"> 1. Monitor progress against savings / transformational projects, reporting on progress to the CLT and Members, and demonstrate SCC is moving at pace to deliver a balanced budget with the available resources. 2. Assist in the identification and monitoring of escalated risks / issues and support proposed mitigation strategies. 3. Develop and communicate SCC's transformation strategy. 4. Ensure that projects are, and remain, aligned to SCC's strategic objectives, incl. delivery at the required pace. 5. Ensure that the best corporate wide solutions are identified / delivered, that provide the most benefits. 6. Identify and prioritise projects, approving business cases as necessary, that support cost savings and strategic objectives. 7. Resolve contention for organisation resources, ensuring a balanced portfolio that is aligned with the organisation's values and culture. 8. Provide oversight and guidance to delivery teams, ensuring that they have the resources and support they need. 		Supporting Officers <ul style="list-style-type: none"> • Pete Bates. • Carol Thomas. • Tony Wisken. • Project Support Officer. 	
Scheduling / Governance <ul style="list-style-type: none"> • Held every four weeks. • Quorum: Five members. Reference Materials <ul style="list-style-type: none"> • Corporate Plan. • Savings 'master' plans. 		Inputs / Core Agenda <ul style="list-style-type: none"> • Actions from previous meeting. • Financial Delivery Risk Assessment. • Key initiatives 'plan on a page' and status. • Escalated Risks and Issues. • Pending demand. • Business Cases and Change Controls for approval. • Good news stories. 	
		Outputs <ul style="list-style-type: none"> • Actions. • Decisions, incl. investment recommendations. • Agreed, or otherwise, business cases. • Prioritised projects / programmes. • Change Control (approved or otherwise). 	
		Key Partners <ul style="list-style-type: none"> • Southend and Essex partners. • Local Government Association. • Department for Education. • Ofsted. • Care Quality Commission. • NHS • Arts Council England. 	
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13. Report Authorisation

This report has been approved for publication by:		
Role	Name:	Date:
S151 Officer	Joe Chesterton	12-Dec-2023
Monitoring Officer	Kim Sawyer	15-Dec-2023
Executive Director	Claire Shuter	15-Dec-2023
Relevant Cabinet Member(s)	Cllr Tony Cox	18-Dec-2023

Title:	Treasury Management Policy for 2024/25
Meeting:	Audit Committee
Date:	10 January 2024
Classification:	Part 1
Key Decision:	No
Report Authors:	Caroline Fozzard, Senior Finance Lead (Strategy, Sustainability and Governance)
Executive Councillor:	Councillor Cox, Leader (Cabinet Member for Special Educational Needs & Disability)

1. Executive Summary

- 1.1 To submit the treasury management policy for 2024/25 to Audit Committee for scrutiny before approval by Council as part of the annual budget process.

2. Recommendation

- 2.1 **That Audit Committee scrutinises and offers comments on the treasury management policy which comprises the following three documents:**

- **Treasury Management Policy Statement for 2024/25.**
- **Treasury Management Strategy for 2024/25.**
- **Annual Treasury Management Investment Strategy for 2024/25.**

3. Background

- 3.1 The treasury management policy is agreed in advance of the year to which it relates. The policy is then monitored regularly and is updated, as appropriate, to reflect changing circumstances and guidance.
- 3.2 At its meeting of 13 January 2010, the Audit Committee agreed a report on the implementation of the revised CIPFA (Chartered Institute of Public Finance and Accountancy) Treasury Management Code of Practice. One of the recommendations of the code is that the treasury management policy should be scrutinised in detail by a specialist committee, before being accepted by the authority.
- 3.3 At its meeting of 25 February 2010 Council amended the terms of reference of the Audit Committee to include scrutiny of the treasury management policy. From April 2010 onwards, the Audit Committee has been responsible for ensuring its effective scrutiny.
- 3.4 In compliance with the CIPFA Treasury Management Code of Practice the Council's treasury management policy comprises:
- the Treasury Management Policy Statement.
 - the Treasury Management Strategy.
 - the Annual Treasury Management Investment Strategy.
- 3.5 The purpose of the Treasury Management Policy Statement is to set out the scope of the Treasury Management function, the policy on borrowing, debt restructure, investments, delegation and management of risk. The proposed Treasury Management Policy Statement for 2024/25 is attached as **Appendix 1**.
- 3.6 The purpose of the Treasury Management Strategy is to set out how the budgeted financing costs can be achieved. It covers the prospects for interest rates and the strategy on borrowing and debt restructuring. The proposed Treasury Management Strategy for 2024/25 is attached as **Appendix 2**.
- 3.7 The purpose of the Annual Treasury Management Investment Strategy is to set out the investment objectives and the policies on the use of external fund managers, on the investment of in-house managed funds and on the use of approved counterparties. The proposed Annual Treasury Management Investment Strategy for 2024/25 is attached as **Appendix 3**.
- 3.8 Appendices 1, 2 and 3 together form the treasury management policy and are used on a daily basis for the effective running of the treasury management function.
- 3.9 In response to the on-going economic, regulatory and financial market conditions, and in consultation with our treasury management advisers, the treasury management policy has been updated for the 2024/25 financial year. The changes from the 2023/24 policy are shown in **Appendix 4**.

3.10 The policy and strategy documents are written in order to provide officers and advisers with clear boundaries within which to work but as a result they are written using technical language. Treasury management training has been offered to all councillors to aid understanding of the issues (most recently on 30 November 2023) and further training will be available in the future.

4. Reasons for Decisions

3.11 The CIPFA Code of Practice on Treasury Management requires the treasury management policy to be agreed in advance of the year to which it relates.

5. Other Options

3.12 There are many options available for the operation of the Treasury Management function, with varying degrees of risk associated with them. The Treasury Management Policy aims to effectively control risk to within a prudent level, whilst providing optimum performance consistent with that level of risk.

6. Financial Implications

3.13 The financial implications of the proposed capital investment programme will be considered in the forthcoming budget reports to Cabinet. Other financial implications are dealt with throughout this report.

7. Legal Implications

3.14 Compliance with the relevant regulations and codes of practice has been considered throughout this report.

8. Carbon Impact

3.15 Subject to the Treasury Management Investment Objectives being satisfactorily met, consideration will be given to environmental factors for the funds and financial institutions being invested in.

9. Equalities

3.16 None arising from this report.

10. Consultation

3.17 The key treasury management decisions are taken in consultation with our treasury management advisers.

11. Background Papers

3.18 None

12. Appendices

3.19 Appendix 1 – Treasury Management Policy Statement 2024/25

3.20 Appendix 2 – Treasury Management Strategy 2024/25

3.21 Appendix 3 – Annual Treasury Management Investment Strategy 2024/25

3.22 Appendix 4 – Changes from the revised 2023/24 Treasury Management Policy

Report Authorisation

This report has been approved for publication by:

This report has been approved for publication by:		
	Name:	Date:
S151 Officer	Joe Chesterton	19/12/2023
Monitoring Officer	Kim Sawyer	14/12/2023
Executive Director(s)	Joe Chesterton	19/12/2023
Relevant Cabinet Member(s)	Councillor Cox	02/01/2024

SOUTHEND-ON-SEA CITY COUNCIL

TREASURY MANAGEMENT POLICY STATEMENT 2024/25

1 Background

- 1.1 The purpose of this statement is to outline the Council's treasury management policy.
- 1.2 The CIPFA Code of Practice on Treasury Management recommends that Local Authorities:
 - Adopt the CIPFA code.
 - Create and maintain both a Treasury Management Policy Statement and suitable Treasury Management practices.
 - Appoint an officer to whom Treasury Management is delegated.
 - Submit reports regularly.
- 1.3 Cabinet approved adoption of the CIPFA code of Practice for Treasury Management at its meeting on 12 February 2002. CIPFA published a major revision to the Code of Practice for Treasury Management on 27 November 2009, the implementation of which was the subject of a report to Audit Committee submitted to its meeting of 13 January 2010. Since then, there have been a number of revisions, the latest being the 2021 edition of the Code of Practice for Treasury Management on 20th December 2021.
- 1.4 There is a requirement in the code that the treasury management policy should be scrutinised in detail by a specialist committee, before being accepted by the authority, and should be monitored regularly.
- 1.5 The treasury management policy is agreed in advance of the year to which it relates. The policy is then monitored regularly and is updated, as appropriate, to reflect changing circumstances and guidance.
- 1.6 The Council has agreed the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management policy, before approval by full Council as part of the approval of the budget.
- 1.7 The Chief Finance Officer (Section 151 Officer under the Local Government Act 1972) is the person responsible for the treasury management function.
- 1.8 The code requires that, as a minimum, reporting should include an annual strategy in advance of the year, then quarterly reporting which includes a mid-year review and an annual report after its close. The reporting and scrutiny of the strategy and policy are dealt with above. For 2024/25 reports on the activities of the treasury management

function will be submitted to Cabinet quarterly. One such report will comprise an annual report for presentation before 31 July of the succeeding year. Another report will be a mid-year review reporting in November of each year.

- 1.9 In the latest version of the CIPFA Code of Practice on Treasury Management the term “investments” covers all the financial assets of the organisation, as well as other non-financial assets which the organisation holds primarily for financial returns or primarily for the provision, and the purposes, of delivering public services (including housing, regeneration and local infrastructure). This may therefore include investments which are not managed as part of normal treasury management and these are covered by the Capital Investment Policy which forms part of the Capital Investment Strategy.
- 1.10 To reflect the revised version of the CIPFA Code of Practice on Treasury Management the Council is required to maintain Investment Management Practices for investments which are not for treasury management purposes. This is in addition to the treasury management practices already in place.

2 Duration of the Policy Statement

- 2.1 This Treasury Management Policy Statement covers the 2024/25 financial year.

3 Scope of the Treasury Management Function

- 3.1 The Council defines its treasury management activities as:
 - the management of the organisation’s borrowing, investments and cash flows, including its banking, money market and capital market transactions.
 - the effective control of the risks associated with those activities.
 - the pursuit of optimum performance consistent with those risks.
- 3.2 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.
- 3.3 The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

3.4 The Council acknowledges that responsibility for the effective management and control of risk lies with the authority.

4 Use of a treasury management adviser

4.1 The services of a treasury management adviser will be used throughout 2024/25 to assist the Council to develop and enhance the performance of the treasury management function.

4.2 The role of this adviser is to provide relevant and timely information and advice on all aspects of treasury management.

4.3 The Council recognises that responsibility for treasury management decisions remains with the authority at all times.

5 Funding requirements for the capital investment programme

5.1 The following methods of funding have been identified as being available to the Council for use in 2024/25:

- Borrowing.
- Use of capital receipts - from the sale of surplus assets.
- Use of Government Grants – e.g. Local Growth Fund, or grants from the Department for Education.
- Other external contributions – e.g. Section 106 agreements.
- Revenue funding – e.g. transferred from the Revenue Account.

5.2 No additional funding source will be used without the agreement of the Cabinet.

6 Limits on external borrowings

6.1 The Council must set an operational boundary and authorised limit for external debt. The operational boundary is how much external debt the Council plans to take up and reflects the decision on the amount of debt needed for the Capital Investment Programme for the relevant year. The authorised limit is higher than the operational boundary as it allows sufficient headroom to take account of unusual cash movements.

6.2 The table below shows the operational boundary and authorised limits for borrowing for 2023/24 and 2024/25:

	2023/24 Original £m	2024/25 Original £m
Operational boundary	390	385
Authorised limit	400	395

In accordance with the Prudential Code these limits exclude outstanding debt relating to services transferred from Essex County Council (ECC) on 1 April 1998.

- 6.3 In November 2020 the PWLB changed its lending criteria to exclude the use of the PWLB for any Local Authority that includes the purchase of any capital asset primarily for yield in their three-year capital investment programme. Local Authorities that don't qualify for these lending terms are unable to access any PWLB borrowing until such time as they cease to have any capital asset primarily for yield in their three-year capital investment programme. The Council's capital investment programme will not include the purchase of any capital asset primarily for yield.
- 6.4 The operational boundary and authorised limits allow for some borrowing to take advantage of lower lending rates should the opportunity arise.

7 Policy on sources and types of long term borrowing

- 7.1 The Council's long-term borrowing (i.e. for more than one year) for 2024/25 will be via any type of loan from the Public Works Loan Board (which is a lending facility operated on behalf of HM Treasury and provides loans to local authorities and other specified bodies) or from banks, building societies or other financial institutions as appropriate.
- 7.2 In addition, if it is deemed to be economically advantageous the Section 151 Officer, in consultation with our Treasury Management advisers, can issue bonds to raise funds, either in this council's name or collaboratively with other Local Authorities or via the Local Government Association (LGA), and either as a private or public placement.
- 7.3 In addition, if it is deemed to be economically advantageous the Section 151 Officer, in consultation with our Treasury Management advisers, can borrow from other Local Authorities. Appropriate due diligence would be undertaken to consider the appropriateness of the counterparty.
- 7.4 In addition, if it is deemed to be economically advantageous the Section 151 Officer, in consultation with our Treasury Management advisers, can borrow for the purposes of financing regeneration and other infrastructure related projects.
- 7.5 The PWLB is usually the most economic source available to the Council for long term borrowing. The Council is eligible for HM Treasury's 'certainty rate' which is a discount of 0.2% on standard rates.

- 7.6 Financing arrangements other than borrowing will be in the form of leases. These will be taken out to finance the purchase or use of assets such as equipment or vehicles.

8 Timing of new borrowing

- 8.1 New borrowing will be undertaken as and when required to finance capital. The Council's Section 151 Officer is authorised to make application for loans during 2024/25 that are deemed appropriate for the long term financing of capital. The amount and timing of these loans will have regard to the Council's cash flow, the PWLB interest rates and the future requirements of the approved capital investment programme.

9 Debt restructuring policy

- 9.1 Some of the Council's borrowings are at a higher interest rate than the current rate of borrowing. To redeem these loans before their maturity date (i.e. to redeem them early) the Council would be required to pay a premium (this is like paying to redeem a mortgage early except the amount of the penalty depends on the prevailing rate of interest). New loans could then be taken out at the current rate. The savings to be made by paying interest at a lower rate need to be offset by the premiums payable before a decision is made as to whether this would be economically advantageous.
- 9.2 Similarly, some of the Council's borrowings can be at a lower interest rate than the current rate of borrowing. To redeem these loans early the Council would receive a discount (this is the opposite of a premium). New loans could then be taken out at the current rate. The discount receivable would need to be offset by the higher rate of interest paid before a decision is made as to whether this would be economically advantageous.
- 9.3 The Council will undertake debt restructuring as and when appropriate opportunities arise. The main objective of a restructure will be to produce reductions in financing costs as part of an overall budget strategy. The advice of our treasury management advisers would be sought. Members would be notified via the quarterly reporting to Cabinet on treasury management activities.

10 Treasury Management Investments

- 10.1 See the Annual Treasury Management Investment Strategy.

11 The approved activities of the Treasury Management operation are as follows:

- Risk management.
- Cash flow management (daily balance and longer-term forecasting).
- Investing surplus funds in approved investments.
- Use of brokers for placing investments.
- Investing surplus funds with external fund managers.
- Long-term borrowing to fund the capital investment programme.
- Short-term borrowing for cash flow purposes.
- Management of debt (including repayment and rescheduling).
- Capital receipts management.
- Leasing arrangements for the Council (including schools).
- Banking activities.
- Training for members and officers.
- Prevention of money laundering.

12 Responsibility for the treasury management function

- 12.1 Under the constitution the Council's Section 151 officer who is the Chief Finance Officer (currently the Executive Director (Finance and Resources)), must take all steps that are considered appropriate for the administration of the financial affairs of the Council. This includes responsibility for the treasury management function.
- 12.2 The table in Annex 1 shows the treasury management activities and the sub-delegated responsibilities from the Chief Finance Officer to others.
- 12.3 Officers are required to explicitly follow policies and procedures.
- 12.4 The training needs of staff and members with treasury management responsibilities are assessed on a regular basis and training is arranged as necessary.

13 Risks

- 13.1 The overriding principle is that it is more important to balance risks than to maximise returns.

Credit and Counterparty risk

- 13.2 This is the risk that the organisation with which we have invested money becomes insolvent and cannot pay us back our investment. A prime objective of treasury management activities is the security of the principal sums invested and this is placed ahead of the investment return. Accordingly, the Council will ensure that robust due diligence procedures cover all external investment.

- 13.3 Treasury Management investment activities are limited to the instruments, methods and techniques referred to in the Annual Treasury Management Investment Strategy. The use of limits and a combined matrix of investment criteria using credit ratings reflect a prudent attitude towards organisations with whom funds may be deposited. Investment activities will be limited to those who meet the criteria in this matrix when the investment is placed, with the exception of the UK part-nationalised bank and the Council's bank, and then limited by other relevant market information.
- 13.4 The policy in respect of those organisations from which the council may borrow, or with whom it may enter into other financing arrangements is set out in this Treasury Management Policy Statement and in the Annual Treasury Management Investment Strategy.

Liquidity risk

- 13.5 This is the risk that there will be insufficient cash available to make payments as they fall due. The Chief Finance Officer will ensure that cash resources are adequate, though not excessive, and that borrowing arrangements are available at all times to enable the Council to achieve its business objectives.

Interest Rate risk

- 13.6 Interest rates will be reviewed as part of the ongoing monitoring arrangements to ensure that, as far as possible, investments are made so as to maintain the return to the Council, whilst retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.
- 13.7 Regard will be given to the limits imposed by the treasury management policy, particularly the importance of maintaining the security of the monies invested.

Partnership risk

- 13.8 There are currently no major partnerships involving private borrowing, although it has been agreed that some of the Council's capital reserves would be used as equity in the Seaway Leisure development. For certain projects, some of the Council's costs are met by 'match funding' where other organisations match the funding that the Council contributes. Where this is the case there may be liquidity risk (see 13.5) if the other organisations do not make their contributions when agreed. Our exposure to this risk will be monitored via the revenue and capital budget monitoring processes.

Market risk

- 13.9 Our long-term borrowing is mainly through fixed rate maturity loans, whilst our investments are at both fixed and variable rates. To mitigate the risk as far as possible the Council seeks to find the appropriate

balance of investments between short and long term and between variable and fixed rate.

Refinancing risk

- 13.10 Our borrowing arrangements are negotiated, structured and documented, and the maturity profile of these monies are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable as can reasonably be achieved in the light of market conditions prevailing at the time.

Currency risk

- 13.11 The Council does not have any foreign currency risk as all investments are in pounds sterling.

Inflation risk

- 13.12 The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

Treasury Management Activity	Delegated to:	In their absence, delegated to:
Production of a Treasury Policy each year for approval by the Council prior to the start of the financial year	Senior Finance Lead (Strategy, Sustainability and Governance)	Finance Manager – Treasury Management
Staffing and organisation of the Treasury Management function	Senior Finance Lead (Strategy, Sustainability and Governance)	Chief Finance Officer
Ensuring that all staff engaged in Treasury Management receive appropriate training	Senior Finance Lead (Strategy, Sustainability and Governance)	Finance Manager – Treasury Management
Ensuring that all members with Treasury Management responsibilities receive appropriate training	Chief Finance Officer	Senior Finance Lead (Strategy, Sustainability and Governance)
Advising the Council’s Monitoring Officer when necessary	Chief Finance Officer	Deputy Section 151 Officer
Decisions on long term borrowing	Chief Finance Officer	Deputy Section 151 Officer
Decisions on the restructuring of the Council’s debt	Chief Finance Officer	Deputy Section 151 Officer
Taking out new loans/repayment of loans with the PWLB	Senior Finance Lead (Strategy, Sustainability and Governance)	Chief Finance Officer/ Deputy Section 151 Officer
Maintaining adequate and effective cash flow forecasting records to support the decision to lend or borrow	Designated Accounting Technician/Finance Manager	Any other designated Accounting Technician/Finance Manager

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Treasury Management Activity	Delegated to:	In their absence, delegated to:
Proposals on placing overnight monies with the Council's bank or in short/long term investments	Finance Manager – Treasury Management	Designated Accounting Technician/ Finance Manager
Approval of short/long term investments	Chief Finance Officer	Deputy Section 151 Officer/ Senior Finance Lead (Strategy, Sustainability and Governance)
Placing money in investments once approval has been obtained	Finance Manager – Treasury Management/ other designated Finance Business Partner/ Senior Finance Business Partner	Senior Finance Lead (Strategy, Sustainability and Governance)
Contact for correspondence with external fund managers	Finance Manager – Treasury Management	Other designated Accounting Technician/Finance Business Partner
Decisions on placing with or recalling monies from external fund managers	Chief Finance Officer	Deputy Section 151 Officer
Entering into lease agreements	Chief Finance Officer	Deputy Section 151 Officer
Key contact with the Council's treasury management advisers	Senior Finance Lead (Strategy, Sustainability and Governance)	Finance Manager – Treasury Management
Monitoring of actual against budget for debt charges, interest earnings and debt management expenses	Designated Accounting Technician/ Finance Manager	Any other designated Accounting Technician/Finance Manager
Monitoring of performance; average interest rates earned and paid etc.	Designated Accounting Technician/Finance Manager	Any other designated Accounting Technician/Finance Manager
Monthly report to Section 151 officer detailing performance and any non-compliance with the Treasury Management Policy	Finance Manager – Treasury Management	Designated Accounting Technician/Finance Manager

SOUTHEND-ON-SEA CITY COUNCIL
TREASURY MANAGEMENT STRATEGY 2024/25

1. Introduction

- 1.1 The Treasury Management Strategy is written in compliance with the CIPFA Treasury Management Code of Practice requirement to review and report policy and strategy before the start of the year. This has been revised following publication of the revised Code of Practice.
- 1.2 The Treasury Management Strategy sets out how the financing costs may be achieved. It needs to be regularly monitored and modified in the light of changing external and internal circumstances.
- 1.3 The objective of the strategy is to optimise the income generated by surplus cash and minimise borrowing costs, consistent with a low level of risk, maintaining capital sums and maintaining liquidity.

2. The Council's Budget

- 2.1 The budget includes provision for the financing costs of the Council's Capital Investment Programme, including interest on external borrowings. Offsetting this, the Council will earn interest by temporarily investing its surplus cash, which includes unapplied and set-aside capital receipts. These budgets depend on many factors, not least the Council's level of revenue and capital budgets, use of reserves, methods of funding the budget requirement, interest rates, cash flow and the Council's view of risk.
- 2.2 The Council can be both a lender and borrower at the same time as it seeks to invest short-term surpluses and fund longer-term capital investment. The timing of the taking of borrowing is important to secure the most advantageous interest rates.
- 2.3 The net budget for financing costs and interest earned on balances is £12.0m (expenditure of £21.5m and income of £9.5m) in 2024/25.

3. The Council's Cash Surplus and Cash Flow

- 3.1 It is projected that surplus cash balances will average £124m (of which £49m is the estimated sum of medium and long term funds managed by external fund managers) during 2024/25 based on information currently available and historical spending patterns.

4. Interest Earnings (in-house investments)

- 4.1 At the date of this report, the Bank of England base rate was 5.25%. Based on economic forecasts it is very difficult to predict the timing and extent of any change in interest rates, however it has been assumed that during 2024/25 the bank base rate will remain at that level before starting to decrease. The average interest earned by the Council on its in-house lending is likely to be 4.62% but this does depend on market conditions.
- 4.2 For in-house investments, sensitivity analysis shows that a difference of 0.5% in interest rates would make a difference of £375k in external interest earned and a difference of £1m in average balances would make a difference of £46k in interest earned in a full year. This risk is reflected in the annual review of the robustness of estimates for the Council Budget undertaken by the Chief Finance Officer.

5. Long Term Borrowing

- 5.1 There is no Central Government funding to support borrowing by the Council to fund capital projects. Under the Prudential Code the cost of any additional borrowing has to be financed by the Council.
- 5.2 The funding available to support capital investment is based on an assumption that the Council will not undertake any new borrowing in 2024/25.
- 5.3 The Capital Financing Requirement (CFR) is the council's theoretical need to borrow but the Section 151 Officer can manage the council's actual borrowing position by either:
- 1 - borrowing to the CFR;
 - 2 - choosing to use temporary cash flow funds instead of borrowing (internal borrowing) or;
 - 3 - borrowing for approved future increases in the CFR (borrowing in advance of need).

The Council is likely to begin 2024/25 in the second of the above scenarios. However, as the 2024/25 financial year progresses a combination of scenarios 1, 2 and 3 will be considered, as appropriate.

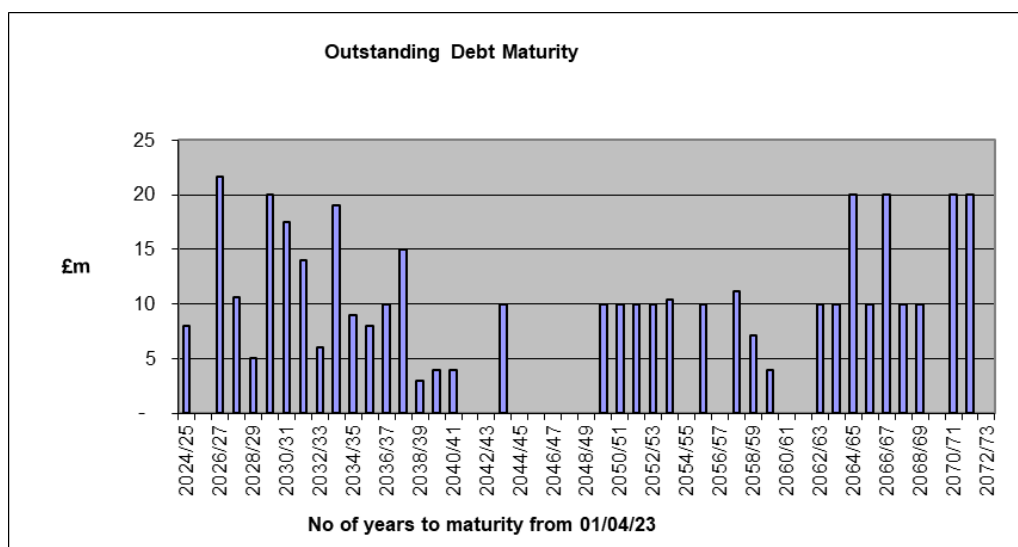
- 5.4 This authority will only borrow in advance of need where there is a clear justification for doing so and will only do so for the current approved capital investment programme or to finance future debt maturities.
- 5.5 So far in 2023/24 no new PWLB loans have been taken out.
- 5.6 The Council's current outstanding PWLB loans for both General Fund and Housing Revenue Account, which will need to be repaid, are set out on the next page:

Southend-on-Sea City Council		Main Schemes (£m)	Invest to Save Schemes (£m)	Total (£m)
Estimated opening position as at 31 March 2024	GF	273	0	273
	HRA	74	0	74
	Total			347
Estimated new loans in 2024/25	GF	0	0	0
	HRA	0	0	0
	Total			0
Repayments in 2024/25	GF	(6)	0	(6)
	HRA	(2)	0	(2)
	Total			(8)
)Estimated closing position as at 31 March 2025	GF	267	0	267
	HRA	72	0	72
	Total			339

5.7 Outstanding debt relating to services transferred from Essex County Council (ECC) on 1 April 1998, remains under the management of ECC and is set out below. Southend City Council reimburses the debt costs incurred by the County.

ECC transferred debt	Amount (£m)
Opening position as at 31 March 2024	8.8
New loans in 2024/25	0
Repayments in 2024/25	(0.4)
Closing position as at 31 March 2025	8.4

5.8 The graph below shows the repayment profile of the Council's PWLB borrowings if all new loans are included to reflect the funding of the proposed capital investment programme and the refinancing of debt.



It shows the gaps in the repayment profile and that there is no one year where the loan maturities are excessive.

The next maturity date of any PWLB debt redemption is March 2025 and is for a sum of £8m (General Fund: £5.8m, Housing Revenue Account (HRA): £2.2m).

- 5.9 The potential for the early redemption of high interest loans is reviewed periodically, however the interest savings from the repayment of these loans is usually offset by the premiums that must be paid on their redemption and it has not yet been advantageous for the Council to discharge these loans prematurely. This followed advice from our treasury management advisers which demonstrated the excessive cost to the Council of any debt restructuring. Further advice from our treasury management advisers will be sought at the appropriate time about the potential for restructuring of debt and the timing of such a restructure.
- 5.10 Long term borrowing will normally be taken from the Public Works Loan Board (PWLB) since this is usually the most economic source available to the Council. If other sources are thought to be more advantageous and are permitted under the relevant legislation they will be considered.
- 5.11 As at 21 December 2023 rates of borrowing (from the PWLB) range from 5.25% for a 1 year loan through to 4.87% for a 25 year loan down to 4.60% for a 50 year loan (these rates include the certainty rate discount of 0.2%). During 2024/25 the investment and borrowing interest rates will be kept under review and the further use of capital balances will be considered in lieu of new borrowing where this is advantageous.
- 5.12 Where it is considered appropriate to take out new borrowing, regard will be given to the existing repayment profile (see 5.8 above) and the need for a spread of maturity dates to ensure that a significant value of loans do not mature at the same time. Loans are taken out for a range of periods in order that the Council continues to balance its debt profile over the longer term and so is not unduly exposed to the prevailing interest rates at the time of the possible debt replacement.

6. Monitoring and Review Arrangements

- 6.1 During 2024/25, within 7 working days of each month end, the Section 151 Officer will receive a report detailing performance and any non-compliance with the treasury management policy. He will either approve the report or raise the necessary queries to satisfy himself in relation to:
- (i) all transactions being properly authorised.
 - (ii) all transactions being with approved counterparties.
 - (iii) all transactions being in accordance with the Council's approved policy.

- (iv) monitoring of security and liquidity (i.e. spread of investments by long term credit rating, financial sector, country, maturity profile).
- (v) in-house investment performance against SONIA (Sterling Overnight Index Average).
- (vi) investment performance for external fund managers for the relevant period.

6.2 In addition to the monthly reports:

- (i) quarterly reports submitted to Cabinet on the performance of the treasury management function.
- (ii) any changes affecting the treasury management strategy will be reported to Audit Committee for scrutiny and Cabinet for recommending to Council for approval.

6.3 Benchmarking that considers security and liquidity will be achieved by appropriate comparisons with relevant statistical data.

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SOUTHEND-ON-SEA CITY COUNCIL

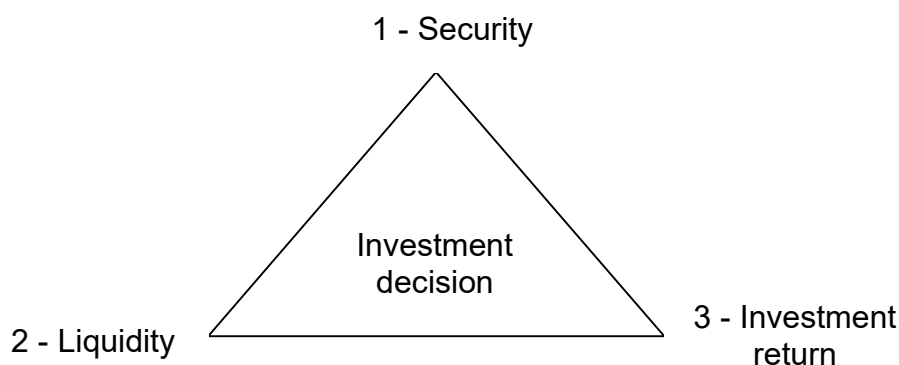
ANNUAL TREASURY MANAGEMENT INVESTMENT STRATEGY 2024/25

1 Scope of this strategy

- 1.1 This investment strategy covers Treasury Management investments only. (Capital investments including service and commercial investments and loans are covered in the Capital Investment Policy which is Annex 1 to the Capital Investment Strategy.)

2 Treasury Management Investment Objectives

- 2.1 To secure the principal sums invested
- 2.2 To maintain liquidity (i.e. adequate cash resources)
- 2.3 To optimise the income generated by surplus cash in a way that is consistent with a prudent level of risk
- 2.4 Security and liquidity are placed ahead of the investment return. This is shown in the diagram below:



- 2.5 Subject to the above objectives being satisfactorily met, consideration will be given to environmental, social and governance (ESG) factors for the funds and financial institutions being invested in. This is still an area that is relatively new but is becoming more mainstream with more funds and financial institutions reporting on their ESG policies. It should be noted that high relevance to ESG-related considerations does not necessarily correlate to high credit quality.

3 Policy on use of external fund managers

- 3.1 The Council currently has monies placed with five external fund managers to use their knowledge and experience to invest on our behalf the medium and long term funds that are, under normal circumstances, not required for day to day cash flow purposes. These funds are summarised below:

Type of fund	Fund manager	Estimated average balance in 2024/25 (£m)
Property Fund	Lothbury Investment Management Limited*	11.0
Property Fund	Patrizia Property Investment Managers LLP	19.0
Short Dated Bond Fund	AXA Investment Managers UK Limited	7.1
Short Dated Bond Fund	Royal London Asset Management	6.9
Enhanced Cash Fund	Payden & Rygel Global Limited	5.0
Total		49.0

* This fund may be the subject of a merger or termination in the first six months of 2024.

- 3.2 Withdrawals may be made during 2024/25 so that a proportion of the council's debt can be repaid or the monies invested as part of the in-house managed funds. Conversely, monies may be placed with the existing and/or a new fund manager during 2024/25 to take full advantage of the knowledge and experience of fund managers in making investment decisions. As to whether monies are deposited or withdrawn, the reason and timing of the decision will have regard to the council's cash flow, relevant interest rates and advice from our treasury management advisers.
- 3.3 In consultation with our treasury management advisers and if appropriate the Section 151 officer will appoint one or more new fund managers in 2024/25 to enable investment of monies.
- 3.4 During 2024/25, if appropriate, the Section 151 officer will approve the placing of monies in Property Funds and will approve the direct investment in property. Any resulting updates to the capital investment programme would be submitted to Cabinet for approval.
- 3.5 During 2024/25, if appropriate, the Section 151 officer will approve the placing of monies in Short Dated Bond Funds or Enhanced Cash Funds.

4 Policy on investment of in-house managed funds

- 4.1 The remaining funds will be managed in-house with the investment period and amounts being determined by the daily cash flow requirements of the

Council. Cash flow forecasts will be produced in order to inform in-house investment decisions.

- 4.2 This authority has accepted the risk of placing funds with financial institutions, rather than solely with the UK government Debt Management Office. However, the risk is minimised by this Annual Treasury Management Investment Strategy, which restricts the types of investment, the counterparties used and the limits for these counterparties.
- 4.3 Government guidance recommends that specified and non-specified investments are identified in the Investment Strategies of local authorities. Specified investments have relatively high security and liquidity, with high credit quality and a maturity of no more than a year. Non-specified investments are investments that do not fall into this category. The types of investment in this strategy and whether they are specified or non-specified are set out in Annex A.
- 4.4 During 2024/25 the Section 151 officer will, if appropriate, approve the placing of monies in deposit accounts, fixed term deposits or certificates of sterling cash deposits up to five years, subject to the proposed banks and building societies satisfying the investment criteria in a combined matrix of credit ratings, and having regard to other market information available at the time.
- 4.5 During 2024/25 the Section 151 officer will, if appropriate, approve the placing of monies in Money Market Funds, term repurchase arrangements, Treasury bills, with other Local Authorities or the Debt Management Office. The regulations regarding Money Market Funds have changed and all references to Money Market Funds now relate to Low Volatility Net Asset Value (NAV) funds, Constant NAV funds and Variable NAV funds.
- 4.6 During 2024/25 the Section 151 officer will, if appropriate, approve the investment of monies into Joint Ventures or Development Companies (either partly or wholly owned by the Council) focused on regeneration and other infrastructure related projects, subject to the necessary due diligence being satisfactorily completed and in consultation with our treasury management advisers. The provision of loan facilities to such organisations would count as capital investment and any resulting updates to the capital investment programme would be submitted to Cabinet for approval.
- 4.7 Where credit ratings are used to assess credit risk, they will be checked when an investment is taken out to ensure that investment satisfies the criteria in this Treasury Management Investment Strategy. Our treasury management advisers provide alerts when credit ratings are changed by the three main rating agencies. If the credit ratings of an institution or investment no longer satisfy the criteria the monies will be withdrawn as soon as possible. This would depend on the maturity date or notice period.
- 4.8 During 2024/25 the Section 151 officer will, if appropriate, approve the short term borrowing of monies from other Local Authorities or the PWLB in order to manage the cash flow and maintain liquidity.

- 4.9 Fixed term deposits may be made directly with the banks and building societies or through the use of a broker. Monies will be placed with other Local Authorities through the use of a broker. Investments in Certificates of Deposit and Treasury bills will be made through the use of a custodian account. The Council acknowledges that it retains responsibility for all investment decisions made whether they are made on its behalf or not.
- 4.10 When investing in-house managed funds, the following are considered; the type of investment, the individual counterparty, the amount that can be invested, the method of placement of monies. These are summarised in Annex A.
- 4.11 The services of a treasury management adviser will be used throughout 2024/25 to provide advice as well as credit rating and other market information regarding counterparties and types of investment. However, the Council recognises that responsibility for investment decisions remains with the authority at all times.

5 Investment Criteria for Funds Managed In-house

- 5.1 All financial institutions considered for investment will be assessed for credit worthiness against a combined matrix of pre-determined criteria using available credit ratings. Credit ratings are assessments by professional organisations of an entity's ability to punctually service and repay debt obligations. Credit ratings are used by investors as indications of the likelihood of getting their money back in accordance with the terms on which they invested.
- 5.2 The credit rating components used in the matrices comprise:
- Short term ratings.
 - Long term ratings.

Ratings provided by all three credit rating agencies will be consulted and a counterparty will be considered for investment if it meets the ratings criteria of at least one of the agencies.

- 5.3 The short-term rating covers obligations which have an original maturity not exceeding one year. The short-term rating places greater emphasis on the liquidity necessary to meet financial commitments. All three credit rating agencies provide short term ratings. The ratings are expressed from F1+ (highest credit rating) through to D (highest default risk) for Fitch, from A-1+ (highest credit rating) through to D (highest default risk) for Standard and Poors, and from P-1 (highest credit rating) through to NP (highest default risk) for Moody's.
- 5.4 The long-term ratings generally cover periods in excess of one year. Due to the larger time horizon over which the rating is determined, the emphasis shifts to the assessment of the ongoing stability of the institution's prospective financial condition. All three credit rating agencies provide long term ratings. The ratings are expressed from AAA (highest credit rating) through to D (highest default risk) for Fitch and Standard and

Poors and from AAA (highest credit rating) through to C (highest default risk) for Moody's.

5.5 In order to balance the objective of securing the maximum level of return on investments with a prudent level of risk a matrix of criteria will be adopted as a starting point to determine the acceptability of a potential investment.

5.6 These matrices are set out below:

If the short and long term ratings meet the following criteria from a minimum of one of the ratings agencies:

For Lending of up to 6 months to Banks and Building societies:

	Fitch	S&P	Moodys
Short term rating minimum	F1	A-1	P-1
Long term rating minimum	A-	A-	A3

For Lending of up to 12 months to Banks and Building societies:

	Fitch	S&P	Moodys
Short term rating minimum	F1	A-1	P-1
Long term rating minimum	A	A	A2

For Lending of up to 3 years to Banks and Building societies:

	Fitch	S&P	Moodys
Short term rating minimum	F1	A-1	P-1
Long term rating minimum	AA-	AA-	Aa3

For Lending of up to 5 years to Banks and Building societies:

	Fitch	S&P	Moodys
Short term rating minimum	F1+	A-1+	P-1
Long term rating minimum	AA+	AA+	Aa1

5.7 An example of the use of this credit ratings matrix as at 21 December 2023 is shown below (the long and short term ratings are Fitch, then Standard and Poors, then Moodys).

Financial Institution	Long Term Rating	Short Term Rating	Maximum length of investment
The Bank of New York Mellon	AA AA- Aa1	F1+ A-1+ P-1	5 years
National Bank of Canada	A+ A Aa3	F1 A-1 P-1	3 years
Standard Chartered Bank	A+ A+ A1	F1 A-1 P-1	12 months

- 5.8 The Council's treasury management advisers will continually review the appropriateness of our investment criteria and continue to develop a best practise counterparty list. The latest advice has now been incorporated in this Strategy, which is set out below.
- 5.9 The individual ratings for some banks and building societies are low which means that they do not meet the criteria in our credit ratings matrix. However, this does not take account of part nationalised banks (currently The Royal Bank of Scotland Plc and National Westminster Bank Plc). These banks can be included in the counterparty list if they continue to be part nationalised or they meet the criteria of our credit ratings matrix in paragraph 5.6. An example of the institutions meeting the criteria for the UK will therefore include:
- Bank of Scotland Plc (RFB)
 - Goldman Sachs International Bank
 - Lloyds Bank Plc (RFB)
 - The Royal Bank of Scotland Plc (RFB)
 - National Westminster Bank Plc (RFB)
 - Barclays Bank Plc (NRFB)
 - HSBC Bank Plc (NRFB)
 - Nationwide Building Society
 - Santander UK Plc (RFB)
 - Standard Chartered Bank
- 5.10 The largest UK banks were required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing" and is a regulatory initiative created in response to the global financial crisis to improve the resilience and resolvability of banks. The initials RFB and NRFB in paragraph 5.9 refer to whether the bank is the Ring-fenced Bank or the Non Ring-fenced Bank. Each part of the bank has an individual credit rating and for any potential investment the counterparty would be considered against the criteria in this strategy in the normal way.
- 5.11 Counterparties that are manually added back to the list will have a maximum length of investment of two years. Amendments to the counterparty list can happen at any point in time.
- 5.12 In addition, for practical purposes the Council's bank will form part of the counterparty list, whether or not it meets the criteria in our credit ratings matrix.
- 5.13 Regard will be given to forward looking rating warnings from the three main credit rating agencies (i.e. rating watches and outlooks) provided by our treasury management advisers.
- 5.14 The current advice from the Department for Levelling Up, Housing & Communities and from CIPFA is not to rely solely on the credit rating agencies and the Council recognises that ratings should not be the sole determinant of the quality of an institution. So regard will also be given to market information such as the financial press, and officers will engage with their advisers to maintain a monitor on market pricing (such as share

and 'credit default swap' prices) and other such information pertaining to the banking sector. Where available credit information, other than credit ratings has been used, this will be documented when the investment decision is made.

- 5.15 Consideration will also be given to any rating methodology approach of our treasury management adviser, where counterparties are put into bands of risk. These reflect the differences in credit quality of suggested duration and counterparties are assigned a risk number/colour.
- 5.16 The achievement of an appropriate balance between short-term and longer-term deposits will be driven by the credit quality of counterparties, the council's cash flow requirements, and the need to achieve optimum performance from our investments consistent with effective management of risk.

6 Investment Limits for Funds Managed In-house

- 6.1 The ratings agencies produce a credit rating for each country, called a sovereign rating. The ratings are expressed from AAA (highest) to D (lowest). The following limits have been set for an investment with a bank or building society whose parent company is registered in a country with a sovereign rating from Fitch and Standard and Poors (S&P) of AAA or AA+ or a sovereign rating from Moody's of Aaa or Aa1. Sovereign ratings provided by all three credit rating agencies will be consulted and the lowest rating will be taken.

Country Sovereign Rating	Limit * All except UK (£ million)
AAA/Aaa	20
AA+/Aa1	5
Lower than AA+/Aa1	0

* These limits relate to the principal sums invested and do not include any accrued interest on that principal.

- 6.2 These limits will also apply to supranationals (international organisations whereby member states transcend national boundaries or interests to share in the decision-making and vote on issues pertaining to the wider grouping). An example of a supranational is the European Investment Bank.
- 6.3 Fitch has set the UK's sovereign rating at AA-, S&P have set it at AA and Moodys have set it at Aa3. Therefore, to ensure the continued use of UK institutions that fall within our investment criteria, the country sovereign rating limits exclude the UK. The limit will therefore remain at £20 million for all counterparties where the parent company is registered in the UK.
- 6.4 Where the parent company of a bank is not registered in a country with a sovereign rating from Fitch and S&P of AAA or AA+ or a sovereign rating from Moody's of Aaa or Aa1 but that bank's UK operations are ring-fenced

to the UK (as is the case for Santander UK), if these banks are included in the counterparty list they will have a counterparty limit of £20 million.

- 6.5 £20 million is 16% of the authority's estimated amount of investments for 2024/25 of £124m. £5m is 4% of the total estimated investments. These are upper limits and would only be fully used in exceptional circumstances as, under normal circumstances, diversification is sought to reduce counterparty risk. These limits are deemed appropriate by our Treasury Management advisers.
- 6.6 To minimise counterparty risk, the limit on any investment with a bank or building society (with the exception of the Council's bank which is currently Barclays Bank) will be determined in the following way:
- consider the country in which the parent company of the bank or building society is registered
 - use the sovereign rating of that country to apply the limits above
 - consider the cumulative balance of funds already held in various investment products with that bank or building society
 - consider the cumulative balance of funds already held in various investment products for any related group of financial institutions
 - determine the remaining amount that can be placed with that bank or building society

For example, the limit on an investment with Lloyds Bank Plc would be determined in the following way:

Steps to determine limit: <i>(for illustrative purposes only and not an indication of actual investments)</i>	Remaining limit available at each stage:
Lloyds Bank Plc is part of the Lloyds Banking Group which is registered in the UK	£20 million
£4 million already placed in an instant access account with Lloyds Bank Plc	£16 million
£5 million already placed in a fixed term deposit with Lloyds Bank Plc	£11 million
£6 million already placed in a notice account with Bank of Scotland Plc (part of the Lloyds Banking Group)	£5 million
Therefore the maximum investment would be £5 million	

- 6.7 The Council's bank is the exception to these investment limits however, and under normal circumstances our intention would be to comply with a counterparty limit of £30 million, to enable the efficient and effective management of the Council's cash flow.
- 6.8 The limit on deposits in Money Market Funds will be £20 million with any one AAAM/AAAF rated (or equivalent) liquidity fund. These work in the same way as a deposit account but the money in the overall fund is

invested in a number of counterparties, therefore spreading the counterparty risk.

- 6.9 There are products being developed that are similar to, but not the same as Money Market Funds, such as 'term repurchase arrangements'. The risk associated with these funds is somewhere between a fixed term deposit and a Money Market Fund. The Section 151 officer will approve the placing of monies in these types of fund up to a maximum of £20 million per fund, if deemed appropriate and in consultation with our treasury management advisers.
- 6.10 Given the prevailing financial market conditions, financial institutions will inevitably devise various investment products to offer enhanced returns. The Council's Section 151 Officer will consider these in consultation with our treasury management advisers and will approve the placing of monies in such investment products with appropriate limits, only after the options and their associated risks have been fully analysed by the treasury management team and our treasury management advisers.
- 6.11 To maximise flexibility, there is no limit on deposits with the UK Government (e.g. Debt Management Office, HM Treasury bills). These deposits will have a maximum duration of 6 months.
- 6.12 The limit on deposits with other Local Authorities will be £40 million which is 32% of the authority's estimated amount of investments for 2024/25 of £124m. These deposits will have a maximum duration of 5 years. This is an upper limit and would only be fully used in exceptional circumstances. The limit is higher than the limit for other counterparties such as banks and other financial institutions due to the lower counterparty risk generally associated with Local Authorities. Before placing any deposit with another Local Authority, appropriate due diligence would be undertaken to consider the appropriateness of the counterparty. These limits are deemed appropriate by our Treasury Management advisers.

7 Fund Managers investment criteria

- 7.1 Investments undertaken by external fund managers on behalf of the Council can only be placed in certain types of investment as permitted under the Local Government Act. The types of investment, counterparties and limits used by each fund manager are set out in their Investment Management Agreement.
- 7.2 The Council's Section 151 Officer is authorised to amend these Investment Management Agreements as appropriate to reflect the needs of the Council, after fully considering the options and their associated risk and in consultation with the Council's treasury management advisers. Subject to the relevant due diligence being undertaken, the Investment Management Agreements could include investment in asset classes such as gilts, corporate bonds, property or equities, or investment in a multi asset fund.
- 7.3 The limit on deposits in Property Funds will be £30 million with any one fund that passes the selection process.

- 7.4 The limit on deposits in Short Dated Bond Funds will be £20 million with any one fund that passes the selection process.
- 7.5 The limit on deposits in Enhanced Cash Funds will be £20 million with any one fund that passes the selection process.
- 7.6 The performance and associated risk will be assessed on an on-going basis through half yearly strategy meetings with each fund manager and the Council's treasury management advisers. Any appropriate action would be identified and taken in consultation with those advisers.

8 Markets in Financial Instruments Directive (MiFID II)

- 8.1 MiFID is the framework of European Union legislation for investment intermediaries that provide services to clients around financial instruments such as shares, bonds, units in collective investment schemes and derivatives and the organised trading in such financial instruments.
- 8.2 This was revised by MiFID II to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection. It recognises that investors have different levels of knowledge, skill and expertise. The application of specific regulatory obligations under MiFID depends on a client's 'regulatory' category.
- 8.3 Local Authorities are categorised as retail clients by default but may 'opt up' to become elective professional clients if certain criteria are satisfied. This Council satisfies the criteria to become an elective professional client and has 'opted up' where appropriate to ensure that it can continue to be eligible to invest in the current range of counterparties and investment products, as some are not available to retail clients.
- 8.4 MiFID II does not cover simple term deposits as it is only focussed on regulated products. This includes our investments in Money Market Funds, enhanced cash funds, short-dated bond funds and property funds. The Council is classed as an elective professional client for all its relevant counterparties except for certain Money Market Funds where the fund has confirmed there is no requirement to 'opt up' as the products can continue to be used as a retail client. The Council's designation under MiFID II will be regularly reviewed to ensure it remains appropriate.

Type of Treasury Management Investment	Individual Counterparty	Limit	Method of placement	Specified/non-specified
Deposit accounts	Bank or building society that meets the criteria of our combined matrix of credit ratings, or one of the part nationalised banks	Per bank or building society, based on country sovereign rating	Directly or through a broker	Specified (if 1 year or less), Non-specified (if more than 1 year)
Fixed term deposits			Directly or through a broker	
Certificates of sterling cash deposits			Custodian account	
Money Market Funds	AAAm/AAAf rated* (or equivalent) liquidity fund	Per fund	Directly or via an on-line site for managing money market funds	Specified
Property Funds	Via selection process	Per fund	Directly or through a broker	Non-specified (more than 1 year)
Short Dated Bond Funds	Via selection process	Per fund	Directly	Non-specified (more than 1 year)
Enhanced Cash Funds	Via selection process	Per fund	Directly	Non-specified (more than 1 year)
Term repurchase arrangements	AAAf/S1 rated#	Per fund	Directly	Specified (if 1 year or less), Non-specified (if more than 1 year)
Other Local Authorities	Depends on which Local Authorities want to borrow money at that time	For total invested with other Local Authorities	Through a broker	Specified (if 1 year or less), Non-specified (if more than 1 year)
Debt Management Office	UK Government	For total invested with UK Government	Directly	Specified
Treasury Bills			Custodian account	

* A fund with a principal stability rating of 'AAAm/AAAf' (or equivalent) has an extremely strong capacity to maintain stability and to limit exposure to losses of the principal sums invested due to credit, market and/or liquidity risks.

A fund with a credit quality rating of 'AAAf' has a portfolio holding that provides extremely strong protection against losses from credit defaults. A fund with a volatility rating of S1 possesses low sensitivity to changing market conditions.

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SOUTHEND-ON-SEA CITY COUNCIL

CHANGES FROM THE 2023/24 TREASURY MANAGEMENT POLICY

Appendix	Paragraph	Change	Reason for the change
1	1.8	Sentence updated regarding the requirement of the revised CIPFA Code of Practice for Treasury Management to have quarterly reporting.	To reflect the recently updated Code of Practice.
1	4.1	Sentence updated to remove the reference to Link Asset Services, as the treasury management adviser from 2024/25 is yet to be determined via a procurement exercise.	To reflect current circumstances.
1	7.3	Regarding borrowing from other Local Authorities, a sentence added “Appropriate due diligence would be undertaken to consider the appropriateness of the counterparty.”	To reflect the current situation with Local Authority finances.
1	13.8	References to Porters Place Southend-on-Sea LLP removed.	To reflect current circumstances.
2	6.2	Sentence updated to clarify the quarterly reporting to Cabinet on the performance of the treasury management function.	To reflect the recently updated Code of Practice.
3	4.11	Sentence updated to remove the reference to Link Asset Services, as the treasury management adviser from 2024/25 is yet to be determined via a procurement exercise.	To reflect current circumstances.

Appendix	Paragraph	Change	Reason for the change
3	6.12	Sentence added to make it clear that, before placing any deposit with another Local Authority, appropriate due diligence would be undertaken to consider the appropriateness of the counterparty.	To reflect current circumstances.

Meeting: Audit Committee
Date: 10 January 2024
Classification: Part 1
Key Decision: No
Title of Report: **Next Steps Accommodation Programme - Homes England Compliance Audit report 2022/23**

Executive Director: Alan Richards: Executive Director (Environment & Place)
Report Author: Andrew Barnes: Head of Internal Audit and Counter Fraud
Executive Councillor: Cllr Cox: Leader (Cabinet Member for Special Educational Needs & Disability)

1. Executive Summary

1.1 The purpose of this report is to present the findings from the Homes England Compliance Audit work for 2022/23 to the Audit Committee.

2. Recommendations

2.1 **That the Audit Committee notes the findings from the Homes England Compliance Audit work for 2022/23.**

3. Background

3.1 The Compliance Audit programme provides assurance to Homes England that organisations receiving grant (providers) have met all of Homes England's requirements and have properly exercised their responsibilities. Homes England have produced standardised assurance procedures and the Council is required to appoint its own reporting accountants to undertake that work. Southend have appointed SB Audit LLP to undertake that work.

3.2 The Compliance Audit checks provider compliance with Homes England's policies, procedures, and funding conditions. Standardised checks are made by Independent Auditors on an agreed sample of Homes England schemes funded under affordable housing programmes. Any findings, which may be as a result of checks not being applicable to the scheme or an indication of procedural deficiency, are reported by the Independent Auditor to both the provider and Homes England concurrently. The Homes England Lead Auditor reviews the findings and records those determined to be 'breaches'. Breaches are used as the basis for recommendations and final grades for providers.

3.3 As confirmed by the report from SB Audit LLP at Appendix 1, they have obtained sufficient and appropriate evidence that the Statement of Grant usage, in all material respects, fairly reflects the Eligible Expenditure in accordance with the definition of Eligible Expenditure set out in the funding agreement between Southend-on-Sea City Council and Homes England, during the year ended 31 March 2023.

4. Reason for decision

4.1 **Compliance Audit provides assurance to assist the Audit Committee to effectively discharge its responsibilities as per its Terms of Reference.**

5. Other options

5.1 None.

6. Financial implications

6.1 The Council receives significant funding from external funders, and giving them the assurance they require that their funds have been used in accordance with their expectations gives confidence in the Council's use of their funding provided and to be provided in the future.

7. Legal implications

7.1 The Council is required to provide independent assurance from a reporting accountant to Homes England utilising their assurance procedures. By considering this report, the Committee can satisfy itself that this requirement is being discharge.

8. Policy context

8.1 None.

9. Carbon impact

9.1 None.

10. Equalities

10.1 None.

11. Consultation

11.1 None.

12. Contribution to the Council's aims and objectives

12.1 Audit work provides assurance and identifies opportunities for improvement that contribute to the delivery of all Corporate Plan objectives.

13. Risk assessment

13.1 The Council receives significant funding streams that require reporting accountants to provide assurance that the funding has been used in accordance with the funders' expectations. This funding would be at risk if the reporting accountants were not able to provide that assurance.

14. Value for money

14.1 None.

15. Report Authorisation

This report has been approved for publication by:		
	Name:	Date:
S151 Officer	Joe Chesterton	29/12/2023
Monitoring Officer	Kim Sawyer	2/1/2024
Executive Director	Alan Richards	2/1/2024
Relevant Cabinet Member	Leader – Cllr Tony Cox	2/1/2024

16. Appendices

16.1 **Appendix 1: Homes England Compliance Audit Report 2022/23**

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Homes England
One Friargate
Coventry
CV1 2GN

Reporting Accountants Report

Next Steps Accommodation Programme - Statement of Grant Usage 2022/23

We have read the funding agreement between Southend-on-Sea City Council and Homes England dated 4 March 2021.

In accordance with our engagement letter dated 18 September 2023 ('the engagement letter'), a copy of which is attached, we have examined the attached Statement of Grant Usage, each page of which we have initialled for identification purposes only, in relation to the revenue grant for the year ended 31 March 2023.

The Statement of Grant Usage has been prepared by, and is the sole responsibility of, the management of Southend-on-Sea City Council. Our responsibility, under the terms of our engagement letter is to form an opinion on the basis of the work performed and report our opinion to Southend-on-Sea City Council and Homes England.

Our work was directed to those matters which in our view materially affect the Statement of Grant Usage and was not directed to the discovery of errors or misstatements that we consider to be immaterial. Whilst we perform our work with reasonable skill and care, it should not be relied upon to disclose all misstatements, fraud or errors that might exist.

We have also examined the records of Southend-on-Sea City Council, carried out such tests as we consider necessary and received such explanations from the management of Southend-on-Sea City Council as we consider necessary to enable us to form our opinion.

Opinions:

1. On the basis of the work performed, in our opinion we have obtained sufficient and appropriate evidence that the Statement of Grant Usage, in all material respects, fairly reflects the Eligible Expenditure in accordance with the definition of Eligible Expenditure set out in the funding agreement between Southend-on-Sea City Council and Homes England, during the year ended 31 March 2023.
2. In the course of our work nothing came to our attention that is inconsistent with the statements made in the certificate signed on behalf of Southend-on-Sea City Council which forms part of the Statement of Grant Usage.

This report is provided for the purpose of allowing Southend-on-Sea City Council to meet its reporting obligations in respect of grants receivable from Homes England and on the basis that it is for use by Southend-on-Sea City Council and Homes England only.

Signature: *SB Audit LLP*

SB Audit LLP
Tim O'Connor – Senior Statutory Auditor
12 October 2023

SB Audit LLP
820 The Crescent
Colchester Business Park
Colchester
Essex
CO4 9YQ

Form of Statement of Grant Usage

Southend-on-Sea City Council

STATEMENT OF GRANT USAGE Year ended 31 March 2023

All figures in £s

ELIGIBLE EXPENDITURE	AMOUNT & SUPPORTING DETAILS
Details and amount of expenditure	£218,000
What has this expenditure has procured?	This expenditure has procured Intensive Housing Support from Peabody for clients within the Council's Next Steps Accommodation Programme
Total	
SOURCES OF FUNDING	
Received from this grant	£122,204
This organisation's own contribution	£ 95,796
Other	-
Total	£218,000

To: Diane Takpimivbiomo Senior Housing Programmes Manager (Specialist Programmes)

To the best of my knowledge and belief:

The Eligible Expenditure shown in this Statement of Grant Usage is a complete and accurate record of the payments made exclusively for the purposes set out in the grant offer and does not include any amounts described as ineligible in the grant offer. I have also included independent external auditor/accountant sign off as required and detailed within the Homes England Grant Agreement.

Signed on behalf of the organisation's accountant/director/S151 Officer



NameJoe Chesterton.....

AddressCivic Centre, Victoria Avenue, Southend, SS2 6ER.....

.....

Qualifications

Date09/10/23.....

Telephone number 01702 215200.....

Email:joechesterton@southend.gov.uk.....

Southend-on-Sea City Council
Civic Centre
Victoria Avenue
Southend-On-Sea
Essex
United Kingdom
SS2 6ER

18/September 2023
TOC/PSS/NEWTEO

Dear Sirs

Appointment as reporting accountants in respect of the Next Steps Accommodation Programme – Statement of Grant Usage Financial Period 2022/23

The purpose of this letter is to set out the basis on which SB Audit LLP are to act as your reporting accountants in relation to the above and the respective areas of responsibility of yourselves and ourselves.

The following are the pre-agreed terms of engagement under which our report will be provided.

The grant paying body, Homes England, accepts that an agreement between Southend-on-Sea City Council, its reporting accountants and Homes England on these terms is formed when the accountants sign and submit to Homes England a report as set out in Clause 3 herein.

1. Introduction

Southend-on-Sea City Council is required to submit to Homes and Communities Agency (trading as Homes England) reports as set out in Clause 3 below that are also signed by an accountant to provide independent assurance. These terms of engagement set out the basis on which the accountant (“SB Audit LLP”) will sign the report.

2. Southend-on-Sea City Council’s responsibilities

2.1 Southend-on-Sea City Council is responsible for maintaining proper records complying with the terms of any legislation or regulatory requirements and Homes England’s terms and conditions of grant (‘the grant conditions’) and providing relevant information to Homes England on a basis in accordance with the requirements of the grant conditions. Southend-on-Sea City Council is responsible for ensuring that the non-financial records can be reconciled to the financial records.

- 2.2 The management of Southend-on-Sea City Council will make available to the accountant” all records, correspondence, information and explanations that the accountant considers necessary to enable the accountant to perform the accountant’s work.
- 2.3 Southend-on-Sea City Council and Homes England accept that the ability of the accountant to perform its work effectively depends upon the grant recipient providing full and free access to the financial and other records and Southend-on-Sea City Council shall procure that any such records held by a third party are made available to the accountant.
- 2.4 The accountant accepts that, whether or not Southend-on-Sea City Council meets its obligations, the accountant remains under an obligation to Homes England to perform its work with reasonable care. The failure by Southend-on-Sea City Council to meet its obligations may cause the accountant to qualify its report or be unable to provide a report.

3. Scope of the accountant’s work

- 3.1 Southend-on-Sea City Council will provide the accountant with such information, explanations and documentation that the accountant considers necessary to carry out its responsibilities. The accountant will seek written representations from management in relation to matters for which independent corroboration is not available. The accountant will also seek confirmation that any significant matters of which the accountant should be aware have been brought to the accountant’s attention.
- 3.2 The accountant will perform the following work in relation to reports required by Homes England:
- 3.2.1 Grant return: The accountant will carry out a limited level of assurance assignment as set out in the terms and conditions of the grant and subject to any adverse findings will produce a report in the form set out in Schedule 7 to the grant agreement. A copy of this schedule is attached to the letter.
- 3.2.2 The level of assurance required by Homes England is set out in the appendix to this letter containing Schedule 7 referred to in point 3.2.1 above.
- 3.2.3 For an agreed upon procedures engagement, the tests are laid out in the same appendix to this letter.
- 3.3 The accountant will not subject the information provided by Southend-on-Sea City Council to checking or verification except to the extent expressly stated. While the accountant will perform the accountant’s work with reasonable skill and care, the accountant’s work should not be relied upon to disclose all misstatements, fraud or errors that might exist.

4. Form of the accountant's report

4.1 The accountant's reports are prepared on the following bases:

- 4.1.1 the accountant's reports are prepared solely for the confidential use of Southend-on-Sea City Council and Homes England and solely for the purpose of submission to Homes England in connection with Homes England's requirements in connection with Next Steps Accommodation Programme. They may not be relied upon by Southend-on-Sea City Council, or Homes England for any other purpose;
- 4.1.2 without imposing on the accountant and without the accountant assuming (or being perceived as assuming) any duty or responsibility and without imposing or accepting any liability to anyone except Southend-on-Sea City Council and Homes England, Homes England may disclose the reports to others who demonstrate statutory rights of access to the report;
- 4.1.3 neither Southend-on-Sea City Council, Homes England may rely on any oral or draft reports the accountant provides. The accountant accepts responsibility to Southend-on-Sea City Council, Homes England for the accountant's final signed reports only;
- 4.1.4 the report will be prepared solely for the confidential use of Southend-on-Sea City Council and Homes England, and solely for the purpose of facilitating the grant claim. The report will be released to Southend-on-Sea City Council and Homes England on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent, except where there is a legal or statutory right of access. Without assuming or accepting any responsibility or liability in respect of the report to any party other than Southend-on-Sea City Council and Homes England, we acknowledge that Southend-on-Sea City Council and Homes England (or one of them) may be required to disclose this report to parties demonstrating a statutory right to see it, to enable such parties to exercise their statutory rights of access to this report;
- 4.1.5 to the fullest extent permitted by law, except for Southend-on-Sea City Council and Homes England, the firm of accountants, its partners and staff neither owe nor accept any duty to any person (including, without limitation, any person who may use or refer to any of the Homes England's publications) and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in the accountant's reports.

5. Liability provisions

- 5.1 The accountant will perform the engagement with reasonable skill and care and accepts responsibility to Southend-on-Sea City Council, and Homes England for losses, damages, costs or expenses ('losses') caused by its breach of contract, negligence or wilful default, subject to the following provisions:
- 5.1.1 The accountant will not be responsible or liable if such losses are due to the provision of false, misleading or incomplete information or documentation or due to the acts or omissions of any person other than the accountant, except where, on the basis of the enquiries normally undertaken by accountants within the scope set out in these terms of engagement, it would have been reasonable for the accountant to discover such defects.
- 5.1.2 The accountant accepts liability without limit for the consequences of its own fraud and for any other liability which it is not permitted by law to limit or exclude.
- 5.1.3 Subject to the previous paragraph (5.1.2), the total aggregate liability of the accountant whether in contract, tort (including negligence) or otherwise, to Southend-on-Sea City Council and Homes England, arising from or in connection with the work which is the subject of these terms (including any addition or variation to the work), shall not exceed the amount of £122,204.
- 5.2 Southend-on-Sea City Council and Homes England agree that they will not bring any claims or proceedings against any individual partners, members, directors or employees of the accountant. This clause is intended to benefit such partners, members, directors and employees who may enforce this clause pursuant to the Contracts (Rights of Third Parties) Act 1999 ('the Act'). Notwithstanding any benefits or rights conferred by this agreement on any third party by virtue of the Act, the parties to this agreement may agree to vary or rescind this agreement without any third party's consent. Other than as expressly provided in these terms, the Act is excluded.
- 5.3 Any claims, whether in contract, negligence or otherwise, must be formally commenced within three years after the party bringing the claim becomes aware (or ought reasonably to have become aware) of the facts which give rise to the action and in any event no later than six years after the relevant report was issued (or, if no report was issued, when the accountant accepted the engagement in writing). This expressly overrides any statutory provision which would otherwise apply.
- 5.4 This engagement is separate from and unrelated to the accountant's audit work on the financial statements of Southend-on-Sea City Council or its subsidiaries for the purposes of any applicable statutory or regulatory or other auditing framework and nothing herein creates obligations or liabilities regarding the accountant's audit work, which would not otherwise exist.

6. Fees

The accountant's fees, together with VAT and out-of-pocket expenses, will be agreed with and billed to Southend-on-Sea City Council. Homes England is not liable to pay the accountant's fees.

7. Quality of service

The accountant will investigate all complaints. Homes England or Southend-on-Sea City Council have the right to take any complaint to the ICAEW. Homes England or Southend-on-Sea City Council may obtain an explanation of the mechanisms that operate in respect of a complaint to the ICAEW at www.icaew.co.uk/complaints or by writing to the ICAEW at the ICAEW Professional Standards Office, Metropolitan House, 321 Avebury Boulevard, Milton Keynes MK9 2FZ UK.

8. Providing services to other parties

The accountant will not be prevented or restricted by virtue of the accountant's relationship with Southend-on-Sea City Council and Homes England, including anything in these terms of engagement, from providing services to other clients. The accountant's standard internal procedures are designed to ensure that confidential information communicated to the accountant during the course of an assignment will be maintained confidentially.

9. Applicable law and jurisdiction

9.1 This agreement shall be governed by, and interpreted and construed in accordance with the laws of England and Wales.

9.2 Southend-on-Sea City Council, Homes England and the accountant irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute (including claims for set-off and counterclaims) which may arise on any basis in connection with the validity, effect, interpretation or performance of, or the legal relationship established by this agreement or otherwise arising in connection with this agreement.

10. Alteration to terms

All additions, amendments and variations to these terms of engagement shall be binding only if in writing and signed by the duly authorised representatives of the parties. These terms supersede any previous agreements and representations (unless based on fraud) between the parties in respect of the scope of the accountant's work and the accountant's report or the obligations of any of the parties relating thereto (whether oral or written) and represents the entire agreement and understanding between the parties. These terms do not affect any separate agreement in writing between Southend-on-Sea City Council and the accountant.



Agreement of terms

The attached Terms of Business form a part of this letter of engagement. Once it has been agreed, this letter will remain effective until it is replaced or repealed. You or we may agree to vary or terminate our authority to act on your behalf at any time without penalty.

The terms set out in this letter shall take effect immediately upon you countersigning and returning the letter to us. If we are instructed to start work prior to receiving a signed copy of this letter we will treat that as acceptance of all the terms of this engagement letter.

We shall be grateful if you could confirm in writing your agreement to these terms by signing and returning the enclosed copy of this letter, or let us know if they are not in accordance with your understanding of our terms of engagement.

Yours faithfully

SB Audit LLP

SB Audit LLP

Contents noted and agreed:

Signed: 

Name: Tim Holland

Date: 29/09/2023

Meeting: Audit Committee
Date: 10 January 2024
Classification: Part 1
Key Decision: No
Title of Report: Counter Fraud & Investigation Team: Quarterly performance report

Executive Director: Joe Chesterton: Executive Director (Finance & Resources)
Report Author: Shaun Dutton: Counter Fraud & Investigation Manager
Executive Councillor: Cllr Tony Cox: Leader of Southend-on-Sea City Council

1. Executive Summary

- 1.1 The purpose of this report is to update the Audit Committee on the progress made by the Counter Fraud & Investigation Team (CFIT) in delivering the Counter Fraud Strategy and Work Programme for 2023/24.

2. Recommendations

- 2.1 That the Audit Committee notes the performance of the Counter Fraud & Investigation Team over the last three months.

3. Background

- 3.1 The Counter Fraud & Investigation Team was formed in October 2019 and is dedicated to protecting the funds and assets of Southend-on-Sea City Council (the Council). We protect the Council from fraud, corruption, and losses resulting from criminal behaviour. We pursue those that commit crime against the Council and recover losses where possible.

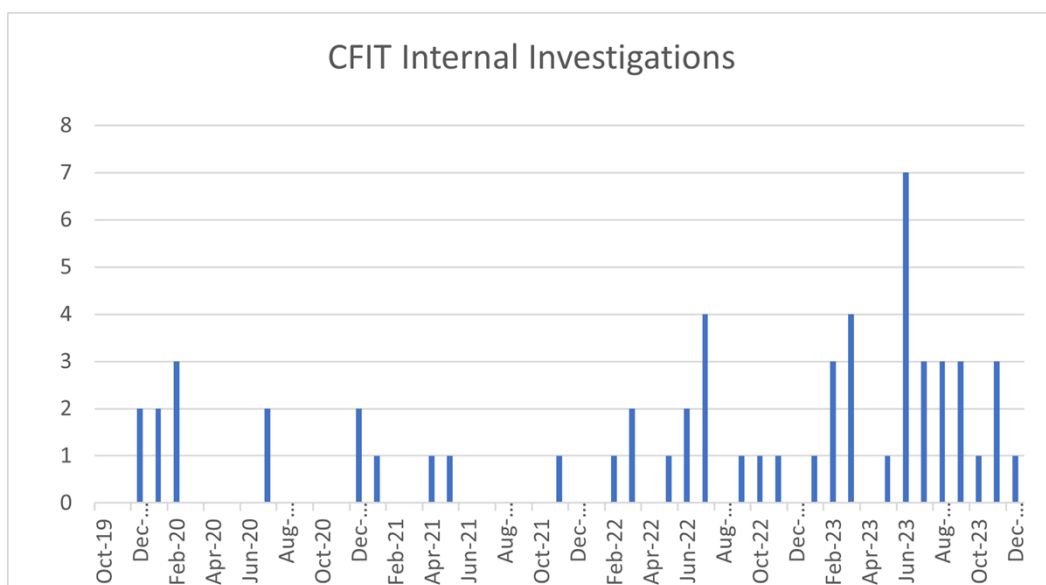
4. Summary of work this quarter

- 4.1 Due to the continuing high volume of internal enquiries that the team is dealing with, this quarter has mostly focused on reactive investigation work.
- 4.2 As mentioned in CFIT's previous report, internal investigations are time consuming and demand a high volume of human resource. This impacts on the team's ability to provide a good service to its key stakeholders. To manage this, a proactive blue badge fraud exercise has been cancelled because the training of APCOA staff in blue badge fraud detection last year has proved exceptionally successful, and a planned tenancy fraud exercise has been postponed until early 2024.

The team's Work Plan for 2023/24 can be found at **Appendix 1**.

4.3 To demonstrate the scale of the challenge this work presents to the team, the number of internal investigations the team has dealt with by year are:

Year	Internal cases
2019/20 (October to March)	7
2020/21	5
2021/22	6
2022/23	18
2023/24 (April to December)	22



The volume of internal investigations for 2022/23 and 2023/24 (so far) exceed the total investigations for the previous two and a half years.

Part of this may be attributed to the team’s success, a general raised awareness of fraud, and an increased trust from employees to report concerns. However, it is also notable that of a total of 58 investigations the team has dealt with since its formation, 44 of them are post-pandemic¹.

4.4 Findings from CFIT’s internal investigations continue to feed into the Council’s policy amendments with contributions this quarter to the Annual Leave Policy, the Residents’ Parking Permits procedures, Gifts and Hospitality Policy, and Expenses Policy.

4.5 CFIT have also been conducting a series of ‘audit spot checks’ on areas of the Council that handle cash transactions. The objectives of these are to ensure that adequate policies, procedures and security are in place to prevent and detect theft and fraud.

¹ All Covid-19 pandemic-related restrictions ended in June 2021.

- 4.6 The recruitment of an investigator to the team has been delayed due to circumstances beyond our control and we are now looking forward to welcoming our new investigator in January 2024.
- 4.7 A planned review of second homes that evade Council Tax liability was cancelled as the loophole that enabled this has been closed by the Government. Also, enquiries into Code F (probate) Council Tax exemptions provided reassurance that the Revenues Team have robust processes in place to monitor this.
- 4.8 CFIT also provided support to colleagues following the Council's data breach; providing advice, information and support including information sheets and drop-in clinics.
- 4.9 CFIT provided representation at this year's Fighting Fraud and Corruption Locally National Conference and a notable result from this was an agreement to re-establish the Essex Fraud Investigators' Group. Southend, Essex, Basildon, and Braintree Councils are currently on-board with others expected to join once it is up and running.
- 4.10 CFIT issued a communication to all staff in November to coincide with International Fraud Awareness Week to raise the awareness of fraud across the organisation. The Monthly Fraud Newsletter now has 1,200 subscribers, some of which represent groups, enquiries with subscribers suggest that the newsletter reaches approximately 2,000 residents and staff.

5. The threat from fraud

- 5.1 Fraud has grown rapidly in recent years and now accounts for 39% of all crime in England and Wales. Estimates by the National Crime Survey show that there were 4.6 million fraud offences committed in the year ending March 2021. This is equal to the total theft and violent crime offences combined².
- 5.2 However, the police have only 2% of their resources dedicated to fraud investigation, despite it making up more than 40% of all crime³. A 2019 inspection of the police's response to fraud found that these offences are generally not considered to be a priority⁴.
- 5.3 Although the national response to the threat from fraud is improving, the scale of the threat is beyond the resources of our law enforcement agencies to tackle it alone. A significant focus of this response is focused on enabling businesses, individuals, and local authorities to protect themselves.

² Victims Commissioner, 2021

³ House of Commons Justice Committee, 2022

⁴ Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services, 2019

- 5.4 An indication of the increasing threat to the Council is demonstrated by a 2013 estimate⁵ suggesting that fraud may be costing UK local authorities £2.1bn a year. This compares to a 2017 estimate⁶ that the total annual loss to local authorities from fraud may be as high as £7.8bn.
- 5.5 This is a rise of £1.4bn a year: although the increase is likely to be exponential, using this figure extrapolates to £14.8bn in UK local authority loss from fraud in 2022.
- 5.6 The national fraud guidance for local authorities⁷ is placing an increased emphasis on proactive fraud prevention initiatives and our Work Plans are guided by this.

6. Investigations

- 6.1 Since 1 April 2023, CFIT have dealt with, or are investigating, 363 cases (107 of these cases started prior to that date and 256 after that date).
- 6.2 Since the last report to the Committee⁸, we have received 60 new cases. This is low for a quarter although it should be noted that this report covers a period of two months as the festive period requires the report to be written earlier than usual.
- 6.3 Of the total 363 investigations:
- 266 have been concluded
 - 97 are active:
 - 50 are currently being investigated
 - 7 are being prosecuted
 - 40 are waiting for assignment to an investigator.
- 6.4 A breakdown of these investigations can be found at **Appendix 2**.
- 6.5 Our current prosecutions relate to:
- 2 concerning procurement fraud
 - 1 concerning covid grant fraud
 - 2 concerning blue badge fraud (one of which also includes theft and forgery offences)
 - 2 concerning employee fraud.
- 6.6 We also have an outstanding prosecution for non-covid grant fraud where the defendant has absconded. A warrant has been issued for their arrest and this case has been closed pending locating the defendant.

⁵ National Fraud Office 2013

⁶ Centre for Counter Fraud Studies, University of Portsmouth, 2017

⁷ *Fighting Fraud and Corruption Locally: A strategy for the 2020s*, Local Government Association, 2020

⁸ 11/10/2023

6.7 Results this period⁹ include:

- A conviction for fraud by failing to disclose information in relation to Council Tax Single Person Discount resulting in a £369 fine and the award of £422 costs
- One prosecution relating to covid grant fraud was discontinued following repayment of £8,000 grant funds and meeting the Council's full costs of £848.31
- £4,997.79 in recovered Council Tax
- £5,287.95 in recovered Council Tax Reduction and Administrative Penalties
- £159.95 of Essential Living Funds recovered
- 12 Blue Badge misuse warning letters issued
- 5 expired or forged Blue Badges taken out of circulation, saving the Council £2,875¹⁰
- 4 employees resigning while under investigation
- 5 referrals to the DWP
- 5 Right to Buy applications assessed
- 23 Data Protection Act requests answered.

6.8 The total benefit to the Council from CFIT's activities this quarter is **£22,960**. This is low for the quarter due to this report covering a period of two months and the lack of NFI results available. Also, this is an indication of the impact that internal investigations are having on the team's productivity.

However, this brings the total benefit to the Council from CFIT's activities since 1 April 2023 to **£410,044.79**.

7. Fraud prevention

7.1 CFIT's Fraud prevention strategy is comprised of:

- Raising the awareness of the risk of fraud in all staff
- Maintaining adequate controls in policies and procedures
- Highlighting new frauds and information sharing
- Deterrence by having a high visibility in the community by conducting proactive detection and deterrence exercises.

7.2 The *Fighting Fraud in Local Government* and *Money Laundering Awareness* courses, both written by CFIT are available to all staff and are mandatory for managers.

7.3 The Monthly Fraud Update is a newsletter for staff and the public highlighting current risks of fraud and providing advice as to how people can protect themselves. This reaches approximately 2,000 individuals.

⁹ 11/10/2023 to 12/12/2023

¹⁰ Blue Badges are valued at £575 which is a national standard valuation of the lost revenue from parking from Blue Badge misuse in a non-metropolitan area.

- 7.4 CFIT engages with the Internal Audit team to provide fraud risk assessments and recommendations to strengthen any identified vulnerabilities in high-risk areas of the Council's business.
- 7.5 CFIT regularly issues fraud alerts to various teams across the Council to highlight current and emerging frauds that affect their areas of the Council's business. We issued one of these this quarter.
- 7.6 CFIT has information exchange agreements with Essex Police and HMRC and these channels are very active.
- 7.7 While not all our successful prosecutions are published in the press, we issue press releases for all of them, and most are taken up for publication. The publication of these results is an important deterrence tactic.
- 7.8 As mentioned above, CFIT are actively involved in the amendment and development of Council policy and procedure to reduce the risk of fraud and protect the Council's finances and assets.

8. The National Fraud Initiative (NFI)

- 8.1 The NFI is a central government exercise that matches electronic data within and between public sector bodies to prevent and detect fraud. These bodies upload their data to a central service which then produces data matching reports. This process runs on a 2-year cycle.
- 8.2 An example of this is matching household non-dependents who have turned 18 with households in receipt of Council Tax Single Person Discount (SPD) (the non-dependent ceases to be such when they reach this age and SPD can no longer be claimed).
- 8.3 CFIT operates as the local coordinator and key contact for the NFI at Southend-on-Sea City Council: centrally organising the upload of data and the processing of returns. The team investigates data matches that suggest fraud may have been committed.
- 8.4 Most of the NFI work is nearing completion for this cycle and there are no results to report this quarter. However, there is a body of new matches that have recently been released and the results of these will be reported in next quarter's report. The total savings from the NFI since 1 April 2023 remains at **£158,603.43**.

9. Reasons for decisions

- 9.1 Knowledge and understanding of the Council's pro-active approach to the prevention, detection and response to fraudulent and other inappropriate activity perpetrated against the Council provides the Committee with assurance that the Council is taking the risk of such activity seriously and addressing this in an appropriate and cost-effective manner.

10. Other options

10.1 Not applicable.

11. Financial implications

11.1 The work of the Counter Fraud and Investigation Team will be delivered within the approved budget. Any financial implications arising from identifying and managing fraud risk will be considered through the normal financial management processes.

12. Legal implications

12.1 The Accounts and Audit Regulations 2015 section 3 states that:

“The relevant authority must ensure that it has a sound system of internal control which:

- *Facilitates the effective exercise of its functions and the achievement of its aims and objectives*
- *Ensures that the financial and operational management of the authority is effective*
- *Includes effective arrangements for the management of risk.”*

12.2 The work of the Counter Fraud & Investigation Team contributes to the delivery of this.

12.3 Where fraud or corruption is proved the Council will:

- Take the appropriate action which could include disciplinary proceedings, civil action and criminal prosecution
- Seek to recover losses using criminal and civil law
- Seek compensation and costs as appropriate.

13. Policy context

13.1 This report is made in the context of the following policies:

- Counter fraud and corruption policy and strategy
- Counter money laundering policy and strategy
- Whistleblowing policy and procedure

14. Carbon impact

14.1 The Counter Fraud & Investigation Team operates in the community and therefore some travel is necessary. This is usually performed in private vehicles due to the requirement to visit multiple sites over a geographic spread during a day.

14.2 However, the Counter Fraud & Investigation Team reduces its carbon footprint by:

- Operating an electronic case management system minimising the use of paper and printing. All documentary evidence is scanned electronically and, except where circumstances prevent it, the original is destroyed. This minimises physical storage requirements.
- Travelling by public transport wherever possible such as for court appearances, for example.
- Conducting meetings with external stakeholders remotely, minimising unnecessary travel.
- All CFIT officers have undergone Carbon Literacy training.
- Planning operational activity to minimise private vehicle use i.e., combining all necessary journeys on one day.

15. Equalities

15.1 The Counter Fraud & Investigation Team are committed to treating everyone equally and with respect.

15.2 All CFIT officers have undergone Equality and Diversity training. Our operational activity complies with the Equality Act 2010, the Human Rights Act 1998, the European Convention on Human Rights, and relevant legislation to ensure a fair and objective investigation and prosecution such as the Police and Criminal Evidence Act 1984, the Regulation of Investigatory Powers Act 2000, the Investigatory Powers Act 2016, and the Criminal Procedure and Investigations Act 1996.

16. Consultation

16.1 Consultation has not been required.

17. Contribution to the Council's aims and objectives

17.1 The team's work to reduce fraud, protect the council from fraud and corruption, to pursue offenders and to recoup properties and money from the convicted contribute to the delivery of all the council's aims and objectives.

17.2 It does this by protecting and recovering the assets and funds that the council holds.

17.3 Furthermore, proactive fraud and corruption work, alongside the reactive prosecution of offenders, acts as a deterrent for such activities and assists in the identification of financial loss and loss of assets.

17.4 Such proactive counter fraud work can result in reduced costs to the Council by protecting it against potential loss and civil or insurance claims.

18. Risk assessment

- 18.1 Failure to operate a strong anti-fraud and corruption culture puts the Council at risk of increased financial loss from criminal activity. Enhancing and embedding such a culture is driven by the leadership and support of the Corporate Leadership Team.
- 18.2 While risk cannot be eliminated from the Council's activities, implementing counter fraud and corruption policies and culture will contribute to managing this risk more effectively.

19. Value for money

- 19.1 An effective Counter Fraud and Investigation Team should save the Council money and help to provide value for money by:
- Reducing the opportunities to perpetrate fraud; this is reducing potential losses to future budgets.
 - Detecting fraud promptly and applying relevant sanctions where it is proved; this limits the losses to fraud and corruption.
 - Pursuing perpetrators to recover losses and to seek compensation; this limits the losses to fraud and corruption.
 - Recovering properties; this reduces the strain on the social housing stock and reduces the cost of temporary accommodation to future budgets.
 - Limiting the cost of investigation and pursuit of offenders by the application of alternative sanctions where appropriate; this provides a cost-effective service.
 - Generate an income for the Council through the provision of counter fraud awareness training to the Council's partners and service providers and the provision of an investigation / prosecution service to appropriate partners.

20. Report Authorisation

This report has been approved for publication by:		
	Name:	Date:
S151 Officer	Joe Chesterton	27/12/2023
Monitoring Officer	Kim Sawyer	18/12/2023
Executive Director	Joe Chesterton	27/12/2023
Relevant Cabinet Member	Leader – Cllr Tony Cox	2/1/2024

21. Appendices

21.1 **Appendix 1:** Counter Fraud Work Plan 2023/24

21.2 **Appendix 2:** Breakdown of CFIT investigations

Southend-on-Sea City Council

Executive Director (Finance & Resources): Joe Chesterton

Civic Centre, Victoria Avenue, Southend-on-Sea, Essex SS2 6ER

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www.southend.gov.uk



Appendix 1 – Counter Fraud Work Plan 2023/24

KEY:

Denotes proactive activities
Denotes prevention/protection activities
Denotes development activities

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Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
Counter fraud	Maintain business as usual through management of the caseload, timely investigation of referrals towards a prompt, efficient and fair resolution, proactive fraud detection initiatives and the provision of advice and training to the wider council.	Ongoing	Business as usual is being maintained, the team is at its full complement, albeit with a backlog of cases which is at a manageable level.	5	Shaun DUTTON	ONGOING
Council wide	Internal publicity campaign to highlight the work and reporting mechanisms of the fraud team.	Ongoing	Avenues to increase the team's profile across the Council are being explored.	1	Shaun DUTTON	ONGOING
		Ongoing	Continue to publish the monthly fraud newsletter to staff and residents.	1	Shaun DUTTON	ONGOING
		May 2023	Host the weekly Corporate Leadership Meeting. This has been agreed. This did not take	1	Shaun DUTTON	NOT ACHIEVED

Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
		November 2023	place due to administrative complications. Publicity campaign to highlight International Fraud Awareness Week.	1	Shaun DUTTON	06/11/2023
Housing	Pro-active fraud detection and deterrence exercises on social tenancies.	July 2023	To be targeted in areas at high risk of subletting.	6	Paul BROADBENT	28/07/2023
		September 2023	Appropriate areas of activity will be determined during the planning stage.	6	James COUSEN	Postponed
		March 2024		6	Caroline MERCIECA	
Council wide	Fraud risk and process analysis of areas of the Council's business at high risk of fraud through participation in internal audits.	Ongoing	This work will be performed alongside Internal Audit's programme of work with risk assessment findings incorporated into their reports. This has the effects of adding more weight to any recommendations made and contributing to a closer working relationship between the two teams. CFIT continue to issue specific post-investigation reports recommending process/policy improvements that would provide a greater protection from fraud where appropriate.	2-5	Shaun DUTTON	ONGOING

Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
Blue Badge	Proactive fraud detection and deterrence exercise on Blue Badges	August 2023	Plain clothes enforcement exercise. Areas of activity to be determined at the planning stage but targeted at areas of reported high incidence of blue badge fraud. The October activity was cancelled due to the Team's workload and existing portfolio of blue badge investigations.	6	Shaun DUTTON	01/09/2023
		October 2023		6	Shaun DUTTON	CANCELLED
Business Rates / Council Tax	Proactive review of second homes rented out as a business to evade Council Tax liability by claiming SBRR. (Rolled over from 2022/23)	November 2023	Currently conducting research with other local authorities who have claimed success with this activity. Enquiries confirmed that this loophole has since been closed by the Government.	2	Shaun DUTTON	31/10/2023
Council wide	Investigate the use of technology and data matching to identify and target the risks of fraud against the Council. Develop targeted proactive exercises to act on the results. (Rolled over from 2022/23)	March 2024	This is aspirational and dependent upon a variety of factors such as information sharing agreements, the availability, cost and complexity of tools required to do this, staff training etc. Enquiries into the feasibility of this will be conducted as and when workload commitments allow. The Council's Insights Team have been engaged to investigate how we can make best use of the data the Council holds.	2-4	Shaun DUTTON	

Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
Council Tax	Undertake a Single Person Discount fraud drive that reduces fraudulent discounts, increases council tax revenue, and increases the council tax base. (Rolled over from 2022/23)	March 2024	Research currently being undertaken to identify third party data analysis providers, and best practice from other local authorities who have experience with this.	1	TBA	
Counter fraud	Develop 'income generation' opportunities through: <ul style="list-style-type: none"> Counter fraud training initiatives for SBC partners and service providers An investigation and prosecution service to local Housing Associations Provision of a Financial Investigation service to other SBC teams and possibly other local authorities. 	TBD	This is aspirational at this time and development will be dependent upon how the team progresses over the coming 12 months. This cannot be explored at the expense of our ongoing workload commitments or pro-active and prevention activities.	TBD	Shaun DUTTON	

Appendix 2 - Breakdown of CFIT investigations as of December 2023¹

Category	New cases since the last report (11/10/2023)	Total new cases since 1 April 2023	Active investigations (being investigated, awaiting allocation or with Legal Services)	Closed investigations since 1 April 2023
Transport (Blue Badge, parking permits etc.)	13	82	15	83
Schools (including Early Years)	1	1	0	1
Council Tax²	27	81	32	87
Business Rates	2	4	5	5
Covid-19 related grants	0	0	1	3
DWP	1	11	0	11
Grant Fund fraud	0	5	0	7
Housing (unlawful subletting, Right to Buy fraud etc.) ³	8	35	17	36
Money Laundering	0	0	2	0
Procurement	0	0	2	0
Social Care (Direct Payment fraud etc.)	2	2	4	4
Employee	4	22	17	14
Miscellaneous (immigration, fraudulent cheques, mischievous referrals etc.)	2	13	2	15
TOTALS	60	256	97	266

¹ Figures are correct as of 12/12/2023.

² These figures include Council Tax Reduction Scheme frauds

³ These figures include excess rent account and Right to Buy assessments

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Meeting: Audit Committee
Date: 10 January 2024
Classification: Part 1
Key Decision: No
Title of Report: **Internal Audit: Quarterly performance report**

Executive Director: Joe Chesterton: Executive Director (Finance & Resources)
Report Author: Andrew Barnes: Head of Internal Audit and Counter Fraud
Executive Councillor: Cllr Cox: Leader (Cabinet Member for Special Educational Needs & Disability)

1. Executive Summary

1.1 The purpose of this report is to update the Audit Committee on the progress made in delivering the Internal Audit Strategy and Plan for 2023/24.

2. Recommendations

2.1 **That the Audit Committee notes the progress made in delivering the 2023/24 Internal Audit Strategy and Plan.**

3. Background

3.1 The Accounts and Audit Regulations 2015 make it a requirement for the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

3.2 The Council's internal audit team is in place to meet that requirement.

4. Internal Audit Plan Status

4.1 **Appendix 1** sets out the current status of the audit work planned for the year as at 21st December.

4.2 In order to ensure that our work remains focussed on the areas of greatest risk to the Council, we continue to consider our Audit Plan for 2023/24 that was reported to the Committee in April 2023. There have been further changes to the audit plan since it was last reported to the Committee in October, with the removal of the planned work on Biodiversity Net Gain Grant, and the Universal Drug Treatment Grant, as assurance is no longer required by the Departments and the addition of work to provide the audit

assurance required for the Arts Council in respect of the Focal Point Gallery Sounds grant they have supplied.

4.3 The planned work on the LGA Peer Review has been deferred as a result of the follow up visit undertaken by the LGA in December, the Parking Implementation Plan has been deferred following scoping discussions with the service and the Council governance arrangements for Council companies deferred due to the alternative review of Council companies being undertaken. The work on the Appointments and Disciplinary Committee governance arrangements has been added to the plan.

4.4 In addition to the Advice and Support items detailed at Appendix 1, the team has been providing support on work and arrangements that the Council is undertaking in respect of:

- Support on response to a data breach
- Support on refreshing the Council's internal governance arrangements
- Updates to draft policies to enhance effectiveness and prepare for refreshed governance arrangements
- Support to the LGA Corporate Peer challenge re-visit
- Support to the Digital Governance Group
- Support to accounts payable about bank mandate alteration arrangements
- Support to a service in respect of procurement requirements.

5. Performance Targets and Resourcing

5.1 As outlined in the Strategy presented to the April 2023 Audit Committee, the team will be reporting on a more limited set of indicators this year given the amount of work that is still being contracted out.

5.2 For the period 1 April 2023 - 22 December 2023 the team have had an average of 12 days of sickness absence, as a result of one member of the team being absent for an extended period. That officer is no longer part of the team.

5.3 In terms of the 51 jobs now included in the audit plan:

- 18% of audits are complete with finalised reports issued
- 10% of audits are complete with draft reports being discussed with the service
- 10% of audits are complete with draft reports being prepared
- 25% of audits are in progress
- 8% of audits are being scoped with the service
- 18% of audits are resourced, but yet to be started
- 11% of audits have been deferred or removed from the current year's plan.

- 5.4 Stakeholder surveys have now re-commenced and will be completed throughout the year as audits are finalised.
- 5.5 Since the last report to the Audit Committee in October there has been one further change to the staffing of the team, with the Audit Apprentice who began working for the Council in September unfortunately leaving the employment of the Council.
- 5.6 As a result the team currently has five vacancies. The salaries of the vacant posts are being used to fund audit resource brought in from suitable accountancy firms to assist with delivery of the audit plan.

6. Reason for decision

- 6.1 **Internal audit is an assurance function providing assurance to assist the Audit Committee to effectively discharge its responsibilities as per its Terms of Reference. The delivery of the internal audit plan will assist the Audit Committee with obtaining assurance that the Annual Governance Statement appropriately reflects the conditions at the Council.**

7. Other options

- 7.1 The internal audit delivery model currently operated at the Council will be reviewed and challenged as part of the transformation programme. Other options identified as part of that work will be reported to the Committee for consideration.

8. Financial implications

- 8.1 The Audit Plan will be delivered within the approved budget.

9. Legal implications

- 9.1 The Accounts and Audit Regulations 2015 make it a requirement for the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 9.2 The UK Public Sector Internal Audit Standards require the Audit Committee to approve (but not direct) the annual Internal Audit Plan and then receive regular updates on its delivery. This report contributes to discharging this duty.

10. Policy context

- 10.1 This report is made in the context of the following policies:
- Internal Audit Charter and Strategy
 - Risk Management Policy Statement and Strategy
 - Counter fraud and corruption policy and strategy
 - Whistleblowing policy and procedure.

11. Carbon impact

11.1 The Internal Audit Team operates across all Council sites and therefore some travel is necessary. This is usually performed in private vehicles due to the requirement to visit multiple sites over a geographic spread during a day.

11.2 However, the Team reduces its carbon footprint by:

- Operating electronic working paper and audit management arrangements, minimising the use of paper and printing. All documentary evidence is scanned electronically minimising physical storage requirements
- Travelling by public transport wherever possible
- Conducting meetings with external stakeholders remotely
- All internal audit officers have undergone Carbon Literacy training to enhance their understanding of the carbon challenge.

12. Equalities

12.1 The Team are committed to treating everyone equally and with respect.

12.2 All officers have undergone Equality and Diversity training. Our daily activities comply with the Equality Act 2010, the Human Rights Act 1998, and the European Convention on Human Rights.

13. Consultation

13.1 The audit risk assessment and the Audit Plan are periodically discussed with the Chief Executive and Executive Directors before being reported to the Audit Committee. All terms of reference and draft reports are discussed with the relevant Managers, Directors or Executive Directors before being finalised.

14. Contribution to the Council's aims and objectives

14.1 Audit work provides assurance and identifies opportunities for improvement that contribute to the delivery of all Corporate Plan objectives, as referenced at Appendix 1.

15. Risk assessment

15.1 Failure to operate a robust assurance process (which incorporates the internal audit function) increases the risk that there are inadequacies in the internal control framework that may impact of the Council's ability to deliver the Corporate Plan objectives.

15.2 The main risks the team continues to manage are the:

- potential loss of in-house staff and the ability of the service to replace this resource in a timely manner
- lack of management capacity to support and develop the team, while processing work in a timely manner and providing strategic leadership to the team and support to the Council
- possibility that the external suppliers won't deliver contracted-in work within the required deadlines to the expected quality standards
- need to maintain relationships with clients / partners while the service is being rebuilt.

16. Value for money

16.1 Opportunities to improve value for money in the delivery of services are identified during some reviews and recommendations made as appropriate.

Internal Audit also periodically considers whether it provides a value for money service, and this will be revisited as part of the transformation programme.

17. Report Authorisation

This report has been approved for publication by:		
	Name:	Date:
S151 Officer	Joe Chesterton	29/12/2023
Monitoring Officer	Kim Sawyer	2/1/2024
Executive Director	Joe Chesterton	29/12/2023
Relevant Cabinet Member	Leader – Cllr Tony Cox	2/1/2024

18. Background papers

- 18.1
- The Accounts and Audit Regulations 2015
 - UK Public Sector Internal Audit Standards
 - CIPFA: Local Government Application Note for the UK Public Sector Internal Audit Standards.

19. Appendices

19.1 **Appendix 1:** Internal Audit Plan 2023/24

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Appendix 1: Internal Audit Plan 2023/24

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 22 nd December 2023
Managing the Business			
All (AB)	<p>Risk Management</p> <p>To support the council to embed robust assessment of risk and opportunity into decision making that encourages creativity, learning and improved outcomes.</p>	No	<p>Work ongoing to enhance risk management across the Council, including the inclusion of risks to delivery of service objectives included in the service plans in place for 2023/24 and revisions being made to the format of the Corporate Risk Register</p>
F&R (PB)	<p>Financial sustainability</p> <p>To assess the robustness and effectiveness of the arrangements to manage the financial implications of the transformation programme and prepare a balanced budget for 2024/25 and future periods.</p>	No	<p>Work in progress</p>
S&C (SN)	<p>LGA Peer Review</p> <p>To assess the robustness of the arrangements to deliver the programme of work required to address the issues arising from the LGA Peer Review.</p>	No	<p>Work deferred due to follow up visit by the LGA in December 2023</p>
ALL (LW)	<p>Contract Management system</p> <p>To assess the robustness and effectiveness of the contract management system to support the delivery of effective contract management.</p>	Yes	<p>Audit work complete, draft report being discussed with contractor</p>
S&C (CT)	<p>Cyber Security – awareness and training</p> <p>To assess the robustness and effectiveness of the arrangements to ensure all officers and Members have the necessary awareness to spot and avoid potential cyber security risks.</p>	Yes	<p>Audit scoping being undertaken with service</p>
S&C (CT)	<p>IT Asset Management</p> <p>To assess the adequacy of arrangements to manage both the software and hardware assets within the IT estate, including the extent of Shadow IT.</p>	Yes	<p>Audit scoping being undertaken with service</p>

Appendix 1: Internal Audit Plan 2023/24

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 22 nd December 2023
S&C (KS)	<p>Council governance arrangements for Council companies</p> <p>To assess the robustness and effectiveness of the arrangements to ensure all effective governance arrangements are in place for the Council's companies and joint ventures.</p>	Yes	Audit work deferred due to alternative review of Council companies being undertaken
S&C (SP)	<p>Workforce Planning</p> <p>To assess the robustness and effectiveness of the arrangements to manage the Council's workforce needs and plan for future periods.</p>	Yes	Planned January to March 2024
All (KS)	<p>Appointments and Disciplinary Committee</p> <p>To assess the robustness of governance arrangements.</p>	No	Complete December 2023
<i>Implementing Action Plans</i>			
<i>None planned</i>			

Managing Service Delivery Risks

A City that is strong and prosperous

E&P (AD)	<p>Pier and Foreshore</p> <p>To assess the adequacy of arrangements to deliver effective management of the pier and foreshore.</p>	Yes	Audit work complete, report being drafted
<i>Implementing Action Plans</i>			
E&P (NH)	<p>Highways Capitalised Maintenance Programme</p> <p>To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service.</p>	Yes	Planned January to March 2024

Appendix 1: Internal Audit Plan 2023/24

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 22 nd December 2023
A City with a good quality of life			
C&PH (SG)	<p>Alternative School Provision (brought forward)</p> <p>To assess the adequacy of arrangements which ensure the Council's guidance and / or policy for using Alternative Provision is being properly and appropriately applied to support achievement of the required outcomes for young vulnerable people.</p>	No	Draft report with the Head of Internal Audit
A&C	<p>Disabled Facilities Grant (No. 31/5515)</p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>	Yes	Completed December 2023
C&PH	<p>Supporting Families Programme</p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p> <p><i>Planned throughout the year to align with the Payment by Results claim windows set by Department for Levelling Up, Housing & Communities.</i></p>	Yes	<p>April – September claims: completed September 2023</p> <p>October – December claims: completed December 2023</p> <p>January – March claims: due March 2024</p> <p>April – June claims: due June 2024</p>
C&PH	<p>Universal Drug Treatment Grant (No. 31/5494)</p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>	Yes	Work removed from plan as assurance no longer required by Department
A&C	<p>Multiply Funding (No. 31/6266)</p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>		Work in progress
E&P (OB)	<p>Rough Sleepers</p> <p>To assess the robustness of arrangements to ensure effective support is given to vulnerable people to achieve the outcomes within the Housing, Homelessness and Rough Sleeping Strategy, while achieving value for money.</p>	No	Audit work complete, report being discussed with the contractor

Appendix 1: Internal Audit Plan 2023/24

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 22 nd December 2023
C&PH (RB)	<p>Independent Reviewing Officers</p> <p>To assess the effectiveness of Independent Reviewing Officers (IROs) in ensuring children’s needs are met and their outcomes improved through the support and services that they receive.</p>	No	<p>Work scope amended and deferred until 2024/25 following the focussed OFSTED visit and improvement plan arising from that visit</p>
E&P	<p>Local Transport Capital Block Funding (No. 31/5505)</p> <p>To certify that, in all significant respects, the conditions attached to the grants have been complied with.</p>	Yes	<p>Completed November 2023</p>
E&P	<p>Local Transport Capital Block Funding – Pothole Fund (No. 31/5506)</p> <p>To certify that, in all significant respects, the conditions attached to the grants have been complied with</p>	Yes	<p>Completed November 2023</p>
A&C (TH)	<p>Tackling Poverty Strategy</p> <p>To assess the robustness of arrangements to ensure delivery of the strategy and the progress of that delivery.</p>	No	<p>Audit scoping being undertaken with service</p>
A&C (JB)	<p>Southend Care Ltd</p> <p>To provide an independent and objective analysis of the veracity of the Southend Care Limited 2023/24 cost model and any financing gap to the Southend City Council 2023/24 budget settlement proposal.</p>	Yes	<p>Work completed September 2023</p>
A&C (TS)	<p>Adult Social Care Living Well Strategy Action Plan</p> <p>To assess the robustness of arrangements to ensure delivery of the action plan and the progress of that delivery.</p>	No	<p>Work in progress</p>

Appendix 1: Internal Audit Plan 2023/24

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 22 nd December 2023
C&PH (LMM)	<p>Children’s Quality Assurance Framework (QAF)</p> <p>To assess the effectiveness of the arrangements to embed into business as usual the tool used to assess the quality of social work practice, which is key to ensuring the council delivers better outcomes to young people and families.</p>	No	Work in progress
C&PH (LMM)	<p>Foster Carers</p> <p>To assess the robustness of arrangements to attract, retain and manage foster carers to ensure these are delivering the required outcomes for vulnerable citizens.</p>	No	Audit scoping being undertaken with service
A&C	<p>Focal Point Gallery Arts Council Sound Grant</p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>	Yes	Work in progress
<i>Implementing Action Plans</i>			
	None planned		
A City rising to the climate change challenge			
E&P (JG)	<p>Green City Action Plan</p> <p>To assess the robustness of arrangements to ensure delivery of the strategy and the progress of that delivery.</p>	No	Planned January to March 2024
E&P (NH)	<p>Parking implementation plan</p> <p>To assess the robustness of arrangements to ensure delivery of the plan and the progress of that delivery.</p>		Audit work deferred until 2024/25 following scoping discussion with service
E&P (KW)	<p>Biodiversity Net Gain Grant ((No. 31/6499)</p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>		Work removed from plan as assurance no longer required by Department

Appendix 1: Internal Audit Plan 2023/24

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 22 nd December 2023
Implementing Action Plans			
<i>None planned</i>			
A City delivering genuinely affordable housing			
E&P (GH)	Empty Homes Strategy To assess the robustness of arrangements to ensure delivery of the strategy and the progress of that delivery.	No	Planned January to March 2024
E&P (EL)	Better Queensway Focus to be determined pending decisions to be taken about the future direction of the scheme.	No	Timing to be determined pending decisions being taken about the future direction of the scheme
F&R (MM)	Corporate Asset Management (brought forward) To assess the adequacy of arrangements in place to ensure assets continue to deliver value and meet stakeholder needs, while supporting organisational objectives.	Yes	Draft report issued to the service
A&C	Community Investment Grant (brought forward) To assess the robustness of arrangements that ensure grant monies passed to the community are being properly accounted for and delivering outcomes for the citizens of Southend.	Yes	Draft report issued to the service
E&P (OB)	Housing Allocations (brought forward) To assess the robustness of the arrangements that ensure available housing is allocated appropriately, in accordance with council policies.	Yes	Draft report issued to the service

Appendix 1: Internal Audit Plan 2023/24

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 22 nd December 2023
<i>Implementing Action Plans</i>			
E&P (GH)	<p>Management of the SEH partnership agreement</p> <p>To assess whether the actions agreed in the original audit dated July 2022 have been implemented and are now effectively embedded into the day-to-day operation of the service.</p>	No	Completed November 2023
Change programme			
F&R (EB)	<p>My Southend (new platform)</p> <p>To assess the progress of delivery of the programme in accordance with the plan and the effectiveness of the project governance arrangements to deliver the benefits to citizens, businesses, tourists, councillors and the Council, required from the new platform.</p>	No	Timing to be determined based on project timetable
<i>Implementing Action Plans</i>			
<i>None planned</i>			
All Objectives			
S&C (TW)	<p>Transformation Programme</p> <p>To assess the robustness of the arrangements for delivering the Council's transformation programme that aims to ensure the Council remains fit for purpose, financially stable and resilient for the future.</p>	Yes	Work in progress
F&R (CF)	<p>Clearing House Automated Payments System (CHAPS) payments (brought forward)</p> <p>To assess the robustness of arrangements that ensure valid and accurate payments are made using the CHAPS facility.</p>	Yes	Draft report with the Head of Internal Audit

Appendix 1: Internal Audit Plan 2023/24

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 22 nd December 2023
S&C (SP)	<p>Staff Pay (brought forward)</p> <p>To assess the robustness of processes for ensuring accurate and valid payments are made to staff when these are outside of standard salary payments.</p>	Yes	Draft report issued to the service
<i>Implementing Action Plans</i>			
S&C (CT)	<p>Business World Enterprise Resource Planning Programme of Work</p> <p>To check that actions agreed have been effectively implemented and have been embedded into the day-to-day management of the Programme.</p>	No	Work in progress
Key Financial Systems - All Objectives			
F&R (PR)	<p>National Non-Domestic Rates</p> <p>To assess the robustness of arrangements and processes for ensuring accurate billing and collection of National Non-Domestic Rates.</p>	Yes	Work in progress
F&R (CF)	<p>Treasury Management</p> <p>To assess the robustness of arrangements and processes for ensuring secure and effective treasury management of the Council's financial resources.</p>	Yes	Planned January to March 2024
<i>Implementing Action Plans</i>			
<i>None planned</i>			

Appendix 1: Internal Audit Plan 2023/24

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 22 nd December 2023
Advice and Support			
A City that is strong and prosperous			
F&R	<p>Financial Sustainability (including Getting to Know your Business Initiatives) (brought forward)</p> <p>Provide ongoing support and challenge of the arrangements in place to deliver the council's Budget Transformation Programme 2022/23 to 2025/26 which aims to ensure the council remains financially stable and resilient for the future.</p>	No	Draft report issued to the service
S&C	<p>Corporate Plan</p> <p>To provide support and challenge to the team updating the council's Corporate Plan which will identify the priorities for the delivery of outcomes for 2023-24 to 2026-27.</p>	No	Work complete – feedback provided as part of developing the updated Corporate Plan
S&C	<p>Business World Enterprise Resource Planning Phase 2</p> <p>To provide support and challenge to the project team as the risks and control environment for the planned Corporate Establishment and other required improvements are considered and / or developed.</p>	Yes	Work in progress – initial feedback provided
A City with a good quality of life			
E&P	<p>Southend Travel Partnership (Vecteo) governance arrangements</p> <p>To provide advice, support and challenge to the Board as the Vecteo governance arrangements are updated as the Council becomes the sole owner of the company.</p>		Work complete – feedback provided as part of Council transition to sole owner

Appendix 1: Internal Audit Plan 2023/24

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 22 nd December 2023
A City rising to the climate change challenge			
E&P (LW)	<p>Waste Collection Contract Procurement</p> <p>To provide advice, support and challenge to the project team to ensure robust project management and procurement processes are applied and value for money is obtained for city residents.</p>	Yes	Work in progress - ongoing feedback being provided as the procurement arrangements progress
A City delivering genuinely affordable housing			
E&P (GH)	<p>HRA Business Plan</p> <p>To provide advice, support and challenge to the project team as the HRA Business Plan is developed to help ensure it is robust and underpinned by a sound supporting evidence base, while reflecting necessary legislative requirements and Council priorities.</p>	Yes	Timing to be determined based on progress with developing the plan
Change Programme			
S&C (TW)	<p>Transformation Board and Transformation Programme</p> <p>To provide ongoing support and challenge of the Transformation Board's role in overseeing the delivery of the Transformation Programme that aims to ensure the Council remains fit for purpose, financially stable and resilient for the future.</p>	No	Work in progress – feedback provided to initial Transformation Board
S&C (CT)	<p>Data Strategy</p> <p>To provide support and challenge to the development and implementation of a refreshed Data Strategy for the Council.</p>		Timing to be determined based on progress with developing the strategy

Appendix 1: Internal Audit Plan 2023/24

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 22 nd December 2023
S&C (CT)	<p>Business World Enterprise Resource Planning Programme of Work</p> <p>To provide support and challenge to the project team as the risks and control environment for the planned Corporate Establishment and other required improvements are considered and / or developed.</p>		<p>Timing throughout the year based on progress with developing the programme</p>

Appendix 1: Internal Audit Plan 2023/24

Managing Service Delivery

Delivering the internal audit service involves:

- audit planning and resourcing
- managing Audit Plan delivery, which includes overseeing contractor work
- keeping up to date with the council's changing risk profile to ensure the Audit Plan remains relevant
- reporting to senior management and the Audit Committee.

Audit Activities	Resource allocation
Managing the Business	22%
Managing Service Delivery Risks	33%
Key Financial Systems	6%
Grant Claims	11%
Advice and Support	17%
Follow Ups	3%
Managing Delivery of the Audit Plan	8%
Total	100%
Total Council Audit Plan Days	590

The days required to revisit and retest action plans from previous reports are included under each heading.

The Total Council Audit Plan Days reflects the higher cost of buying in external contractors to cover internal vacancies.

Appendix 1: Internal Audit Plan 2023/24

Analysis Over Executive Director Responsibilities		
All	Cross Cutting	6%
F&R	Finance & Resources	11%
S&C	Strategy & Change	25%
E&P	Environment & Place	36%
C&PH	Children & Public Health	8%
A&C	Adults & Communities	14%
	Total	100%

Analysis over the 5 Southend Corporate Plan objectives		
1.	A City that is strong and prosperous	6%
2.	A City with a good quality of life	34%
3.	A City rising to the climate change challenge	11%
4.	A City delivering genuinely affordable housing	9%
5.	Change Programme	12%
6.	All	28%
	Total	100%

Appendix 1: Internal Audit Plan 2023/24

Risk Watch List

These are other potential audits that may be considered for inclusion in the Audit Plan during the year should resources permit

A&C	Sexual Health Service
A&C	Mental Health Service Provision (review of current arrangements including Section 75 agreement with EPUT scoped by service)
F&R	Critical Contracts Exit strategies
F&R	School Audits – assess assurance available from council teams that the role of the schools Finance team to determine the assurance their function may give overall
New areas of risk to keep watching brief	
All	Environmental, Social & Governance (ESG)
All	Association of South Essex Local Authorities (ASELA)
All	Social Media
A&C	Adult Social Care Strategies 2022/27: Ageing Well and Caring Well
A&C	Integrated Care System
A&C	Southend Care Ltd Partnership Agreement 2022-2031
A&C	Hospital Discharge
A&C	Anti-Poverty Strategy
C&PH	Remodelling of Children’s Centres (in house service from 1st October 2021)
F&R	Social Value - Implementation of Strategy / Policy
F&R	Corporate Procurement Strategy 2022- 2027
N/A	Domestic Abuse Act 2021 Implementation Strategy
E&P	Selective Licensing
E&P	New Highway Enforcement Policies
E&P	Building Safety Bill
S&C	ICT Project Management Office