

Public Document Pack
SOUTHEND-ON-SEA CITY COUNCIL

Audit Committee

Date: Wednesday, 24th April, 2024

Time: 6.30 pm

Place: Committee Room 1

Contact: Robert Harris

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 10 January 2024 (Pages 3 - 8)**
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- 6 KPMG: External audit plan 2023/24 (Pages 265 - 298)**
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- 11 Internal Audit Service Charter, Strategy and 2024/25 Plan (Pages 365 - 410)**
Report of the Executive Director (Finance & Resources)

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, 10th January, 2024

Place: Committee Room 1 - Civic Suite

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Present: Councillor M Terry (Chair)
Councillors L Burton, P Collins, M Dent, N Folkard, J Harland,
M O'Connor and Mr K Pandya

In Attendance: Councillors D Cowan, T Cox and J Moyies
A Barnes, R Harris, S Dutton, C Fozzard, K Sawyer, C Shuter,
V Smith and J Chesterton

Start/End Time: 6.30 pm - 9.45 pm

21 Apologies for Absence

Apologies for absence were received from Councillors Cartey and Stafford (no substitutes).

22 Declarations of Interest

No interests were declared at the meeting.

23 Minutes of the Meeting held on Wednesday, 25 October 2023

Resolved:

That the Minutes of the Meeting held on Wednesday, 25 October 2023 be confirmed as a correct record and signed.

24 Deloitte: Final 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 works completed for the 2021/22 financial year with regard to the opinion on the Statement of Accounts and commentary on the Council's Value for Money arrangements.

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

Resolved:

That the final report on the 2021/22 audit, be accepted.

25 Deloitte: Auditor's Annual Report 2021/22 (deferred from last meeting as paper circulated at that meeting)

The Committee considered a report of the Executive Director (Finance and Resources) presenting the External Auditor's Annual Report for 2021/22 that was deferred at the meeting held on 25th October 2023.

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

Resolved:

That the External Auditor's Annual Report for 2021/22, be approved.

26 Deloitte: External Audit 2022/23 Status Update

The Committee received a verbal report from the External Auditor providing a brief overview of the work on the 2022/23 audit taking place with the Council's finance officers, which is on track to be finalised over the next two months to be presented to the Audit Committee in March 2024.

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

Resolved:

That the update on the status of the 2022/23 external audit, be noted.

27 Transformation update

The Committee considered a report of the Executive Director (Strategy and Change) presenting an overview of the delivery of the transformation programme and the associated risks and opportunities.

The Committee asked questions which were responded to by officers.

Resolved:

That the report setting out 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, be noted.

28 Complaints, SARs, FOIs, and Data Breach Update

The Committee received a verbal report presenting an update on the measures taking place to improve performance on Complaints, SARs and FOIs and a brief summary of a recent data breach.

The Committee asked questions which were responded to by the officers. The Committee also commented on their expectations to see improvements against performance in the quarterly report at its meeting in April 2024. Officers also undertook to provide a monthly update bulletin to the Committee.

Resolved:

That the verbal update be noted.

29 Treasury Management Policy for 2024/25

The Committee considered a report of the Executive Director (Finance and Resources) presenting the Treasury Management Policy for 2024/25 for scrutiny, prior to approval by Council as part of the annual budget process.

The Committee asked questions which were responded to by officers. ON consideration of the report the Committee proposed a number of minor amendments to the Policy.

Resolved:

That, subject to minor amendments/changes, the Treasury Management Policy for 2024/25, comprising the following documents, be endorsed and recommended to Council for approval as part of the annual budget process:

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

30 Homes England compliance report for 2022/23

The Committee considered a report of the Executive Director (Environment and Place) presenting the findings from the Homes England Compliance Audit work for 2022/23.

Resolved:

That the findings from the Homes England Compliance Audit work for 2022/23, be noted.

31 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 and 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 Committee requested that the money-laundering and fraud awareness training be made mandatory for all Council employees/staff.

Resolved:

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

32 Internal Audit Service Quarterly Performance Report

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

The Committee asked questions which were responded to by officers. On consideration of the report the Committee proposed some minor amendments/changes to ensure that the strategy and plan aligns with the new Corporate Plan.

Resolved:

That, subject to minor amendments/changes, the progress made in delivering the 2023/24 Internal Audit Strategy and Plan be noted.

33 Internal Audit Report on Appointments and Disciplinary Committee

The Committee considered a report of the Executive Director (Finance and Resources) presenting the findings of the audit review requested by the Appointments and Disciplinary Committee at its meeting on 27th July 2023.

During consideration of the matter, the Committee resolved to exclude the press and public from the meeting (confidential session) to enable questions and comments to be made on the confidential aspects of the matter.

The Committee asked questions which were responded to by officers. On further consideration of the report the Committee proposed amendments/changes to recommendation 2 and 3 set out in the Internal Audit Services Report (Appendix 1).

(In accordance with Standing Order 26.1 Councillor Dent had his name recorded against the decision to exclude the public and press).

Resolved:

That the findings of the audit review requested by the Appointments and Disciplinary Committee at its meeting on 27th July 2023, be noted, and the recommendations made in the internal audit report, subject to the following amendments to recommendations 2 and 3, be endorsed:

Recommendation 2:

'Update the Constitution to reflect that where a Committee Chair wants to introduce an additional item of business, they need to have appropriate support and advice from suitable subject matter expert officers and appropriate legal advice, and for them to be in the meeting to enable them to do so.' This change relates to all items not just new ones introduced, e.g. the need to have proper office advice throughout the whole meeting.'

Recommendation 3:

Use the A&DC, as that involves all the political Group Leaders, to set and review the objectives for the Chief Executive, *and any public statements arising*, in collaboration and raise any performance related issues with the Chief Executive.

Chair: _____

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Title:	Deloitte: Report to the Audit Committee on the audit for the year ended 31 March 2023
Meeting:	Audit Committee
Date:	24 April 2024
Classification:	Part 1
Key Decision:	No
Report Authors:	Deloitte External Auditor
Executive Councillor:	Not applicable

1. Executive Summary

- 1.1. This report summarises the results of the work completed to date for the 2022/23 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 Report to the Audit Committee on the audit for the year ended 31 March 2023.**

3. Background

- 3.1. 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.
- 3.2. The Auditor's Annual Report for 2022/23 will be presented at the next meeting of Audit Committee and will include 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 (PSAA) 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 2022/23 are subject to the fees variation process as outlined by the 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.

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 Report to the Audit Committee on the audit for the year ended 31 March 2023



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Southend-on-Sea City Council

Report to the Audit Committee on the 2022/23 audit

Issued on 15 April 2024 for the meeting on 24 April 2024

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01 Final report

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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 2022/23 audit. The scope of our audit was set out within our planning report presented to the committee in October 2023.

Status of our Statement of Accounts audit

Our audit is substantially complete subject to the following matters:

- Finalisation of our internal reviews including valuation of fixed assets, pensions and classification of reserves;
- Review and tie through of final financial statements;
- Completion of internal quality assurance procedures;
- Receipt of signed management representation letter; and
- Our review of events since 31 March 2023 through to signing.

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.

Status of our Value for Money audit

Our Value for Money work is ongoing and will be reported to the Audit Committee in our Auditor's Annual Report for 2022/2023, planned for the next Audit Committee meeting. Areas identified as 'Risks of Significant Weakness in Arrangements' as part of our planning work are set out on Page 16.

We are currently finalising our work to conclude on whether any significant weaknesses in arrangements to secure economy, efficiency and effectiveness in the use of resources existed for 2022/23. Any significant weakness identified will be reported 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 2022/23, 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 assets & liabilities;
 - valuation of the long-term debtor in relation to Porters Place Southend-on-Sea LLP; and
 - valuation of infrastructure assets.
- We have not identified any significant uncorrected audit adjustments or disclosure deficiencies.
- We have summarised other corrected and uncorrected audit adjustments on page 19.
- We anticipate issuing an unmodified audit opinion on the financial statements with no reference to any matters in respect of the Annual Governance Statement. We may need to include reference to matters in respect of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources following the conclusion of our work.

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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.

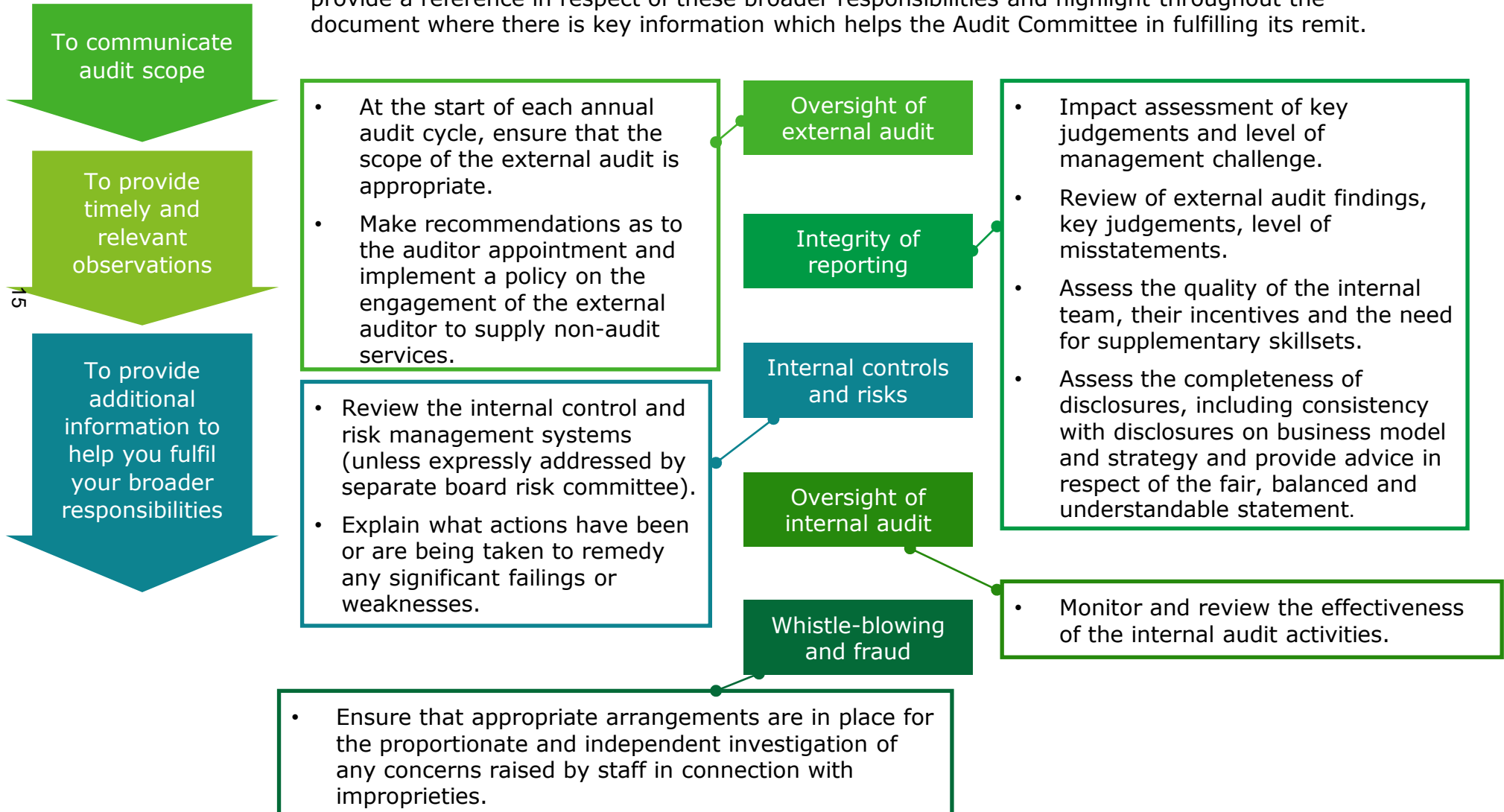
Mohammed Ramzan
Audit lead

Responsibilities of the Audit Committee

Helping you fulfil your responsibilities

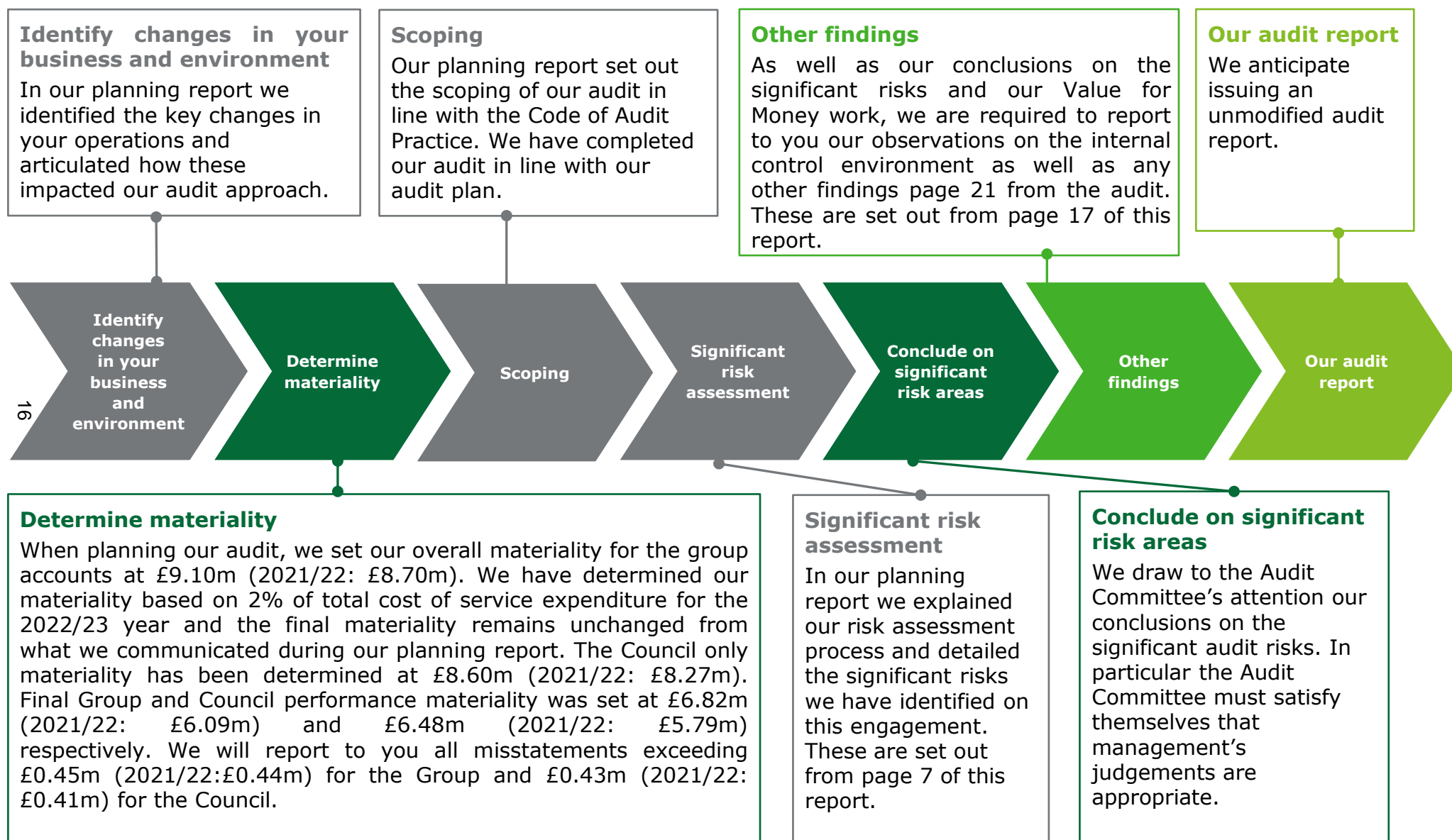
Why do we interact with the Audit Committee?

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 £739m of property assets (land and buildings) at 31 March 2023 (£715m as of 31 March 2022) as per the revised accounts. This movement from the prior year is due to revaluation movements as a result of the revaluation exercise during 2022/23 and 2023/24 (i.e. 1 April 2022 & 1 April 2023), 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 at 1 April 2022 were Schools, Sports Pavilions, Park WCs, Park Messrooms, Day Centres, Marine Activity Centre, Lagoon WCs and at 1 April 2023 were Parks, pier assets, Southend adult community college, Council administrative & cemetery buildings, nursery schools.

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 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 2022/23 to confirm that the remaining asset base is not materially misstated;
 - The property assets valued under the rolling valuation programme on 1 April 2022, have been updated to reflect the fair value as at 31 March 2023 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 revalued 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
-

Significant risks (continued)

Valuation of property assets (continued)

Deloitte response and challenge (continued)

- Upon receipt of the 1st April 2023 valuation, the Council has updated the latest financials to reflect the fair value of properties to the most up to date information. This has resulted in an overall decrease of £2.5m in PPE. We have assessed the basis for this adjustment and considered it within the reasonable range for valuation purposes.
- We have reviewed the presentation of revaluation movements, and the disclosures included in the Statement of Accounts.

Conclusion

We are finalising our work on revaluation. We noted that the Cumberledge Centre value has been understated by £1.4m as at 31/03/2023 due to an incorrect valuation approach applied. Further details on this finding are set out on page 21.

Significant risks (continued)

Revenue expenditure incorrectly capitalised

Risk identified	<p>As part of the Medium-Term Financial Strategy 2022/23 to 2026/27, the Council has a substantial capital programme of £176.9m over the next five years. The capital programme for 2022/23 had an actual spend of £52.1m.</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 the use of revenue compared to capital resources. Given this incentive to capitalise costs that are not capital in nature, we specifically identified 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>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.
-

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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

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.

Other areas of audit focus

Pension 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/gain is a material estimated balance and the Code requires that this liability/asset be disclosed on the Council's Balance Sheet. Per the financial statements at 31 March 2023, the asset totalled £122.5m (2021/22: £92.4m liability). 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.




2

Other areas of audit focus (continued)




Pension 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.)	4.80%	4.65–4.90%	
Salary increase (% p.a.) (over CPI inflation)	3.90%	Council specific, represents real salary increase of 1% above CPI	
Consumer Price Index (CPI) Inflation rate (% p.a.)	2.90%	2.70-2.95%	

Assessment key

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

Conclusion We have nothing to bring to the Audit Committee's attention to date.

Other areas of audit focus (continued)

Porters Place Southend-on-Sea LLP

Risk identified We have noted a long-term debtor balance of £3.775m 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. 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. 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.

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 would be exploring alternative options to progress the scheme.

**Deloitte
Response and
challenge**

We completed the following procedures:

- We inquired of management as to the latest update on the planned business combination and search for a new partner to understand the level of risk within the balances 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.
-

Recent update Following the signing of the settlement agreement by all relevant parties, Swan BQ Limited exited as a member of Porters Place Southend-on-Sea LLP on 28 November 2023; the LLP repaid its loan of £3.775m to the Council on 16 February 2024.

Conclusion We have nothing to bring to the Audit Committee's attention.

Value for money

Our conclusions are reported in our Auditor's Annual Report for 2022/23

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;
- 25 • 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 2022/23.
-

Value for money

Our conclusions are reported in our Auditor's Annual Report for 2022/23 (continued)

Findings of our work

Our Value for Money work is ongoing and will be reported in full in our Auditor's Annual Report at the next Audit Committee meeting. As part of our planning work for Value for Money, areas identified as 'Risks of Significant Weakness in Arrangements' were as follows:

- Financial sustainability – given the reported financial performance for the year, overspends in certain areas and sector wide challenges;
- Governance – Leadership, governance and decision making were identified as areas for focus in the Corporate Peer Challenge in October 2022 and actions are ongoing to address areas of concern; and
- Governance – The ongoing improvement actions to address findings from the last full inspection of Childrens Services in 2019 (which received a 'Requires Improvement' rating from OFSTED) and more recent focused visits.

We are currently finalising our work to conclude on whether any significant weaknesses in arrangements to secure economy, efficiency and effectiveness in the use of resources existed for 2022/23.

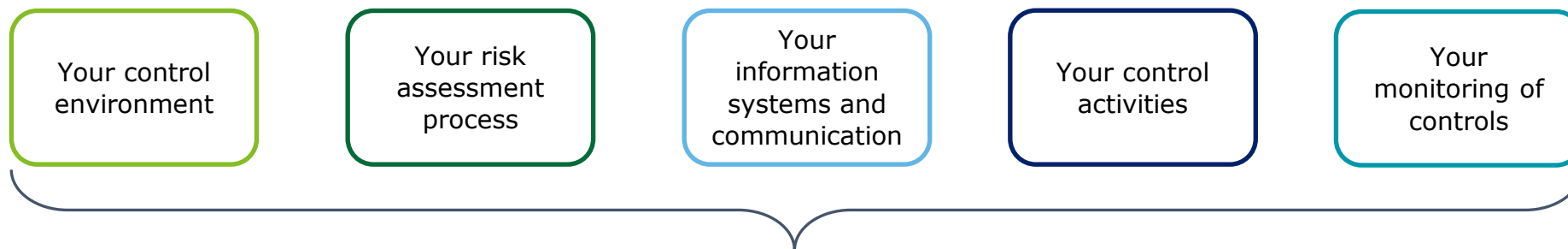
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Any significant weakness identified will also be reported by exception in our financial statement audit opinion.

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.



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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 observations

Area	Observation	Deloitte recommendation	Management response and remediation plan
Capital Grant	During our testing of grants, we noted that the process to identify amounts to be deferred by checking grants received against grant letters was not applied for the 'High Needs Provision' grant resulting in an inappropriate treatment of grant recognition. Per paragraph 2.3.1.2 of CIPFA – grant income should be recognised immediately unless conditions are not met. Corrected adjustment of £1.4m has been included on page 21.	We recommend management to assess grant conditions of each grant and recognise income per the applicable CIPFA guidance.	This has been noted for future years.
Asset – Disposals 28	As part of AUC testing, we noted that some assets were not recorded as disposals during the period relating to asset category of 'Vehicle, Plant, Furniture & Equipment' with total value of £289k.	Currently, the finance manager sends a list of all VPF&E assets to the budget holder at year-end to confirm whether or not an asset is still in use. We recommend management to implement a quarterly process with a completeness check at year end.	This finding has been noted. Error with disposal was an oversight.
Leases	During our testing of leases, we identified an issue where an existing lease was omitted from the lease disclosure calculation.	A lease register reconciliation should be performed against the lease agreement to ensure the completeness and accuracy of disclosures within financial statement.	This finding has been noted.

Your control environment and findings

Control observations (continued)

Area	Observation	Deloitte recommendation	Management response and remediation plan
Bank reconciliation	Year end bank reconciliation data only contains transaction date per the bank statement and does not specify general ledger posting date. As such, it was not clear how transactions were true reconciling items.	The Authority should specify the posting date as per the general ledger to easily identify reconciling items.	The process for producing bank reconciliation working paper has been reviewed and updated in 2023/24.
Preparation of Valuation reports	Our real estate specialist team have identified areas for improvement to enhance reporting on the Councils valuation of assets: - The valuers do not appear to engage in detailed discussions with the Council with regard to Modern Equivalent Asset (MEA) assumptions relating to Specialised Operational properties.	These discussions should be undertaken each year to ensure that the assumed MEA, if different to the existing property, reflect the same service provision as the existing property and are capable of being constructed.	The Council's capital finance team will be part of any future instructions to the valuer regarding Specialised Operation properties. This will include the requirement for discussions with regards to MEA assumptions. This will be put in place from the 2023/24 valuation instructions.

Your control environment and findings

Control observation & areas for management focus – Prior period audit

Area	Observation	Deloitte recommendation	Management response and remediation plan	Status
Infrastructure assets	<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 was 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>It was noted that this will be put in place for future year end closedowns, starting with the 2022/23 financial year.</p>	Implemented
Grant	<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. 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>	<p>We recommended that management maintain a central revenue grant register – both for covid-19 and non-covid grants.</p>	<p>Management has agreed and have prepared a revenue grant register to be maintained centrally going forward.</p>	Implemented

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

Under UK auditing standards (ISA (UK) 260) we are required to provide a summary of unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial' which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As mentioned earlier within the report, details of all adjustments greater than £455k are shown below:

		Debit/(credit) CIES	Debit/(credit) in net assets	Debit/(credit) reserves	Is control deficiency identified
Uncorrected audit differences		£m	£m	£m	
In relation to Cumberledge Centre asset, Valuer discounted the DRC value for 12 years, reducing the value to £0.573m which is considered incorrect and should be £1.956m, an understated asset of £1.383m. (Judgemental error-prior year)	[1]		1.383	(1.383)	No
In Note 2c of the group accounts, we note a difference of £500k on the prior year. On Beecroft Art Trust signed accounts for 2022/23, the income for year ending March 2022 was £981K and as per Southend Council statements comparative, the income for Beecroft Art Trust for year ending March 2022 was £1,481k. This is a prior period error of £500K. This will not have an impact on the current year balance. (Factual error- prior year)			(0.5)	0.5	No
Total			0.883	(0.883)	
Corrected misstatements					
Household support fund grant received from DWP in relation to the period October to December 2022 recorded as receipt in advance resulted in overstatement of creditors. (Factual error)			(Creditor) 0.736		No
			(RIA) (0.736)		
Allocated High Needs Capital grant of £4.770m partially recognised as an income of £3.356m and the remaining balance of £1.414m incorrectly treated as deferred income. (Projected error)		(1.414)	1.414		Yes
A debtor and receipt in advance recognised in relation to amounts due from the sale of two assets. The sale was completed in the subsequent year, therefore receivable and payables overstated by at yearend. (Factual error)			(2.616)	2.616	No
Correction of overstated amortisation charges on software licenses from period of FY13 to FY23. (Judgemental error)	[2]	(0.675)		0.675	Yes
Total		(2.089)	1.414	0.675	

Audit adjustments (continued)

Disclosure misstatements

[1] Assuming that the service potential of the asset is a required function of the Council, it is not appropriate to defer the DRC value for the length of the existing lease as this would suggest that property is not providing a service at a valuation date.

[2] Some of the software licenses when added to the register in FY13 were assigned UEL of 10 years. However, most licenses had a UEL for a period of one year and should have been fully amortised following year of acquisition. Management recalculated what amortisation charges should have been and we concluded amortisation was potentially understated in the years from FY13 to FY20 and overstated from FY21 to FY23. The overall amortisation charges would not change, and the differences were not material individually or cumulatively and therefore a correction made in FY23 for historical differences by charging 100% amortisation against remaining NBV of the assets.

The uncorrected misstatements are not material and do not have a material impact on the accounts

The following disclosure misstatements have been identified and corrected up to the date of this report.

Disclosure misstatements

1. Lease disclosure: One of the lease with an annual amount of £65k p.a. for ending in February 2028 was excluded from Note 33 of financial statements.

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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 nearing completion. We envisage issuing an unmodified audit opinion.



Emphasis of matter and other matter paragraphs

To date, 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 will note that our Value for Money work is completed and will be reported in our Auditor's Annual Report.

We will report any significant weaknesses by exception in our financial statement audit opinion.



Irregularities and fraud

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

In doing so, we will 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>
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.

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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.

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.

Deloitte LLP
Birmingham | 16 April 2024

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 2022 to 31 March 2023 are as follows:

	2022/23	2021/22
	£	£
Financial statement audit [1]	109,968	109,968
Additional fees – previously proposed [2]	54,037	54,037
Additional fee following completion [3]	TBC	65,743
Total audit fees	TBC	229,748

[1] The fee reflected here is the scale fee.

[2] Additional fees proposed (letter 31 July 2020) to reflect increased costs for the Authority's audit, change in scope for Value for Money, Impact of Covid-19.

[3] 2021/22 – Following completion of our audit, additional input has been required in a range of areas including Pension valuation, PPE valuation and Infrastructure work, VFM, Quality preparation challenges, ISA540, Covid-19 impact, increased FRC challenge, litigation & fraud inquiries. 2022/23 – Additional input will be confirmed following completion of the audit.

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 discuss the final position with the Council on completion of the 2022/23 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.



Audit work performed:

In our planning, we identified the risk of fraud in the accounting for revenue expenditure incorrectly capitalised 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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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.

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Title:	The final Annual Governance Statement 2022/23 and adoption of the Statement of Accounts 2022/23
Meeting:	Audit Committee
Date:	24 April 2024
Classification:	Part 1
Key Decision:	No
Report Authors:	Pete Bates, Director of Financial Services, Caroline Fozzard, Senior Finance Lead (Strategy, Sustainability & Governance)
Executive Councillor:	Councillor Cox, Leader and Cabinet Member for Special Educational Needs & Disability

1 Executive Summary

- 1.1 The Annual Governance Statement for 2022/23 was presented to Audit Committee on 19 July 2023 and approved, subject to any further views expressed by External Audit. This report is to recommend the final Annual Governance Statement for 2022/23 (which incorporates only minor changes) to the Leader of the Council and Chief Executive for authorisation and signature.
- 1.2 This report also recommends the adoption of the Statement of Accounts 2022/23.

2 Recommendation

- 2.1 **That the Annual Governance Statement for 2022/23 be recommended to the Leader of the Council and Chief Executive for authorisation and signature, and incorporation in the Statement of Accounts 2022/23.**
- 2.2 **That the Statement of Accounts for 2022/23 be adopted and approved for publication, subject to any final review and amendments required as a result of the remaining external audit matters outstanding.**

3 Background

The Accounts and Audit (Amendment) Regulations 2022

- 3.1 In response to the ongoing disruption in the Local Authority audit market, the Government introduced new regulations for the finalisation and auditing of accounts for all local authorities. These new regulations were designed to provide local authorities with additional time and flexibility to complete the audit of accounts. For 2022/23 the deadline for publication of unaudited accounts reverted to 31 May 2023 and the deadline for publishing audited statements was set to 30 September 2023.
- 3.2 Southend-on-Sea City Council's unaudited Statement of Accounts for 2022/23 were published on 31 May 2023, thereby meeting the publication deadline. This was achieved by the dedication, expertise, and commitment of finance colleagues and with the support and co-operation of many other staff across the Authority.

Audit of the 2022/23 financial statements

- 3.3 This needs to be viewed within the context of the delayed audit of the 2020/21 financial statements, which took longer than anticipated due to a number of factors, including:
- the need for increased detailed testing where figures were very different to the prior year, due to the full year effect of the pandemic.
 - the need for more disclosures in the accounts to explain the impact of COVID-19 on the Council's accounts.
 - the issues with staff resourcing experienced by our external auditors, in line with the audit market as a whole.

The Statement of Accounts for 2020/21 were adopted by Audit Committee on 21 March 2023, subject to any final review and amendments required as a result of the remaining audit matters that were outstanding. Deloitte's final report to the Audit Committee on the 2020/21 audit was accepted by Audit Committee on 26 April 2023. Deloitte signed the Statement of Accounts for 2020/21 on 27 April 2023.

- 3.4 The above delays had a knock-on effect on the audit of the Statement of Accounts for 2021/22. Whilst the 2020/21 audit was drawing to a conclusion, the 2021/22 audit was started, with a substantial amount of work being undertaken in the period from January to March 2023. There was then a pause from April to June 2023 whilst the Council's finance team completed the 2022/23 financial year closedown and the production and publication of the unaudited Statement of Accounts for 2022/23, and the Deloitte team completed their 2022/23 NHS audits. Work on the 2021/22 audit then resumed in July 2023. The Statement of Accounts for 2021/22 were adopted by Audit Committee on 25 October 2023, subject to any final review and amendments required as a result of the remaining audit matters that were outstanding. Deloitte's signed the Statement of Accounts for 2021/22 on 19 December 2023 and their final annual report on the 2021/22 audit was received and accepted by Audit Committee on 10 January 2024.

- 3.5 This will be the third financial year for which the Council's audit has not been concluded by the statutory deadline. This should be put into context of the national picture. In March 2021 the National Audit Office published a report on the timeliness of local auditor reporting on Local Government in England. The report set out that for the 2018/19 financial year only 57% of auditors delivered opinions by the 31 July 2019 deadline and for the 2019/20 financial year only 45% delivered opinions by the extended deadline of 30 November 2020. Our auditors concluded their audit of the 2018/19 accounts by 30 July 2019 and their audit of the 2019/20 accounts by 20 October 2020, thereby meeting the respective statutory deadlines in those two years.
- 3.6 In February 2024 Public Sector Audit Appointments published its latest update on the number of audits outstanding. It showed that, as at 31 December 2023, for the 2022/23 financial year only 10% of Local Government bodies had received audit opinions. Once the Council's 2022/23 Statement of Accounts are adopted, signed and published, we will have caught up with the backlog of unaudited accounts in time for the closedown and publication of the 2023/24 Statement of Accounts and their subsequent audit with our newly appointed external auditors KPMG.
- 3.7 The Council has to comply with the statutory regulations as set by Government and has therefore, in accordance with Regulation 10 of the Accounts and Audit (England) Regulations 2015, it gave notice that the conclusion of the audit of the accounts for 2022/23 had been delayed. The following reason was given:

- The delayed conclusion of the audit of the 2021/22 Statement of Accounts.

Although this was the case at the time of publication of the notice, the audit of the 2021/22 Statement of Accounts has since been concluded.

- 3.8 This Audit Committee meeting is the next key stage in the process of meeting our statutory requirements and for Councillors to be satisfied with the arrangements that have been made and to receive assurance over the accuracy and appropriate reporting of the Authority's financial statements for 2022/23.

Annual Governance Statement (AGS)

- 3.9 The Annual Governance Statement for 2022/23 was presented to Audit Committee on 19 July 2023 and was approved, subject to any further views expressed by External Audit.
- 3.10 Following the external auditors' review, no substantive changes were made, and the final Annual Governance Statement incorporates only minor changes to the wording to reflect the passage of time.
- 3.11 Audit Committee is invited to recommend that the final Annual Governance Statement for the financial year 2022/23 is authorised and signed by the Leader of the Council and the Chief Executive.

Statement of Accounts 2022/23

- 3.12 The Accounts and Audit Regulations 2015 require that an Authority's Annual Statement of Accounts be formally adopted by the end of July, having been previously submitted to External Audit by the Chief Finance Officer by the end of May. These arrangements have been updated for the 2022/23 financial year by the Accounts and Audit (Amendment) Regulations 2022.
- 3.13 Adoption of the Accounts can only be undertaken by the Council as a whole, or a Council Committee to which the function has been delegated. At Southend-on-Sea City Council, the Audit Committee has the delegated power to adopt the Accounts. In adopting the accounts, the Audit Committee need to satisfy themselves that the process of drawing up the accounts is robust, and that all relevant guidance and standards have been satisfactorily followed. It is not the role of Audit Committee to pass comment on the financial outturn of the Authority per se, rather to ensure it is accurately reported.
- 3.14 Before adopting the Statement of Accounts 2022/23, Members need to understand how the structure of the accounts works. Appendix 1 guides Councillors through the various statements and the accompanying notes, drawing attention to any significant variances or changes year on year. This appendix therefore serves as an aid to support and ensure robust scrutiny of the Accounts prior to their adoption.
- 3.15 Councillors will also be mindful of the findings of the Council's external auditors Deloitte LLP regarding the Accounts, as contained within their report elsewhere on this agenda. Councillors will note that the external auditor is anticipating issuing an unqualified opinion on the financial statements, however they still have a few matters outstanding.
- 3.16 The auditors are also required to consider the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office has issued a revised approach to "Value for Money" work which adds a regime of narrative reporting to the auditors' work and leads to a publicly issued Annual Auditor's Report. Deloitte's Value for Money work is reported in their Auditor's Annual Report for 2022/23 which will be presented at the next meeting of Audit Committee. The external auditors have to satisfy themselves that there are no significant value for money concerns before they formally issue their audit opinion on the accounts.
- 3.17 The Statement of Accounts 2022/23 is attached at Appendix 2. After due consideration, Councillors are invited to adopt them, subject to any final review and amendments required as a result of the remaining audit matters outstanding.

4 Next Steps

- 4.1 Following adoption and any final review and amendments required as a result of the remaining audit matters outstanding, the Statement of Accounts for 2022/23, incorporating the Annual Governance Statement and the signed Audit opinion issued by Deloitte LLP will be formally published on the Council's website.

5 Financial Implications

- 5.1 All officers have been required to adopt robust financial management arrangements within their service areas.
- 5.2 The Statement of Accounts is required to present a true and fair view of the Council's financial position as at 31 March 2023 and also the income and expenditure for that financial year.

6 Legal Implications

- 6.1 The Accounts and Audit Regulations 2015:
- Section 6(1)(a) require an authority, each financial year, to conduct a review of the effectiveness of the system of internal control.
 - Section 6(1)(b) requires it to prepare an Annual Governance Statement.
- 6.2 Section 6(2) requires the:
- findings of the review to be considered by a committee or by members of the authority meeting as a whole.
 - annual governance statement to be approved by a committee or by members of the authority meeting as a whole.
- 6.3 Section 6(4) requires that the annual governance statement must be:
- approved in advance of the authority approving the statement of accounts.
 - prepared in accordance with proper practices in relation to accounts.
- 6.4 Proper practice in this sense is defined as guidance issued by the relevant professional body, which for local government is the CIPFA / SOLACE Framework. This requires local authorities to produce a Local Code of Governance and sets out the operational framework that it should adopt.
- 6.5 Therefore, the work undertaken to support and produce the Annual Governance Statement satisfies the requirements of the Accounts and Audit Regulations 2015.
- 6.6 The Statement of Accounts is a statutory document required by the Accounts and Audit Regulations 2015 issued by the Secretary of State. Those regulations require that the audited Statement of Accounts 2022/23 are adopted and published by 31 July 2023. As previously outlined these arrangements have been updated for the 2022/23 financial year by the Accounts and Audit (Amendment) Regulations 2022, to adoption and publication by 30 September 2023.

7 Carbon Impact

- 7.1 None arising from this report.

8 Equalities

- 8.1 There are no equalities implications arising from this report.

9 Consultation

9.1 There are no consultation implications arising from this report.

10 Background Papers

Detailed working papers held by the Finance and Resources Directorate and Strategy and Change Directorate.

11 Appendices

Appendix 1 Overview of the Statutory Statement of Accounts 2022/23

Annex 1 Southend-on-Sea City Council – 2022/23 Group Structure

Appendix 2 Statutory Statement of Accounts 2022/23

Report Authorisation

This report has been approved for publication by:

This report has been approved for publication by:		
	Name:	Date:
S151 Officer	Joe Chesterton	16/04/2024
Monitoring Officer	Susan Zeiss	16/04/2024
Executive Director	Joe Chesterton	16/04/2024
Relevant Cabinet Member	Councillor Cox	16/04/2024

Appendix 1

Overview of the Statutory Statement of Accounts 2022/23

1. Introduction

- 1.1. This overview summarises the contents of the accounts and draws Members' attention to the reasons for any significant variances in the 2022/23 position when compared to 2021/22.
- 1.2. The content and format of the Statement of Accounts have been prepared in accordance with "The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23" ("the Code") published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.3. The style of presentation and content of the Statutory Statement of Accounts are prescribed by the Accounts and Audit Regulations 2015, together with the Code, as are the explanatory notes accompanying each of the major financial statements. There has not been any significant change to reporting requirements under the code as in previous years. There has not been any need to restate the previous year's financial statements, other than to re-present the income and expenditure figures to reflect the changes made to the portfolio structure of the Council between the two years.

Format of the Accounts

2. Narrative Statement (Page 2)

- 2.1. The Narrative Statement provides context and background about Southend-on-Sea as a place and highlights some of the key challenges for the area and the ambition and priorities for the Authority. It summarises information about the Council's achievements and outlines the principal risks, financial challenges and uncertainties that the Authority faces.
- 2.2. The Narrative Statement sets out to provide a brief simple guide to the most significant matters reported in the Accounts. Any significant change impacting on the finances of the Authority or change in accounting requirements would be highlighted here. The purpose of the Narrative Statement is not to comment on the policies of the Authority, rather to provide a factual financial commentary for Southend-on-Sea for 2022/23.
- 2.3. The Narrative Statement shows a summarised revenue outturn position for the Authority, comparing the position against the approved budget set for 2022/23. This summarised information for both the General Fund and Housing Revenue Account has already been considered by Cabinet when they considered the 2022/23 Provisional Resources Outturn report in June 2023.
- 2.4. The Narrative Statement also highlights the key indicators of the financial health of the Authority as at 31 March 2023, which include the levels of capital investment and borrowing, pensions status and the levels of financial reserves.

2.5. The Narrative Statement highlights how the cost of living crisis and inflationary pressures were the latest in a series of critical events, spanning more than a decade, that had all combined to erode the financial resilience and sustainability of local public services. It also sets out the resulting financial challenges facing the Council and the forecast impact of these over the medium term. Overall, the Narrative Statement has been designed to be self-contained and to provide a more 'reader friendly' high-level story to complement and supplement the more detailed financial statements.

3. Statement of Responsibilities (Page 35)

3.1. This sets out the respective responsibilities of the Authority and the Executive Director (Finance and Resources) in relation to the production of the Statement of Accounts. The Council is responsible for making arrangements for the proper administration of its financial affairs, which it does through its Chief Finance Officer. It is also required to manage its affairs to secure economic, efficient and effective use of its resources, to safeguard its assets and to approve the Statement of Accounts.

3.2. The Executive Director (Finance and Resources) is required to produce the Statement of Accounts in accordance with proper practice, and to certify that they present a true and fair view of the financial position of the Council.

3.3. The approval of the Statement of Accounts, as witnessed by the Chair of Audit Committee is also incorporated here.

4. Auditor's Report (Page 37)

4.1. The external auditors will provide an independent opinion as to whether the statement of accounts presents a true and fair view of the financial position of Southend-on-Sea City Council at 31 March 2023 and its income and expenditure for the year then ended. The proposed report is included elsewhere on this agenda.

5. The Accounting Statements

5.1. The main statements are:

- Comprehensive Income and Expenditure Statement – a summary of the resources generated and consumed by the authority in the year in accordance with generally accepted accounting practices, rather than the ultimate amount falling to be met by taxation.
- Movement in Reserves Statement – showing how the authority's usable and unusable reserves have moved during the year, including adjustments made as a result of statutory regulation and mitigations.
- The Balance Sheet; and
- The Cash Flow Statement.

5.2. Each of these core financial statements is discussed in turn below in sections 6 to 9.

6. Comprehensive Income and Expenditure Statement (Page 43)

6.1. This statement is fundamental to the understanding of a local authority's activities, in that it reports the net cost for the year of the functions for which the authority is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers. It brings together expenditure and income relating to all of the Council's activities, including the HRA. It also includes grant income due in support of capital.

6.2. The statement is split into three distinct sections:

- Net Cost of Services which summarises the cost of each of the different services, net of any associated specific grants and income. The service costs have been adjusted so that they reflect the true economic pension cost of current and past service. The cost of services also includes charges for the use of assets through depreciation and impairment. Where capital expenditure takes place that does not deliver a fixed asset, so called 'revenue expenditure funded from capital under statute', then this too, alongside any associated grant income, gets charged here. Services are presented in portfolio groupings, making the statement more recognisable for Members and the public. The portfolios are those relating to 2022/23.
- The second section contains items of income and expenditure that relate to the authority as a whole rather than to an individual service. Amongst other things, this section contains further accounting adjustments for pensions, this time to reflect the performance of the fund, precepts paid to Leigh Town Council, and the payment of levies to any relevant levying bodies. It also includes the interest payable and receivable by the Council and the principal sources of financing, that is government grants (including capital grants) and precepts. When added to the net cost of services, this section results in the surplus or deficit on provision of services.
- The final section shows other income and expenditure arising from essentially balance sheet activities, thereby resulting in the Total Comprehensive Income and Expenditure for the year.

6.3. For this authority the 2022/23 Comprehensive Income and Expenditure Statement results in a surplus of £216.951M. A surplus or deficit is disclosed before any appropriations to and from reserves, including statutory mitigations. This compares with a surplus of £123.709M in 2021/22.

6.4. The net deficit on the provision of services increased by £18.8M, this includes many movements from 2021/22 to 2022/23 within the individual lines above that total. These included increases in the net expenditure chargeable to the General Fund for Adult Social Care and Health Integration of £3.7M and Children and Learning of £3.9M. There was also an increase of £12.1M in the financing and investment income and expenditure due to the movement in the fair value of pooled investments, with a net increase in 2021/22 of £4.8M followed by a net decrease in 2022/23 of £7.3M.

6.5. The Other Comprehensive Income and Expenditure figure increased by £112.1M. Principal reasons for this year on year movement relate to changes in asset values and actuarial assumptions on the value of the pension fund. These movements are set out in note 9 to the accounts, and include:

- an increase of £6M in the movement in asset values as a result of the rolling revaluation programme. The gains/losses in asset values can vary widely depending on the prevailing market conditions and the assets being valued each year as part of the rolling programme.
- an decrease of £23M in the indexation adjustments which result from the market review undertaken by the external valuers at each year-end to ensure the carrying amount of relevant assets is not materially different from their current value.
- a increase of £131M in the impact of notional pension adjustments in relation to changing actuarial views around demographic change and financial assumptions.

6.6. It is relevant for Councillors to remember that all of the notional movements are reversed out within the Movement in Reserves Statement, and that the actual position the Council ended the year with was a balanced outturn with no draw on general reserves.

7. The Movement in Reserves Statement (Page 44)

7.1. This statement shows in summarised form how the Council's usable and unusable reserves have moved during the year, through any surplus or deficit on the provision of services and other income and expenditure, and by other adjustments driven by regulations, such as the reversal of depreciation.

7.2. The statement therefore shows the "bottom line" increases or decreases in the Council's usable reserves, as summarised below.

	Increase / (Decrease) £000	Closing Balance £000
General Fund	-	11,000
Housing Revenue Account	-	3,502
Earmarked Reserves, <i>of which</i>	(16,988)	114,606
<i>General Fund</i>	(19,431)	65,356
<i>HRA</i>	(323)	34,516
<i>Schools</i>	2,766	14,734
Capital Receipts	3,351	18,005
Major Repairs (HRA)	1,521	9,916
Capital Grants Unapplied	9,032	40,270
Total Usable Reserves	(3,084)	197,299

7.3. The Movement in Reserves statement is supported by notes 19 and 20 to the accounts.

8. Balance Sheet (Page 48)

8.1. The Balance Sheet sets out the financial position of the Authority as at 31 March 2023. The statement shows the balances and reserves at the Authority's disposal, its long-term indebtedness, and the long-term and net current assets employed. The significant movements on the balance sheet are described below.

8.2. **Property, Plant & Equipment (excluding infrastructure assets).** The value at which Property, Plant & Equipment (excluding infrastructure) assets are carried in the balance sheet has increased by a net £13.4M. The movement has been made up as follows:

	£000
Balance as at 1 April 2022	759,029
Capital Investment in year	25,701
Increases in Valuation*	23,848
Decreases in Valuation*	(14,616)
Depreciation in year	(18,193)
Disposals*	(3,279)
Transfers to/from other asset categories	(106)
Balance as at 31 March 2023	772,384

* See the Unusable Reserves paragraph

The increases in valuation were as a result of upwards revaluations identified as part of the rolling revaluation programme and an indexation increase applied to the council dwellings and other land and buildings to reflect the increase in value between the valuation date and the balance sheet date. The decreases in valuation were as a result of downwards revaluations identified as part of the rolling revaluation programme, a review carried out at the balance sheet date, and as a result of the regular review of the fixed asset register. The movements mainly related to Council Dwellings and Other Land and Buildings.

8.3. **Infrastructure assets.** The value at which Infrastructure assets are carried in the balance sheet has increased by a net £8.7M. The movement has been made up as follows:

	£000
Balance as at 1 April 2022	128,780
Capital Investment in year	14,607
Depreciation in year	(5,862)
Transfers from Property, Plant & Equipment	181
Impairments*	(220)
Balance as at 31 March 2023	137,486

* See the Unusable Reserves paragraph

- 8.4. **Short Term Investments.** Short term investments have decreased year on year by £32.9M. This was mainly due to £27.7M of capital expenditure being financed by internal borrowing.
- 8.5. **Cash and cash equivalents.** There has been an overall decrease of £9M in cash and cash equivalents. A contributing factor is the use of reserves to balance the overspent position in 2022/23.
- 8.6. **Short Term Creditors.** Short term creditors have decreased year on year by £36.8M mainly due to decreased receipts in advance from Government relating to COVID-19 related grants and payments to be made under their Council Tax Rebate scheme to support households with their rising energy bills.
- 8.7. **Other Long Term Assets - Pensions.** There has been a £215M increase in the Council's pension asset/liability, which is the amount by which the assets available exceed future liabilities to pay pensions. A firm of actuaries uses its expertise to apply appropriate assumptions and judgements in the estimation of the net pension liability. This has moved from a pension liability of £92M in the 2021/22 accounts to a pension asset of £123M in the 2022/23 accounts.
- 8.8. The net increase is attributable to the small decrease in scheme asset values being more than compensated by a decrease in the present value of scheme liabilities, as set out below:

	£000
Liability as at 1 April 2022	92,431
Decrease in Assets	127
Decrease in Liabilities	(215,089)
Liability as at 31 March 2023	(122,531)

- 8.9. The decrease in liabilities arises principally from a change in the financial assumptions used by the actuary. Note 37 to the accounts sets out full details of the movement in the pension scheme.
- 8.10. **Usable Reserves.** The movement in usable reserves is set out under paragraph 7.2 above.
- 8.11. **Unusable Reserves.** These comprise the following reserves:

	Increase / (Decrease) £000	Closing Balance £000
Revaluation Reserve	14,455	330,942
Financial Instrument Revaluation Reserve	(7,335)	(3,725)
Pensions Reserve	214,962	122,531
Capital Adjustment Account	(8,224)	204,862
Deferred Capital Receipts	759	5,584
Collection Fund Adjustment Account	6,354	4,930
Short-term Accumulating Compensated Absences Reserve	(936)	(3,577)
Total Unusable Reserves	220,035	661,547

- 8.12. The Revaluation Reserve increased by a net amount of £14M as a result of the amounts identified for revaluation by the rolling programme or other sources and by an exercise to apply an indexation uplift to the council dwellings and other land and buildings, which were permitted by the accounting code to be applied to the reserve. This was offset by amounts written out of the reserve relating to disposals of non-current assets.
- 8.13. The Financial Instrument Revaluation Reserve decreased by £7M. In line with the capital finance and accounting regulations this reserve has been used to capture all the changes in the unit value of the externally managed funds. These were included in paragraph 6.4 as part of the movements in the Comprehensive Income and Expenditure Statement but due to this reserve these do not impact the revenue account to be met by taxation.
- 8.14. The Pension Reserve movement is the contra entries for the movement in the Pensions Liability set out in paragraph 8.7 above.
- 8.15. The Capital Adjustment Account has decreased by a net of £8M due to a combination of the following: charges for depreciation and revaluation gains and losses and impairment losses on non-current assets; disposals of non-current assets and the capital financing applied in the year.

9. Cash Flow Statement (Page 49)

- 9.1. This Statement summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes. The statement shows that there has been a net cash outflow of £9M.

10. Notes to the Accounts (Page 50)

- 10.1. The notes provide additional information and explanation behind the main statements, to aid understanding of presented figures.
- 10.2. The notes start by setting out the Accounting Policies. The Council's accounting policies set out the technical methodologies for accounting for a wide variety of issues within its accounts. The notes are then grouped together as they support their respective primary statement.
- 10.3. There is a series of notes (notes 6 - 8) in support of the Comprehensive Income and Expenditure Statement that explains the transition from the "normal" view of the Council's accounts as set out in our budgeting format, to the statutory format required in our year end accounts. Essentially it shows how statutory adjustments relating mainly to pensions, assets and capital are overlaid to produce the statutory accounts. This set of notes also provides a complete subjective breakdown of the income and expenditure account, and a detailed breakdown of the level of fees, charges and other income generated by each Portfolio, that is not reported elsewhere in the accounts.

11. Housing Revenue Account and Notes (Page 132)

11.1. The Housing Revenue Account is a record of revenue expenditure and income relating to the Council's own housing stock (the Landlord Function). Although strictly part of the overall General Fund, the HRA has a tight ring-fence around it that allows no general discretion to transfer sums into or out of the HRA. Expenditure and income relating to other housing functions, such as support to registered social landlords, rent rebates and homelessness, are chargeable to the General Fund.

11.2. Like the General Fund, the format of the HRA creates an Income and Expenditure Account, and a reconciling Statement of Movement on the HRA Balance. The movement on the Housing Revenue Account Balance for 2022/23 was as follows:

	£000
Balance as at 1 April 2022	3,502
Surplus / (Deficit) for year	nil
Balance as at 31 March 2023	3,502

11.3. Despite the nil change in the HRA revenue balance, the HRA actually generated a surplus after statutory adjustments of £3.7M. Rather than increase the main revenue reserve, this has been set aside into HRA earmarked reserves, principally to fund future capital investment.

12. Collection Fund (Page 139)

12.1. This account reflects the statutory requirement for billing authorities such as Southend-on-Sea City Council to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to business rates and the Council Tax and illustrates the way in which these have been distributed to preceptors and the General Fund.

12.2. A surplus of £13.1M was generated on the Fund during the year, after the distribution of prior year surpluses of £2.5M. This means there is now an accumulated surplus at the year-end of £4.5M, which comprises an accumulated surplus for Council Tax of £7.7M and an accumulated deficit for Business Rates of £3.2M. Southend's proportion of the net accumulated surplus is £4.9M.

12.3. The Council Tax surplus will be distributed in future years between the three principal precepting authorities, including Southend-on-Sea City Council. The Business Rates deficit was as a result of the Government's policy to provide financial support to businesses as part of the fiscal response to the impact of the COVID-19 pandemic. The national policy response reduced the value of business rate income available to be collected at a local level. This had the direct impact of reducing the value of income collectable and created a deficit on the Business Rates part of the Collection Fund. The effect of this has been reducing, impacting to a lesser extent in 2021/22 and to an even lesser extent in 2022/23. The deficit is allocated across the Council, the Fire Authority and

also Central Government. To compensate the Council an equivalent value of Section 31 grant was received from Government via the General Fund.

13. Group Accounts (Page 146)

- 13.1. The group accounts that merge the accounts of Southend City Council, its wholly owned companies South Essex Homes Ltd and Southend Care Ltd and its eight Trust Funds, follow the same format as the council's own statements.
- 13.2. South Essex Homes made a trading deficit of £0.051M on a turnover of £15.2M, increasing to a deficit of £0.628M once statutory pension adjustments are taken into account. Southend Care made a trading deficit of £0.521M on a turnover of £10.1M, increasing to a deficit of £0.936M once statutory pension adjustments are taken into account. Both companies have financial guarantees from the Council to underwrite these losses to enable them to continue to be regarded as going concerns.
- 13.3. The other companies and trusts that the Council has control over are immaterial to the overall group and have therefore not been consolidated.
- 13.4. A full list of owned companies, joint ventures and trusts are shown in Annex 1 to this Appendix.

14. Members Allowances (Page 166)

- 14.1. A schedule of allowances paid to Members and Co-opted Members is included in compliance with the requirement to publish these annually.

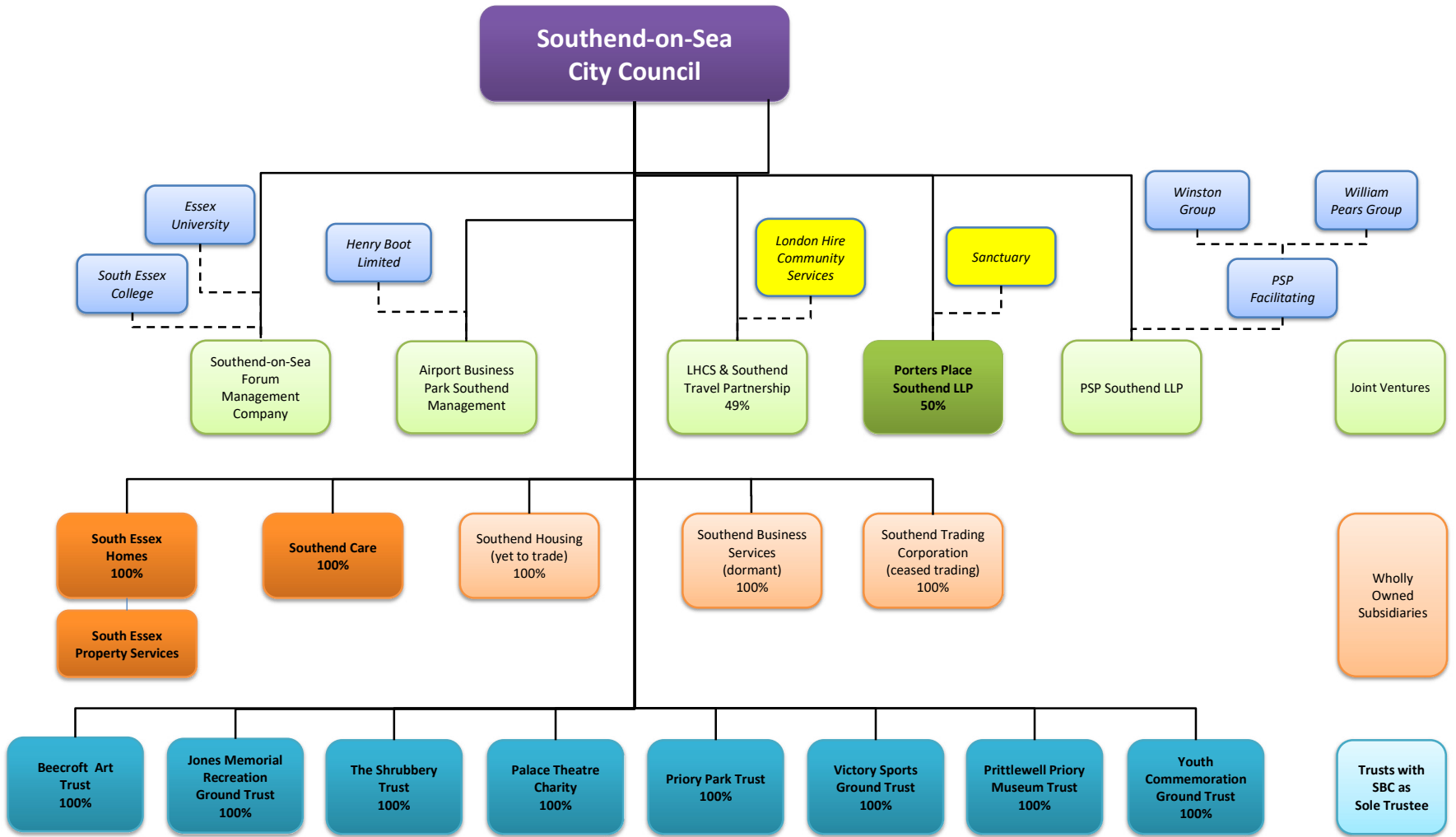
15. Annual Governance Statement (Page 177)

- 15.1. The Annual Governance Statement is a corporate document, signed by the Chief Executive and the Leader of the Council. It is separately considered by this Committee elsewhere on this agenda and is incorporated into the Statement of Accounts prior to publication.

Annex 1 Southend-on-Sea City Council – 2022/23 Group Structure

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Southend-on-Sea City Council



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Statement of Accounts 2022/23



SOUTHEND-ON-SEA CITY COUNCIL STATEMENT OF ACCOUNTS 2022/23

MAYOR

Councillor Stephen Habermel

LEADER OF THE COUNCIL

Councillor Tony Cox

CHIEF EXECUTIVE AND TOWN CLERK

Colin Ansell

EXECUTIVE DIRECTOR – FINANCE AND RESOURCES

Joe Chesterton

Southend-on-Sea City Council
Finance and Resources
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INTRODUCTION TO THE 2022/23 ACCOUNTS

Narrative Statement

Welcome to the Narrative Statement for the Statement of Accounts for Southend-on-Sea City Council for the financial year 2022/23.

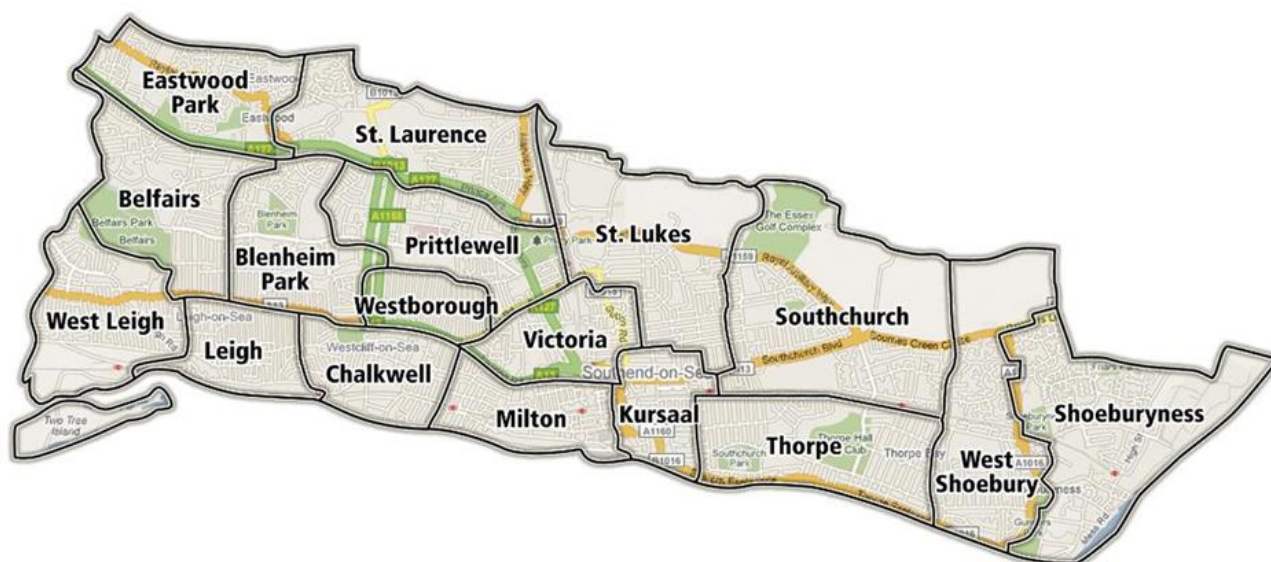
The accounts provide a true and fair view of the financial performance of the Council in the delivery of services to the residents of Southend-on-Sea. They also summarise the overall financial position of the Council for the year ended 31 March 2023. The accounts and accompanying documents are subject to an external independent audit by Deloitte LLP and their opinion forms part of this document.

Background

Southend-on-Sea officially celebrated gaining full City status on the 1 March 2022, a key landmark event in the history of the area and the Council. In accordance with normal practice the Council's 2022/23 budget was formally approved in February 2022 and at this time no-one could have predicted the scale of economic challenges, national and international circumstances that have dominated headlines right across the world throughout the financial year.

Southend-on-Sea City Council is one of six unitary authorities in the East of England, responsible for the delivery of a range of key public services to a current population of around 181,000 residents in over 80,000 households and geographically covers an area of 16 square miles. On Census Day, 21 March 2021, Southend-on-Sea was the third most densely populated of the East of England's 45 local authority areas, with 4,336 people per square kilometre (around 31 people living on each football pitch-sized area of land).

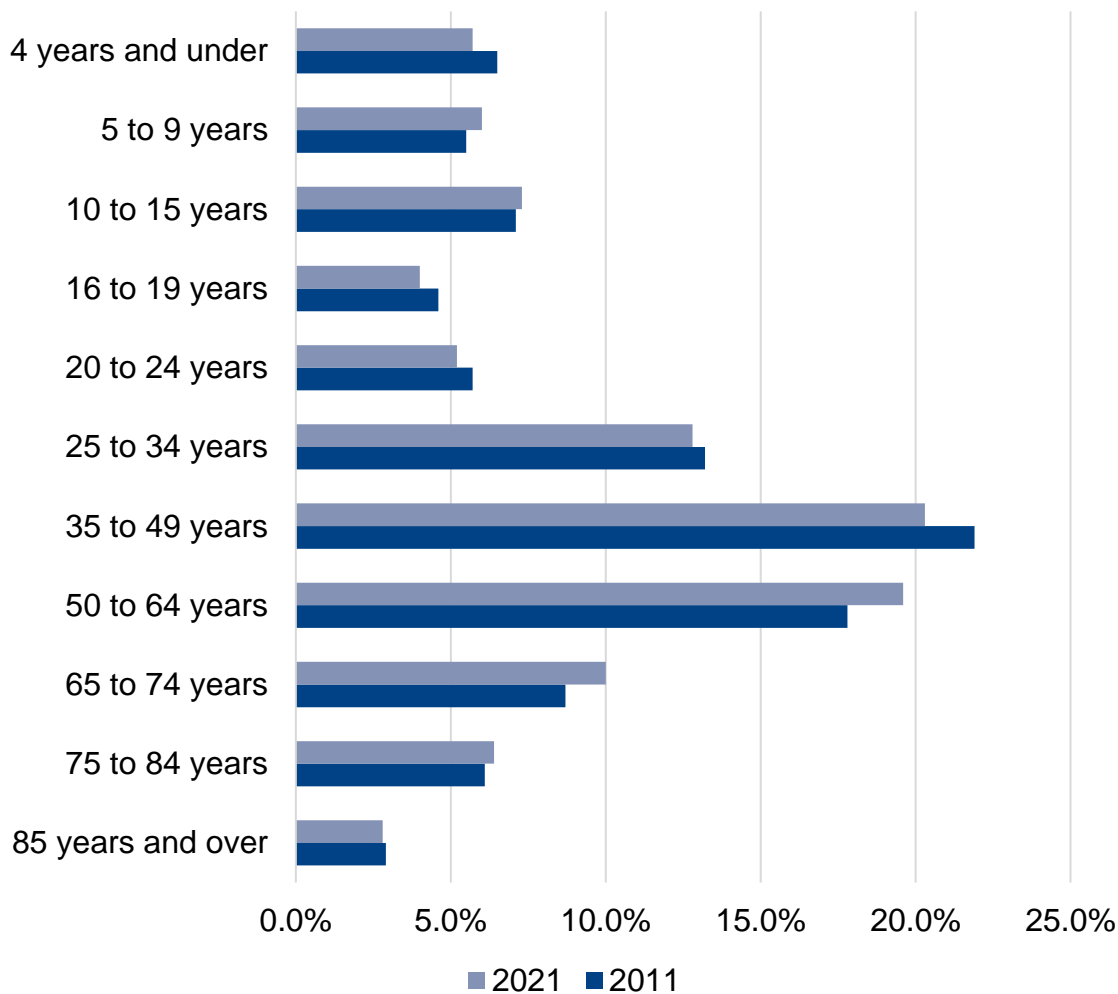
The Council's financial turnover for 2022/23 is circa £436m (£438m in 2021/22) and our resources are well-managed through our budgetary and financial monitoring framework. The graphic below represents the geographical area that is served by Southend-on-Sea City Council. The place is made up of mainly residential areas but also some industrial, commercial, retail land and property, and 529.9 hectares of protected greenspace.



The Census 2021 results showed that from 2011 to 2021 there had been an increase of 12.0% in people aged 65 years and over, an increase of 1.6% in people aged 15 to 64 years and an increase of 4.2% in children aged under 15 years.

The Southend-on-Sea population chart (*Figure 1*) shows the population range in different age groups. On Census Day the age structure of Southend-on-Sea's population was as follows: 19.2% aged 65 years and over; 61.9% aged 15 to 64 years; and 18.9% aged under 15 years.

Figure 1 Percentage of usual residents by age group, Southend-on-Sea



According to the Index of Multiple Deprivation 2019, nearly two fifths (39%) of our residents live in areas considered to be in the most deprived 30% in England. This is particularly high in the East Central Locality, which covers the wards of St. Luke's, Victoria, Milton and Kursaal and includes the City Centre. Nine neighbourhoods (out of 107) in Southend-on-Sea fall into the 10% most deprived in the country.

There is a significant health inequality between our wards, with a life expectancy gap of 9 years for males and 10 years for females between the most deprived and least deprived wards. A large proportion of children and working aged residents live in these most deprived areas, particularly compared to our residents who are aged 65 and over. In 2022/23, 20.5% of Southend's residents were economically inactive (19.5% in 2021/22).

Southend-on-Sea is located on the Thames Estuary, within close proximity to Central London. It is bordered by Rochford (to the North) and Castle Point (to the West). We are known as a resort destination, and are home to the world's longest leisure pier, built in 1830 that stretches for 1.34 miles into the Thames Estuary. This attraction alone regularly receives over 300,000 visitors a year, with the area usually welcoming around 7.5 million visitors every year, making Southend-on-Sea a popular seaside destination of choice.

Southend-on-Sea City Council is a multifunctional and complex organisation, its policies are directed by the Political Leadership and implemented by officers of the Council.

Political Structure

Southend-on-Sea has 17 wards, and the Council consists of 51 elected members. There is one Parish Council within the area, Leigh-on-Sea Town Council. This is governed by 16 elected members across eight wards. Their mission is to protect and promote the heritage and identity of Leigh-on-Sea to preserve the Town for current residents and to provide a legacy for future generations.

Leigh-on-Sea Town Council delivers services to meet additional specific local needs, such as managing the community centre, running a volunteer programme, organising local events, administering local allotment sites, and acting as statutory consultee on planning, highways and licensing issues.

Southend-on Sea City Council is responsible for the delivery of major city-wide services such as education, adult and children's social care, waste collection, maintenance of the roads and pavements, looking after the parks, providing street lighting, public health, and many other services.

The political make-up of Southend-on-Sea City Council as at 31 March 2023 is summarised in Table 1.

Table 1 Southend-on-Sea City Council's political make-up on 31 March 2023

Political Party	Number of Councillors
Conservative	21
Labour	15
Liberal Democrat	5
Independent	4
Unaligned Independent	3
Residents First	2
Vacancy	1
Total	51

The Council has been led by a joint political administration since May 2019. The coalition was made up of Councillors from the following political parties; Labour, Independents and Liberal Democrats.

The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The requirements of the Act are such that the Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Executive Functions.

The Cabinet is the part of the Council which is responsible for the decisions made within the constitution approved by Full Council. The Cabinet was made up of the Leader, Deputy Leader and 5 other councillors as at 31 March 2023.

As a result of the local elections held on 4 May 2023, the composition of local councillors has changed (Table 2) and at an Extraordinary Council meeting on 18 May 2023 control of the Council transitioned to a minority administration led by the Conservative party.

Table 2 Southend-on-Sea City Council's political make-up since 4 May 2023

Political Party	Number of Councillors
Conservative	22
Labour	17
Liberal Democrat	4
Independent	3
Non-aligned	2
Residents First	2
Green Party	1
Total	51

The administration for 2023/24 is now led by a Conservative minority and the composition of Councillors has altered since the election on 4 May 2023 with one Councillor moving from Labour to Non-Aligned and another moving from Non-Aligned to Residents First as at 31 May 2023.

Management Structure

Supporting the work of all elected Members are the Council's most senior level officers and as at 31 March 2023, this team comprised of the following officers shown in Table 3.

Table 3 Southend-on-Sea City Council's Senior Officers on 31 March 2023

Position	Name	Notes
Chief Executive and Town Clerk	Rob Polkinghorne	1
Executive Director (Finance and Resources)	Joe Chesterton	
Executive Director (Growth and Housing)	Alan Richards (Interim)	2
Executive Director (Adults and Communities)	Mark Harvey	3
Executive Director (Children and Public Health)	Michael Marks	
Executive Director (Neighbourhoods and Environment)	John Burr (Interim)	4
Executive Director (Strategy, Change and Governance)	Stephen Meah-Sims (Interim)	5

Note 1 - Rob Polkinghorne was appointed as our new Chief Executive with effect from 25 October 2022. Following a change of the political leadership of the Council, Rob Polkinghorne agreed to step down and Rob Tinlin was appointed as interim Chief Executive from 25 July 2023 to 4 February 2024. Colin Ansell was appointed as Chief Executive from 5 February 2024.

Note 2 – Alan Richards was the Interim Executive Director (Growth and Housing) from 26 July 2021. Following the departure of John Burr as Interim Executive Director (Neighbourhoods and Environment) on 22 June 2023, Alan Richards also took on responsibility for those areas from that date. Alan Richards became the permanent Executive Director (Environment and Place) on 4 September 2023

Note 3 – Mark Harvey was appointed 6 March 2023. Tandra Forster left the Authority on 29 August 2022. Terry Dafter was appointed as the Interim Executive Director between those 2 postholders.

Note 4 – John Burr was the Interim Executive Director as Anna Eastgate left the Authority on 17 July 2022. Please see Note 2.

Note 5 – Stephen Meah-Sims had been the Interim Executive Director since 6 September 2021 and left the Authority on 7 July 2023. Clare Shuter joined the Authority on 18 September 2023 as the new Executive Director (Strategy and Change).

Unprecedented Financial Challenges Continue

The current cost of living crisis is the latest in a series of critical events, spanning more than a decade, including austerity (following the financial markets crash), Brexit, a global pandemic, the war in Ukraine, energy prices doubling and in some case tripling in cost, inflation peaking at the highest level for decades during 2022/23 have all combined to erode the financial resilience and sustainability of local public services. These warnings and concerns contributed to an independent national analysis undertaken by Grant Thornton that suggested that as many as 1 in 6 local authorities could run out of money as early as 2023/24, without substantial additional funding and/or significant budget reductions.

Local authorities will continue to have to make some very tough choices and embrace and implement significant further changes to their local service offer including digitalisation to capitalise on the efficiencies this affords. Looked at collectively, there is an unprecedented amount of pressure to deliver service change whilst also managing major affordability and sustainability concerns. The sector has never witnessed so many s114 notices (effectively a declaration that a local authority is no longer a going concern) being issued or being considered.

Southend-on-Sea City Council, along with most local authorities across the country, continues to face significant challenges in providing essential services to meet the needs of residents within the level of resources it has at its disposal. This has been exacerbated by the continuing challenging operating environment and increasing and more complex local service demand. As reported throughout 2022/23 the Council faced the perfect storm of huge increases in service demand post the pandemic combined with unavoidable and rapid increases in operating costs across almost every aspect of its Organisation. This had a huge impact on the Council's approved financial plans for 2022/23 and the general economic climate created serious cost of living challenges for some of our local residents.

The most challenging area of concern and level of overspending in 2022/23 has been the cost of externally purchased Children in Care placements. This has been a pressure faced by the Council for several years, but it got significantly worse in 2022/23 and will continue into 2023/24. It is a challenge that is replicated across most upper tier local authorities throughout the country. Residential Care placements are in short supply, and this has pushed up prices significantly for all local authorities in 2022/23. This is of most concern where a child has complex needs and or challenging behaviour.

The Council over the last four years, has also experienced an increasing trend of more externally purchased foster care placements and less in-house foster care arrangements. The Council continues to try to respond positively to these challenges, which are not only financial but also more importantly in trying to deliver better outcomes and life chances for every child. This ambition seeks to provide care, safety and support for them within a local family environment including providing advice and access to local networks. During 2022/23 the Council has successfully developed and now implemented a revised remuneration offer for in-house foster carers based on a framework of a child's needs. It is hoped that this new offer will attract more inhouse foster carers (over the next 3 years), placing less reliance on external foster care placements and in some cases where appropriate and safe to do so reduce the requirements for external Residential Care.

Despite these unprecedented challenges and reporting a final level of overspending for 2022/23 that was higher than at any time since it became a Unitary Authority on 1 April 1998, the Council remains in a relatively financially resilient position. Throughout the financial year the Council also responded proactively to continue to support local communities and our most vulnerable residents, minimising the impact of the cost-of-living crisis wherever it could.

The Council Tax Energy Rebate Scheme resulted in a payment of £150 to every household across the City in Council Tax Bands A – D. This equated to £10.3M which was fully reimbursed by the Government. Other Government support initiatives included an additional £2.8M for the Household Support Fund, which was administered locally based on evidence of need.

The challenges that will be faced in 2023/24 will be even more significant due to the combination of major increases in core service demand and the impact of inflationary cost pressures that continue to be experienced right across the Council.

LGA Peer Review Findings 2022

In October 2022, the Local Government Association and peers visited the council to conduct a Corporate Peer Challenge. This provided an opportunity for an improvement lead review of the key challenges faced by the council, including five standard core components, including governance, priority setting, and financial planning. Peers spent four days at the Civic Centre, during which they gathered information from 51 meetings, spoke to more than 160 people, including councillors, council officers and external stakeholders, and observed four council meetings (two in person and two on-line).

The peers found that the council was very self-aware, has huge potential and that there are many positive attributes and assets both within the council and city, including the strong community ethos, ambitious regeneration projects and sound financial management. However, peers found that the approach to leadership, governance and decision making is impacting the council's capacity to progress. Nine recommendations were made. They are as follows:

- completing the review of the Council's Constitution,
- develop more effective councillor and officer working relationships,
- consider changing the election cycle,
- reengage partners,
- align priorities to resources and capacity,
- better communicate difficult decisions,
- modernise operating systems,
- develop a plan to tackle spatial inequalities and disparities across the city,
- continue to engage in regional activity, such as Association of South Essex Local Authorities.

Cabinet accepted the peer's findings and recommendations and in response worked with the Senior Leadership Group to develop an Action Plan. Progress against the Action Plan is being monitored by the Corporate Leadership Team and a cross party councillor working party. In line with their standard procedure, peers returned to the council on 7 December 2023 to review progress against the Action Plan and provide ongoing support for improvement.

The LGA's report acknowledges good progress across all the recommendations with particular emphasis on building a more engaging leadership style through strengthened communications and engagement alongside greater cross-party workings. The report outlines the financial environment and the work undertaken to address budget gaps. A strong and consistent message arising from the progress review is the need to maintain focus on the delivery of the required savings and medium-term financial resilience. The peers further highlighted the importance of transformation in achieving this.

Southend-on-Sea City Council's New Corporate Plan and 2050 Ambition

Building on the engagement and consultation exercise undertaken with residents and key local stakeholders during 2022, the Council's new corporate plan has also heavily influenced the investment priorities for 2023/24 – 2027/28. Our corporate plan provides the context and narrative for our City and the role that the Council will play in that. It reflects the period of organisational change and our operating models for the future – including officer and member development. The corporate plan's four overarching themes provide a framework to support prioritisation:

- a city that is strong and prosperous
- a city with a good quality of life
- a city rising to the climate change challenge
- a city delivering genuinely affordable housing

These corporate priorities will continue to be enabled by us changing as an organisation. The key areas in the Council where we will focus change are:

Delivering the right quality services

- increasing understanding of the overall goals of customers
- alignment of a common customer-centric vision
- designing services from the point where a customer begins to try to achieve a goal, right through to the point when the goal has been completed and the best possible outcome achieved.

How we work

- developing working practices that maintain employee engagement and enable people to maximise their performance. This includes:
 - developing our hybrid working approach
 - making sure people working from home do not suffer from increased levels of loneliness and mental distress.

Digital as an enabler

- making the council a more accessible and inclusive place to work
- working flexibly when needed to meet challenges and **opportunities**.
- collaborating and co-designing with residents, communities and partners to identify behavioural drivers, and barriers, and make the best use of **resources**.
- ensuring services are joined up and always accessible.

To help to achieve these commitments a new transformational blueprint and corporate organisational re-design programme will be developed and implemented in phases starting in 2023/24.

Southend 2050 will remain the overriding ambition and provides the opportunity for the Council to continue strengthening partnership working across the City and wider region. Dedicated work and engagement will continue with a focus on driving this ambition as a new City.

To reflect these aspirations and to support delivery of the early phases of activities to achieve better outcomes for Southend's residents, the Council for 2023/24 is continuing to try and develop a longer-term view of the use of its resources and financial planning arrangements. Our commitment remains to focus on supporting the local economy and our most vulnerable local residents to recover from the pandemic and to help them to cope where we reasonably can with the current cost of living crisis.

Our approach enhances the profiling of investment and supports effective prioritisation of activities. It will also enable improved consideration of major regeneration plans that span more than one financial year from both a revenue and capital perspective. These new set of arrangements were introduced in 2020/21 and became the key driver behind integrating both revenue and capital investment plans into a single report with greater emphasis on the medium term.

Local Government still faces huge challenges in terms of uncertainty over future funding levels and continuing increases in demand and local expectations – Southend-on-Sea is no exception, but the Council is determined to do everything it can to plan effectively for the future and invest in priorities that make a real positive difference to Southend's residents, businesses, and visitors. The years 2020/21 and 2021/22 were dominated by the impact of the pandemic, 2022/23 has been dominated by inflationary pressures and a cost-of-living crisis so 2023/24 is now clearly an important year in our journey towards becoming a more outcome focussed organisation where our resources are prioritised accordingly.

The intention has been to target scarce resources to the agreed priorities within the Council's new corporate plan within the context of the overall Southend 2050 ambition, provide support for our most vulnerable residents, respond positively to the impact of the cost-of-living crisis on our local economy and communities, manage the impact of inflation as carefully as possible whilst coping with unprecedented levels of local demand pressures across social care. It is a very difficult combination of challenges to navigate and respond too, whilst also ensuring that the Council lives within its means and remains a financially sustainable organisation.

The Council remains committed to using an Asset Based Community Development (ABCD) methodology to promoting the sustainable development of our communities in the medium term. This will continue to build on how the council works with residents and stakeholders, and revise the Council's approach to leadership, management of assets, funding streams, commissioning, and workforce development.

This approach will include more shared posts, shared commissioning and the co-location of services and staff, along with the development of our locality approach. It will promote a more fluid and creative way for citizens to share their ideas on priorities and solutions, while also valuing and strengthening the more formal consultation processes. The Council believes that this is even more important post COVID-19 to re-imagine the relationships and contacts with communities.

To further enhance our approach to partnerships, community engagement and citizen empowerment, the Council continues to invest in a community builders' scheme on a test and learn basis. Community builders will be embedded into the heart of the local community and will have preventative conversations with neighbourhoods about what matters to them as well as helping people to build and connect using their personal strengths and with natural support through local assets and relationships. Community builders will be an enabler to support early, preventative action BY citizens to help to deliver on our Southend 2050 outcomes.

Financial and Performance Overview 2022/23

The General Fund Revenue Account for 2022/23 had a net expenditure budget of £140.3M. Revenue spending covers the day to day running costs of the Council's services, such as schools, social services, and leisure. This spending is financed by government grants, council tax, retained business rates and other income such as fees and charges. The Council agreed a council tax requirement, including Leigh-on-Sea Town Council precept, of £91.9M for 2022/23 (£88.1M for 2021/22).

Despite the huge challenges in 2022/23, it was still a year of successes and creativity across our 400+ services with a variety and complexity unlike any other organisation locally. Not every resident will use every service, but the work of the Council is vital to the wellbeing and way of life of residents right across the City. Some of our key achievements against our four overarching objectives in 2022/23 are summarised below.

A city that is strong and prosperous

We have:

- opened Launchpad, an innovative business hub and workplace at the Airport Business Park,
- welcomed new investment into the area which included:
 - approximately £1m from the Community Infrastructure Levy for infrastructure projects,
 - over £396,000 from the government's UK Shared Prosperity Fund to support volunteering, social action and business sectors,
 - almost £1million from the government's Multiply programme to provide free number confidence courses,
- adopted the City Centre Strategy and Investment Plan
- brought more greenery into the High Street through parklets and planters,
- some of the best access to broadband in the UK,
- organised city status events, Jubilee street parties and the Halloween parade. Our Southend City Jam and LuminoCity festivals attracting over 318,000 visitors to the City,
- invested in our Southend Pier. In 2022/23, Southend Pier had a record year for visitor numbers and two new electric trains coming into operation,
- worked with partners to support residents affected by the cost of living which included,
 - set up cost-of-living web pages and advice booklet,
 - donated 236 slow cookers and 280 electric blankets for the most vulnerable in the City,
 - secured £10,000 of funding for a cut-price food van to give vulnerable families the chance to buy food at budget rates,
- managed the Council Tax Rebate Scheme locally, processing support for rising energy bills to approximately 70,000 households,
- delivered £2.8m of the government's Household Support Fund to thousands of vulnerable residents,
- signed up to the Armed Forces Covenant and Defence Employer Recognition Scheme,

- retained Purple Flag accreditation for Southend-on-Sea's night-time economy.

A city with a good quality of life.

We have:

- worked with early year providers and partners to improve school readiness of children under four,
- supported schools across the City to make sure there are sufficient school places offering good quality and choice to local parents and carers. In September 2023:
 - 99% of pre-schoolers will start school at one of their top three choices,
 - 98% of year six children will be starting secondary school at one of their top three choices,
- increased GP engagement with Everyone Health, resulting in more people in the most deprived wards taking up health checks,
- commissioned smoking cessation, weight management and falls prevention services, as well as the Making Every Contact Count approach to improving people's health and wellbeing,
- developed strategies to improve outcomes in women's health care and early cancer diagnosis,
- used the national Core20PLUS5 approach to reduce healthcare inequalities, increasing lung health, mental health and learning disability checks in priority target groups,
- developed the Southend Enhanced Discharge Service pilot, a therapy-led assessment at home for residents discharged from hospital.

A city rising to the climate change challenge.

We have:

- opened the city's first ever Climate Hub and launched the Southend Climate Action website, to engage people in climate change activity,
- contracted SUEZ recycling and recovery UK to manage residual and bulky waste and divert it away from landfill. The new five-year waste disposal contract will bring savings of around £470,000 and reduce our waste carbon footprint by over 90%,
- enhanced our natural and built environment which included,
- tree planting along London Road to tackle heat-stress as part of the EU Cool Towns project,
- the creation of a business model designed to quantify the benefits of green infrastructure during the EU Nature Smart Cities project,
- winning the Love Parks Award at the Keep Britain Tidy's local authority Network Awards 2023,
- opening a new play area on Whitegate Road in January 2023, funded by the Community Infrastructure Levy,

- Priory Park voted as an East of England Local Favourite in the Fields in Trust UK's Favourite Parks 2022 awards,
- five of Southend-on-Sea's beaches awarded Blue Flags,
- volunteer planting at Thorpe Bay beach and sand dune restoration at East Beach to help combat climate change,

A city delivering genuinely affordable housing.

We have:

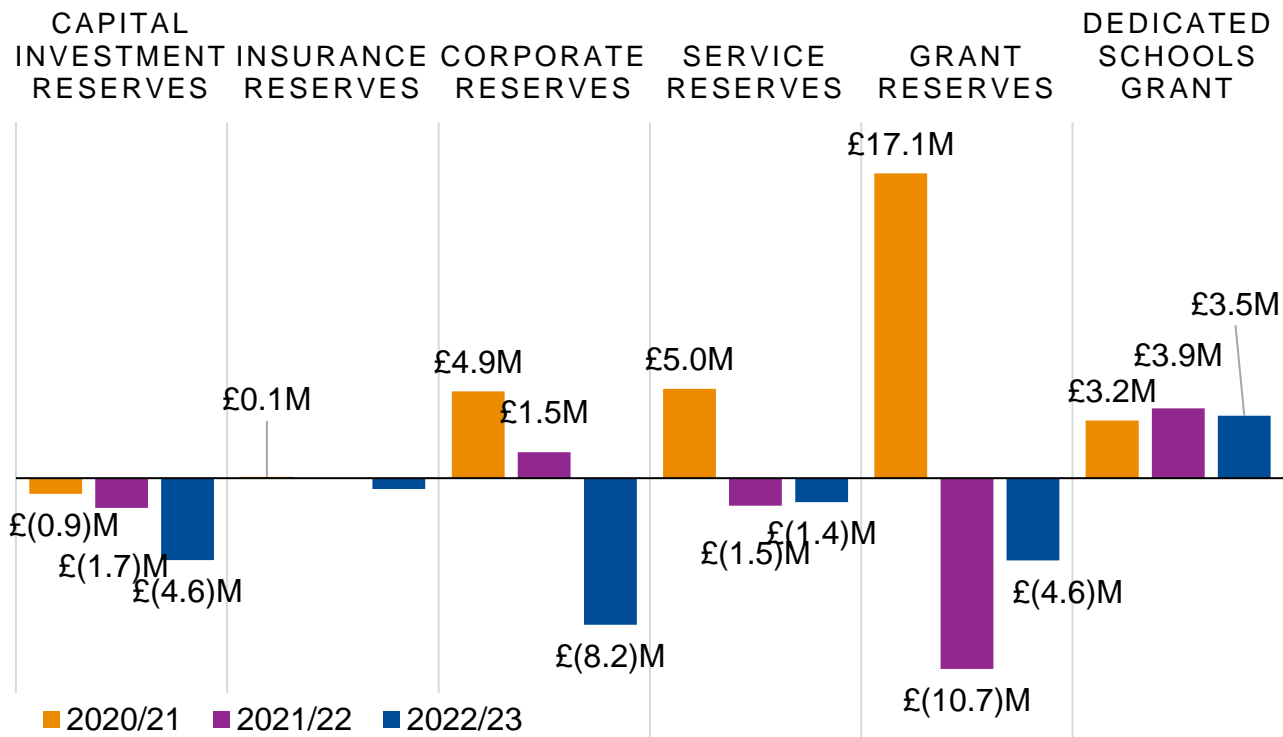
- secured funding to address local housing need, including £4.2m from the South Essex Local Enterprise Partnership and £15m from the Housing Infrastructure Fund, and planning permission for Passive House pilot sites,
- secured delivery of over 200 affordable housing units and approximately £300,000 for the provision of further affordable housing,
- assisted with the resettlement of Ukrainian and Afghan families,
- made sure there is a high standard of energy efficient and net zero homes across the city through a number of projects:
- used funding from the Local Government Association (LGA) Housing Advisors Programme to work with architects and the business Parity Projects to gain a better understanding of sustainability objectives for council owned stock and new builds,
- completing the retrofit and new build Housing Sustainability projects, funded through the LGA's Housing Advisors Programme,
- implementing a Social Housing Decarbonisation Fund scheme to make our housing stock carbon net zero and retrofitting homes to boost their energy efficiency,
- successfully bidding for £1.15m of government funding to improve the energy efficiency of council housing,
- implemented the Selective Licensing Scheme in designated areas of the city to improve the quality of private rented properties, issuing over 3,000 licences in the first year of the scheme,
- continued to develop a new Local Plan for Southend-on-Sea.

2022/23 has again been an incredibly challenging and unpredictable year due to rising inflation, increasing interest rates and pent-up demand for social care and other services. In Southend-on-Sea, the scale of the local financial impact on both expenditure and income expectations has led to major variations from our original approved plans for 2022/23 and the actual profile of spending was different to what we would expect to see in a normal year.

Given the size and complexity of the Council's operations and the volatility caused by the operating environment and unavoidable increases in the costs of service delivery there have been several variations from the original approved plans across individual service areas. As part of the year-end arrangements, consideration has also been given to the need to review the level of provisions for insurance, future transformation priorities, specific service risk considerations, bad and doubtful debts and other demand challenges caused locally by the 'cost of living' crisis.

The impact on the Council's reserves caused by the volatility that the pandemic and then the exceptionally high inflation levels and service demand challenges in 2022/23 is illustrated in the following diagram (Figure 2). This compares the contributions to/from earmarked reserves which took place at year end in 2022/23 with 2021/22 and 2020/21.

Figure 2 Year End Contributions to / (from) reserves



The overall net impact on the General Fund Revenue Budget for 2022/23 of all the actual income and expenditure variations within services, review of provisions and earmarked reserves, together with additional Government Support resulted in an overall net overspend of £6.835M (£0.347M underspend for 2021/22). This has been financed by utilising a combination of earmarked reserves that were previously set aside for specific service risks, particularly for statutory social care pressures.

The Housing Revenue Account (HRA) reported an overall in-year deficit in 2022/23 of £0.323M (£0.187M surplus for 2021/22). In February 2022 it was forecast that HRA resources would be used to support an ambitious acquisitions and new build programme (£8.309M) to create more affordable homes for the 2022/23 financial year. This was planned to be financed from a forecast in-year surplus of £2.976M and a draw down from reserves of £5.333M. Given prevailing economic and market conditions and the resulting supply chain issues and challenging housing market, it has not been possible to deliver the acquisitions or construction programmes to the level that was planned.

Experience from the pandemic and concerns around the impact of the cost of living crisis on income collection levels and potential difficulties for tenants paying their rent and service charges due to changing circumstances. This continued to be mitigated by proactive working with tenants by South Essex Homes. The ambition to deliver more affordable homes is planned to be accelerated in 2023/24 and to provide further investment into the overall Council's housing stock to continue to create better conditions and environments for local tenants.

The level of earmarked reserves held by Southend City Council (including maintained schools) as at 31 March 2023 is £114.606M (£131.594M at 31 March 2022) (see note 20 in the Statement of Accounts 2022/23).

Revenue Outturn 2022/23

The final revenue outturn position for 2022/23 on a net expenditure basis is set out in Table 4. The analysis of the actual costs reflects the way the Council's finances are managed, as opposed to the statutory required analysis used in the Statement of Accounts itself.

The analysis in Table 4 does not include any of the following income and expenditure items: pension adjustments, MRP adjustments, recharges, capital charges, Revenue Expenditure Funded from Capital under Statute (REFCUS) and revaluation gains. These numbers can be identified in the statement of accounts.

The table illustrates the volatility and financial impact against the approved budget for 2022/23 for the General Fund and highlights the scale of spending variations, caused by increases in service demand and inflationary pressures. A reduction of £4.295M in the planned level of revenue contributions to capital expenditure, primarily due to a lower number of properties acquired and constructed to provide more affordable homes within the HRA. The extra £1.297M received for non-service specific grants relates to the extra Government support received for resettlement programmes relating to Afghanistan and Ukraine and New Burdens funding from Government. Careful consideration has also been given to ensure that the Council prepares appropriately for the ongoing impact of global events, local economic recovery aspirations and continuing levels of high inflation in 2023/24 and the future.

Table 4 Revenue Outturn 2022/23

	2022/23 Budget £000s	2022/23 Actual £000s	2022/23 Variance £000s
Portfolios			
<i>Leader: Corporate Matters and Performance Delivery</i>	24,550	21,359	(444)
<i>Deputy Leader (May-Oct): Environment, Culture and Tourism</i>	11,470	13,007	1,537
<i>Deputy Leader (Nov-May): Public Protection</i>	14,680	16,129	1,449
<i>Adult Social Care and Health Integration</i>	46,403	45,860	(543)
<i>Asset Management and Inward Investment</i>	3,885	4,722	837
<i>Children and Learning and Inclusion</i>	32,836	36,621	3,785
<i>Economic Recovery, Regeneration and Housing</i>	2,848	1,023	(1,825)
<i>Highways, Transport and Parking</i>	2,358	4,129	1,771
<i>Housing Revenue Account</i>	(11,801)	(12,607)	(806)
<i>Corporate Budgets</i>	14,582	13,221	(1,361)
Net Controllable Cost of Portfolios	141,811	146,211	4,400
<i>Levies</i>	680	735	55
<i>Leigh Town Council Precept</i>	453	453	0
<i>Financing Costs, Interest, etc.</i>	20,022	17,437	(2,585)
Net Operating Expenditure	162,966	164,836	1,870
<i>Revenue Contribution to Capital</i>	8,727	4,432	(4,295)
<i>Non Service Specific Grants</i>	(12,692)	(13,989)	(1,297)
<i>Contribution to / (from) Earmarked Reserves</i>	(21,007)	(13,628)	4,632
Total to be Funded from Council Tax and Formula Grant	137,994	138,904	910
<i>Funded from</i>			
<i>Revenue Support Grant</i>	(6,244)	(6,244)	0
<i>Retained Business Rates</i>	(35,453)	(36,363)	(910)
<i>Collection Fund Surplus and Reserves</i>	(1,500)	(1,500)	0
<i>Planned Contributions from Reserves</i>	(2,500)	(2,500)	0
<i>Council Tax (Southend-on-Sea Borough Council and Leigh Town Council)</i>	(92,297)	(92,297)	0
Total Funding	(137,994)	(138,904)	(910)
Contribution (to) / from General Reserve	0	0	0

Table 5 reconciles the analysis of the Comprehensive Income and Expenditure Statement in the Statement of Accounts 2022/23 to the outturn summary in Table 4.

Table 5 Reconciliation of Gross Expenditure to Transfer to General Fund

	2022/23 £000s
Gross Expenditure on Services	473,326
Gross Income on Services	(436,047)
Net Cost of Services	37,279
<i>Adjustments between accounting basis and funding basis under regulation</i>	(21,042)
<i>Transfers from Earmarked Reserves and HRA</i>	(16,237)*
Contribution to / (from) General Reserve	0

* This figure excludes the movement in schools balances of £0.751M.

The “Transfer (to) / from the General Reserve” of nil is common throughout, regardless of the format of the information.

The Council has spent £478.760M to deliver services funded by £478.760M of income in 2022/23. The following charts show how the money was funded in 2022/23 and how it was spent.

Figure 3 Revenue Income (Funding Sources) 2022/23

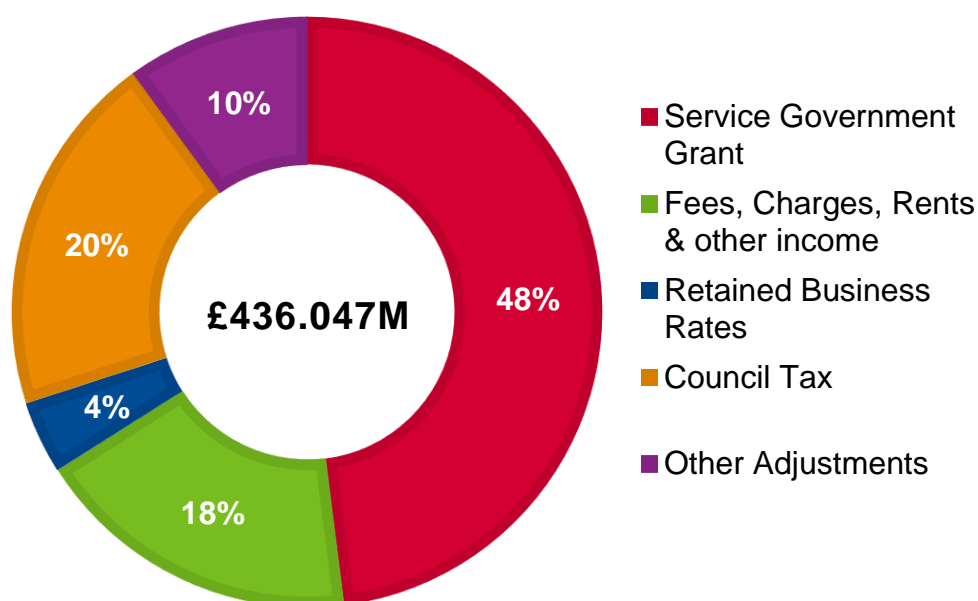


Figure 3 sets out how gross expenditure is funded. The largest source of income is government grants (see Note 18 in the Statement of Accounts 2022/23 for a full analysis). It remains the largest element due to the continuation of the national subsidy arrangements for local eligible benefit claimants, increased one-off Government grants issued in 2022/23 to provide support to the energy price increases and funding for local schools from the Dedicated Schools Grant. For the majority of Council services direct support from Government Grant continues to reduce in real terms each year and represents a smaller proportion of the total cost of provision. Whilst not direct income received in year, other adjustments include the appropriate application of earmarked reserves and reversal under statutory regulations for accounting charges that are put through the income and expenditure statement.

Figure 4 Gross Revenue Expenditure Objective (Service Area) 2022/23

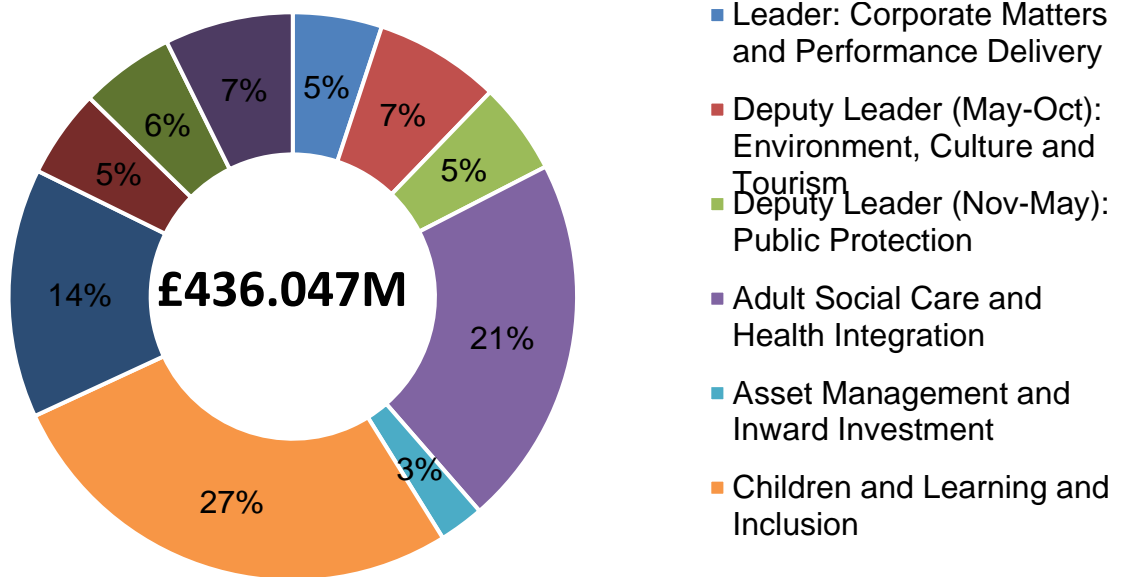


Figure 4 sets out how gross expenditure is split across the various portfolios of services the Council operates under. As part of the funding source commentary highlighted for Figure 3 the Corporate Matters and Performance Delivery includes the £53M cost of housing benefit payments made. Children & Learning includes the passing onwards of dedicated schools' grants and other payments to the Council's maintained schools. Non portfolio services include interest payable, levies and payments to the Government Housing Capital Receipts Pool.

Figure 5 Gross Revenue Expenditure Subjective (By Type) 2022/23

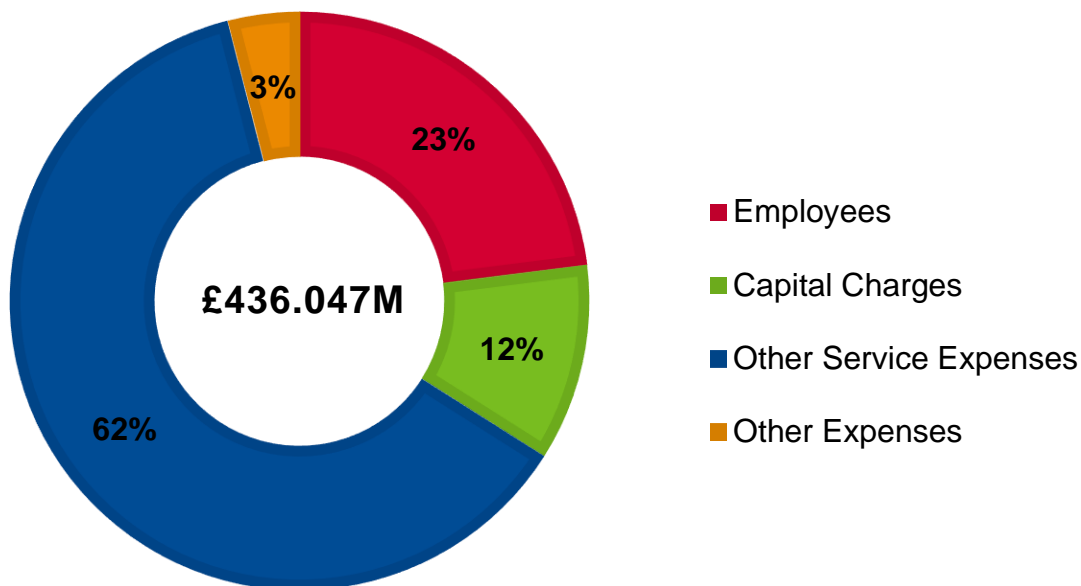


Figure 5 sets out how gross expenditure is split by type. Other service expenses cover the running costs of services excluding employees, and therefore includes the cost of suppliers and contractors, together with monies paid out to schools and benefit claimants. Other expenses cover several accounting charges put through the income and expenditure statement, only to be reversed under statutory regulations.

Economy, Efficiency and Effectiveness

The Council is continually striving to improve all aspects of the organisation in terms of value for money. Its goal is to also improve the wellbeing and productivity of all staff by investing in technology, encouraging innovation, creativity, and modern ways of working via the WorkSmart

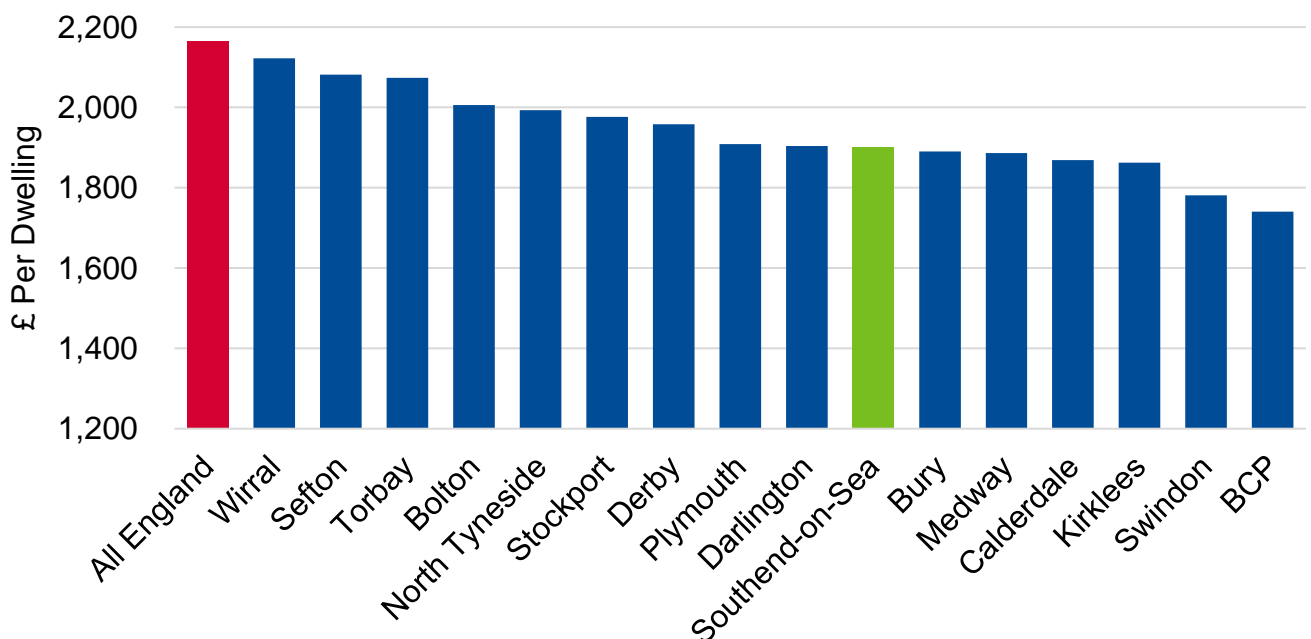
initiative and feedback from the extensive consultation undertaken with staff around our Future Ways of Working (FWOW) in response to the pandemic and increasing demand challenges.

Our ‘Getting to Know Your Business’ programme for service managers continued to be embedded in 2022/23 and will be essential in assessing the new operating environment, financial challenges and value for money of service delivery arrangements. The ambition remains that all service managers in Southend-on-Sea City Council will have a comprehensive understanding of their business areas in terms of their benchmarked operational and financial performance, key demand and cost drivers, income levels, commercial opportunities, value for money and customer insight. This programme is designed to support managers to improve productivity and efficiency in all our business areas ensuring that we secure best value but also to support a more targeted outcomes-based approach to investment.

A programme of major transformation service redesign is also under development to help meet the evolving needs of residents, improve their customer experience, whilst also enabling them to be more independent and local communities more self-sufficient and sustainable. This will help to target scarce resources where they are needed most.

To inform and highlight the Council’s relative success in delivering the full range of unitary authority services locally with less resources Figure 6 illustrates where the Council ranks based on the spending power per dwelling against our nearest statistical neighbour’s comparator group. For spending power per dwelling the Council now ranks 10th out of 16 authorities within our group which means that it has less comparable resources available to meet the relative needs of residents, when compared with similar local authorities.

Figure 6 Core Spending Power per Dwelling (£) 2022/23



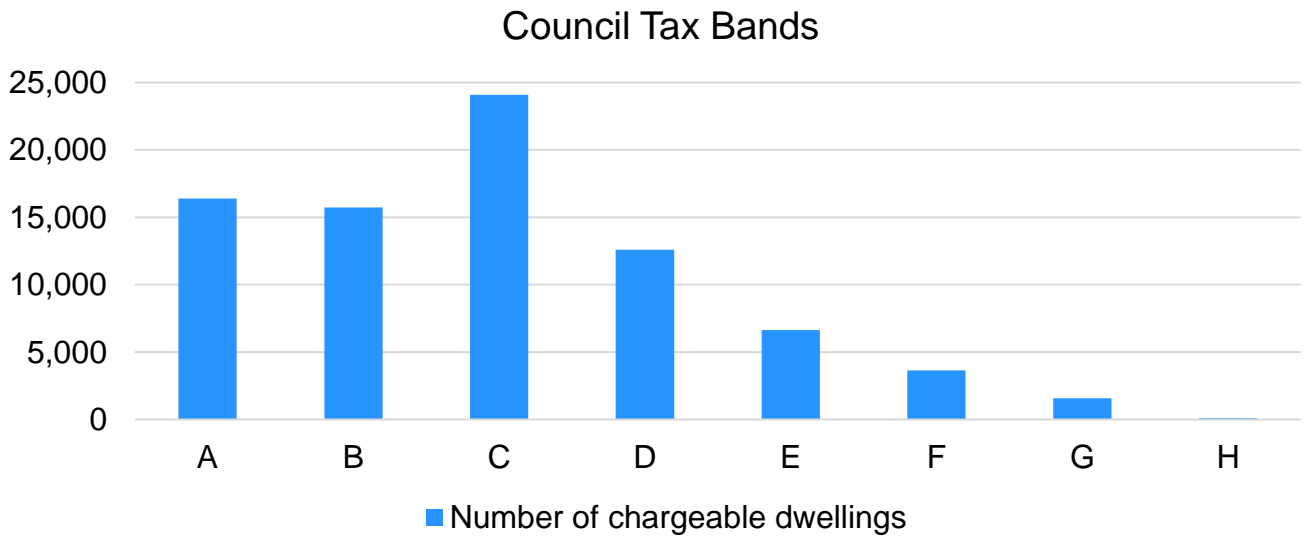
Source: DLUHC

Core Spending Power measures the core revenue funding available for local authority services, including Council Tax and locally retained business rates.

The Council also suffers from a relatively weak domestic dwelling tax base as illustrated in Figure 7. This shows that around 70% of all domestic dwellings are in Bands A - C and therefore these households pay below the Band D average, which is the national comparator for Council Tax charges. This local situation is then further compounded due to almost 35% of all chargeable domestic dwellings currently receiving a 25% discount due to single person

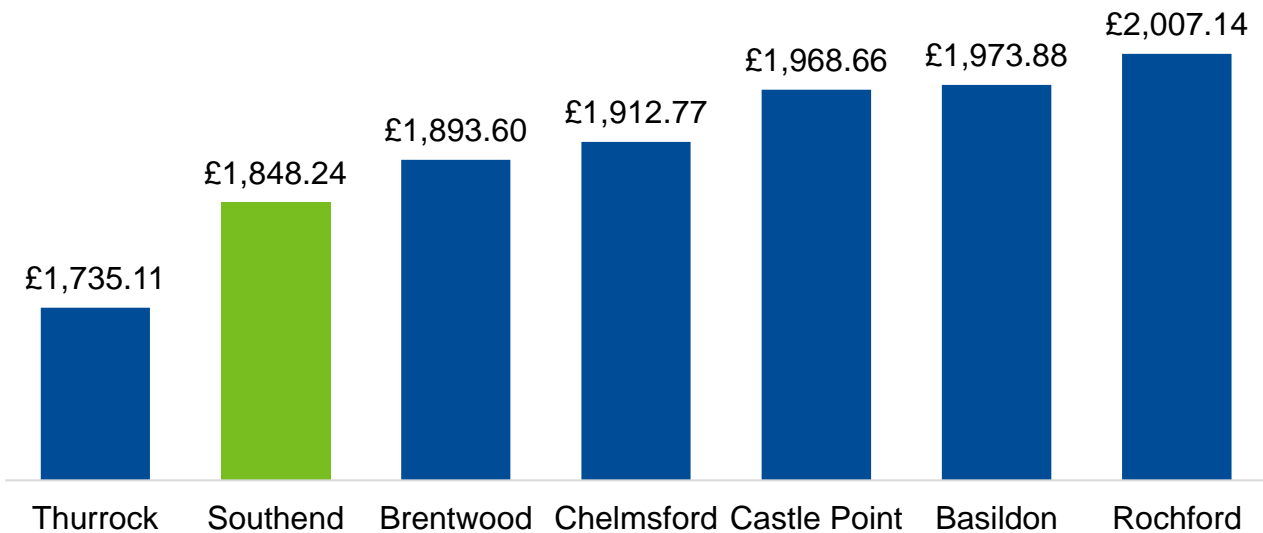
occupancy and a further 3% of dwellings currently entitled to between 50% to 100% exemption/discount from Council Tax liability.

Figure 7 Properties per Council Tax Band in Southend on Sea 2022/23



Historically when the Council first became a Unitary Authority it took local decisions to try to minimise the financial burden on the local council taxpayer for Southend-on-Sea as far as possible. Figure 8 illustrates the level of council tax (Band D equivalent) charged by Local Authorities from our nearest geographical neighbours in Essex for 2022/23. This is an important factor when considering Southend-on-Sea’s commitment to providing value for money services that meet the needs of residents.

Figure 8 Council Tax Comparison - Band D 2022/23



Capital Expenditure

As well as delivering vital day to day services for residents, businesses and visitors, the Council continues to be at the heart of investment in the local area, improving assets to deliver services more efficiently and effectively and creating the right conditions to attract additional private sector investment.

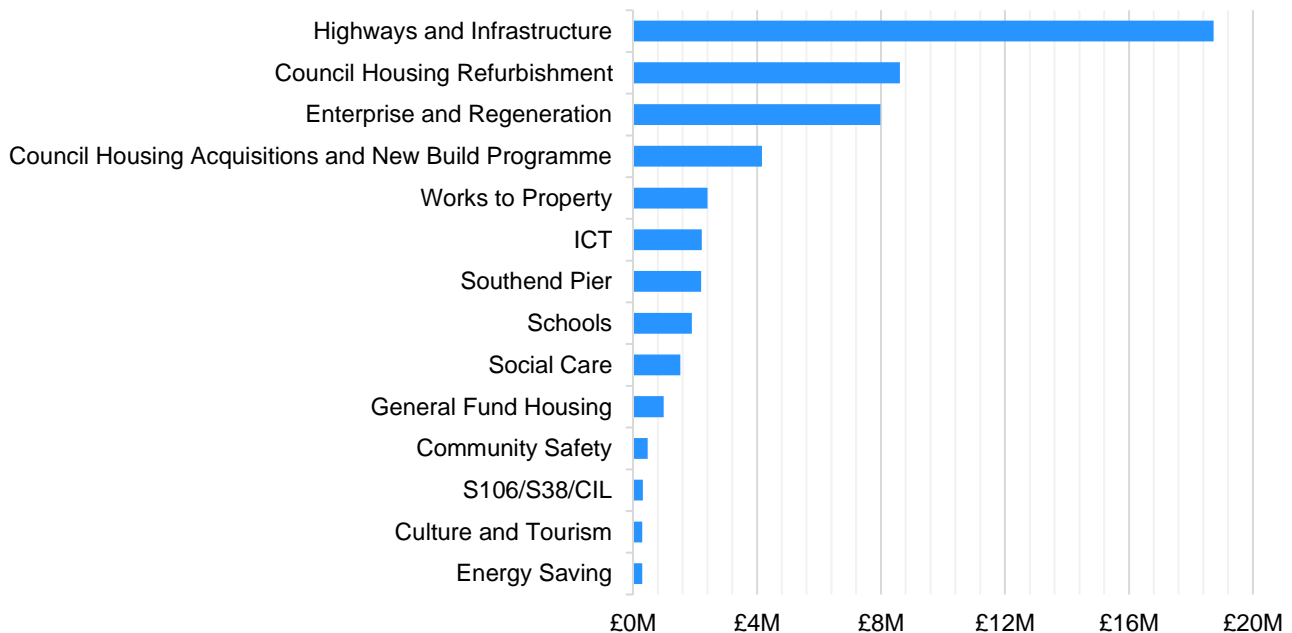
Capital spending can generally be defined as that which generates assets that have a life of more than one year. This includes the acquisition or construction of new assets and expenditure that improves, and not merely maintains, the value of existing assets.

In 2022/23 the Council invested £52.1m (£69.5m in 2021/22) into capital schemes to continue to improve Southend as a place, including the development of the Airport Business Park, improvements to the city's highways and footpath network, investment in the Pier, the refurbishment, acquisition and construction of council housing and investment to develop and enhance the Council's IT systems.

Capital Investment 2022/23

A summary of the investment programme is shown in the following chart:

Figure 9 Capital Investment Programme 2022/23



In Figure 9, S106 agreements are planning obligations under Section 106 of the Town and Country Planning Act. S38 agreements are highways obligations under Section 38 of the Highways Act 1980. CIL refers to the Community Infrastructure Levy charged on new developments which is used to fund infrastructure.

The strategic capital projects that the Council has undertaken this year are summarised in Table 6.

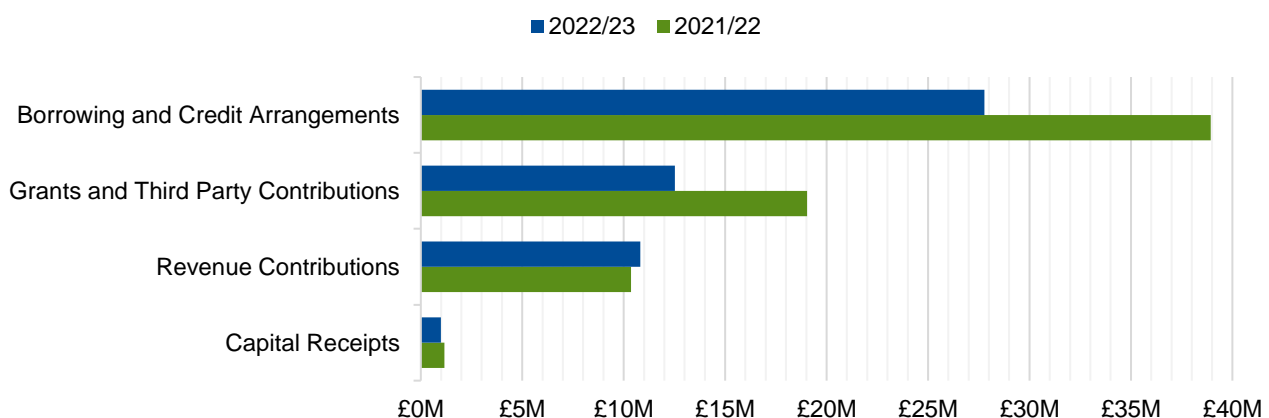
Table 6 Summary of Strategic Capital Projects in 2022/23

Capital Project	2022/23 £000s
Footways and Carriageways	11,059
Housing Revenue Account – Council Housing Refurbishment	8,611
Airport Business Park	4,254
Highways and Infrastructure – Local Growth Fund and Local Transport Plan	3,637
Housing Revenue Account – Housing Acquisitions Programme	3,586
ICT Schemes	2,213
Southend Pier Schemes	2,197
Better Queensway	1,352
Levelling Up Fund Schemes	1,245
Parking Schemes	1,238
Victoria Centre	753
Housing Revenue Account – Construction of New Housing	574

Financing of Capital Expenditure

The external funding of the capital investment programme comes from several sources, including government funding, third party (often private sector) contributions, capital receipts from the sale of assets, and borrowing. Figure 10 shows how the £52.1m capital expenditure was funded for the 2022/23 year.

Figure 10 Capital Expenditure Funding Sources 2022/23 with 2021/22 comparatives



Borrowing is kept within affordable levels, with the total accumulated loans owed to external lenders and credit arrangements amounting to £357.4m at 31 March 2023 (£358.0m at 31 March 2022).

The Council also owes money to Essex County Council in respect of assets transferred to Southend-on-Sea City Council in 1998 as part of the Local Government Re-organisation. The amount is £9.2m at 31 March 2023 (£9.6m at 31 March 2022).

The Council's operational upper limit for borrowing has been set at £385m (excluding transferred debt) (£375m in 2021/22). Accounting for the borrowing outlined above, this leaves headroom of £27.6m (£17.0m in 2021/22).

This level of debt should also be viewed in relation to the Council's long-term assets (excluding the net pensions assets) which have a net book value of £1,023.0m at 31 March 2023 (£1,009.9m at 31 March 2022).

Long Term Assets

The Council's long-term assets are those expected to provide benefits beyond 12 months and consist of Property, Plant & Equipment, Heritage Assets, Investment Property, Intangible Assets, Long Term Investments and Long Term Debtors. At 31 March 2023, the total net book value of these long-term assets (excluding the net pensions assets) was £1,023.0m (£1,009.9m at 31 March 2022).

As a result of the Government's recent policy on the transfer of schools to academy status, over the last few years many of the City's schools have transferred. No schools transferred in 2022/23 and it is anticipated that one further school may transfer in the forthcoming year. If any did, this would reduce the current net book value of the long-term assets held of £51.5m at 31 March 2023 (£50.0m at 31 March 2022) for schools on the Council's Balance Sheet.

Housing

The Council is required by statute to maintain the Housing Revenue Account (HRA) in overall surplus, which includes balances brought forward from the previous year.

For the 2022/23 financial year the HRA has maintained the same general balance carried forward of £3.5M (£3.5M in 2021/22). Council rents for general needs and sheltered properties were increased by 4.1% in 2022/23 (increased by 1.5% in 2021/22) in accordance with the long-term rent deal announced by the government in October 2017. This allowed for annual rent increases of up to the Consumer Price Index (CPI) rate at September each year plus 1 percentage point.

In 2022/23 average rents for general needs properties (excluding service charges) were £94.22 per week (£90.51 in 2021/22), and £82.08 per week (£78.85 in 2021/22) for sheltered accommodation.

The full financial performance of the HRA is reported in the Statement of Accounts 2022/23.

Group Performance

Local Authorities with subsidiary companies, associated companies and joint ventures are required to prepare group accounts. The Council has two wholly owned subsidiaries, South Essex Homes Limited and Southend Care Limited that prepare and publish their own accounts, which are then consolidated with Southend-on-Sea City Council.

In addition, the Council has three other subsidiary companies and was party to five joint ventures, for which the Council's proportions of net assets are immaterial to the accounts and therefore have not been consolidated into the group accounts. Up to 2020/21 the Porters Place Southend-on Sea LLP was consolidated into the group accounts on the basis that the joint venture would become material as the years progressed and was deemed material in a qualitative sense as Better Queensway is the largest housing and regeneration project the Council has undertaken since the 1960's. However, given the withdrawal of Sanctuary from the Better Queensway project, this LLP is no longer consolidated. Please see the Events after the Balance Sheet date disclosure note 5 earlier in these accounts for further details.

It is positive to report that both Council wholly owned subsidiaries had a net surplus in respect of their pension liabilities as at 31 March 2023.

A joint venture partnership between Southend-on-Sea City Council and London Hire Community Services to provide a passenger transport service across the City was trading as

Vecteo as at 31 March 2023. At that date the Council had a 49% holding. On 12 May 2023 the Council became the 100% shareholder of the company.

The Council is also sole trustee for eight Trusts, all of which have been consolidated as part of the Group Accounts for 2022/23.

Financial Health of the Council as at 31 March 2023

2022/23 was another exceptional and challenging year, with volatility in expenditure as a direct consequence of rising inflation and interest rates and the realisation of pent-up demand for our services (especially in Social Care) following on from the COVID-19 pandemic. The escalation and speed of the increases in the direct costs of service provision and additional price pressure from our supply chains was significant. This was combined with not only major increases in service demands but also in complexity.

Despite the very tough operating environment and the continuation of major cost and demand risks still prevalent and continuing into 2023/24, the Council remains in a relatively financially stable and resilient position. It is clear though that major service re-design is required, and the Council will have to look at ways to reduce its cost base and to generate additional income now and in the medium term to remain financially sustainable. The effective and robust implementation of the new transformation blueprint and change programme will be essential.

Assets

During 2022/23 fixed assets have increased in value by £22.3M (£64.1M in 2021/22) due to the net effect of additions, disposals, revaluations, and depreciation.

Fixed assets included in the Balance Sheet at current value are revalued or have indexation adjustments applied sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum are revalued every five years.

For additional information see notes 21 to 24 in the Statement of Accounts 2022/23.

Capital Investment and Borrowing

The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is a measure of the Council's debt position and represents capital expenditure up to the end of 2022/23 which has not yet been charged to revenue. The process of charging the capital expenditure to revenue is a statutory requirement and is done by means of the Minimum Revenue Provision. The position for 2022/23 is summarised in Table 7.

Table 7 Capital Financing Requirement

	2022/23 £M
<i>Balance 1st April 2022</i>	426.7
<i>Plus: capital expenditure financed by borrowing (internal and invest to save financing)</i>	27.7
<i>Plus: fixed assets subject to finance leases</i>	0.1
<i>Less: Minimum Revenue Provision</i>	(11.3)
<i>Balance 31st March 2023</i>	443.2

The CFR is the Council's theoretical need to borrow but the Council's actual borrowing position can be managed by either borrowing to the CFR, choosing to use temporary cash flow funds

instead of borrowing (internal borrowing) or borrowing for future increases in the CFR (borrowing in advance of need).

The Council has currently addressed the theoretical need to borrow by having undertaken external borrowing and credit arrangements of £357.4M and by internally borrowing the remaining £85.8M. Actual borrowing will only be undertaken as and when required to finance capital and the amount and timing of any loans will have regard to the Council's cash flow, the prevailing interest rates and the future requirements of the capital investment programme.

The capital investment programme over the next five years is planned to be financed as shown in *Table 8*.

Table 8 Financing of Capital Investment

	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	Total £M
<i>Borrowing</i>	26.8	14.3	7.8	7.8	0	56.7
<i>Grants and third-party contributions</i>	48.0	7.6	0.8	0.8	0.6	57.8
<i>Revenue Contributions</i>	14.7	19.0	6.7	6.1	0	46.5
<i>Capital Receipts</i>	5.9	1.9	0.2	0	0	8.0
Total	95.4	42.8	15.5	14.7	0.6	169.0

Pensions

The Council participates in the Local Government Pension Scheme administered by Essex County Council. It is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into the fund, calculated at a level to balance the pension liabilities against investment assets.

The fund is subject to a valuation every three years. The 31 March 2019 valuation set the contribution rates from 2020/21 to 2022/23. At 31 March 2019, the funding level for the whole fund was estimated at 97% and the Council agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 5 years.

The 31 March 2022 valuation has taken place which set the contribution rates from 2023/24 to 2025/26. At 31 March 2022, the funding level status for the whole fund was estimated at 102.3%. This positive performance has enabled the Council to formally agree a reduced level of employer pension contributions over the years 2023/24 to 2025/26.

At 31 March 2023 the Council has a credit balance on the pensions reserve due to the fair value of the fund assets being higher than the actuary's determination of the present value of the defined benefit obligations.

For additional information see note 37 in the Statement of Accounts 2022/23.

Reserves

The Council's reserves consist of general and earmarked reserves. The movement in Reserves Statement in the Statement of Accounts 2022/23 shows the split and movement of those reserves during the year.

The Council maintains a level of balances and reserves to meet any future unforeseen expenditure that may arise and for any planned future expenditure. These balances are held in the form of a general contingency such as the General Fund Balance, or for a specific purpose in the form of an earmarked reserve.

The Council has comprehensively updated its Medium Term Financial Strategy based on the best possible information it had available at the time (approved February 2023) reflecting an assessment of the local impact of the inflationary pressures, local priorities and ambitions. The Council must consider emerging risks such as uncertainty of future funding levels from 2024/25, the ongoing inflationary pressures and other external factors such as the longer-term impact of COVID-19, Brexit, internal risks including increased commercial activity and the challenges faced by all upper tier local authorities linked to increasing demand, cost and complexity in areas like social care.

Due to the need to deal with the unavoidable increased inflationary cost and demand pressures throughout 2022/23 and to continue to maintain the delivery of critical services to our local communities the Council has been forced to decrease its overall level of reserves compared to what was originally planned. The Council is still in a relatively strong resilient financial position compared to many other Local Authorities. The future challenge is substantial though and our remaining reserves are held to provide both a buffer for the uncertain challenging operating environment we face and to invest in critical service transformation programmes.

These factors have contributed to the Council continuing to maintain a General Fund Balance of £11.0M at 31 March 2023 (£11.0M at 31 March 2022).

At 31 March 2023 the Council holds £77.274M (£93.188M at 31 March 2022) of general fund earmarked reserves as shown in Table 9.

Table 9 General Fund Earmarked Reserves

Earmarked Reserve	Opening Balance 1 April 2022 £M	Contributions / (Use) 2022/23 £M	Closing Balance 31 March 2023 £M
<i>Capital Investment Reserves</i>	24.118	(4.612)	19.506
<i>Insurance Reserves</i>	6.033	(0.611)	5.422
<i>Corporate Reserves</i>	28.263	(8.242)	20.021
<i>Service Reserves</i>	11.153	(1.350)	9.803
<i>Grant Reserves</i>	15.167	(4.616)	10.551
<i>Dedicated Schools Grant</i>	8.401	3.517	11.918
<i>Monies Held in Trust</i>	0.053	0	0.053
Total	93.188	(15.914)	77.274

The net total contribution from earmarked reserves in 2022/23 of £15.914M (*net total contribution from earmarked reserves of £8.545M in 2021/22*) includes the planned use of £6.7M of Section 31 Grant for Business Rates appropriated in 2021/22. Similarly, £3.5M of COVID-19 grants received in 2020/21 and 2021/22 were fully used in 2022/23, as planned. Specific earmarked reserves were used in the support of adult's social care costs (£2.5M), children's social care pressures (£2.5M) and £2.5M which was agreed to support the overall budget when it was set in February 2022.

The net total contribution from reserves of £15.914M included the addition to reserves of £13.3M which includes £3.6M of ring-fenced Dedicated Schools Grant, £5.6M of other grant carried forward for use in 2023/24 and future years.

The HRA's financial strategy includes a determination that a prudent level of the HRA General Balance is £3.5M (£3.5M for 2021/22), having regard for the inherent levels of future financial risk and uncertainty. The Council's HRA holds £34.516M (£34.839M on 31 March 2022) of earmarked reserves as shown in Table 10.

Table 10 HRA Earmarked Reserves

HRA Earmarked Reserve	Opening Balance 1st April 2022 £M	Contributions / (Use) 2022/23 £M	Closing Balance 31st March 2023 £M
Capital Investment Reserve	27.997	(2.770)	25.227
Revenue Major Repairs Reserve	6.142	2.387	8.529
Contract Pension Reserve	0.700	0.060	0.760
Total	34.839	(0.323)	34.516

The HRA also maintains another Major Repairs Reserve which is limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance of this reserve at 31 March 2023 is £9.916M (£8.395M at 31 March 2022) and represents the level of capital resources that have yet to be applied at the year-end.

There are also usable capital receipts of £18.005M (£4.282M general fund and £13.723M HRA) and capital grants not yet applied of £40.270M available to finance future planned capital expenditure.

The maintained schools in the city also hold £2.816M of balances and £11.918M of earmarked reserves. These, together with the general fund and HRA earmarked reserves in the tables above, comprise the total of £114.606M of earmarked reserves shown in note 20 in the Statement of Accounts 2022/23.

Brexit On-going Considerations

On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Following the General Election on 12 December 2019, a new Conservative Government was elected, and Parliament ratified the withdrawal agreement. The UK left the EU at 11pm GMT on 31 January 2020. This began a transition period that was set to end on 31 December 2020. The UK and the EU continue to negotiate their future relationship on several economic and policy areas. The outcome of these negotiations will determine the outstanding arrangements that will apply in relation to the terms of the UK's exit.

Southend-on-Sea City Council have kept a watching brief over developments throughout 2022/23. This remains a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

Increased Regional Engagement and Activity

The past year has seen the council increase its role and involvement in wider regional activity. This has included:

- exploring opportunities for local government devolution (as described in the Government's February 2022 Levelling Up white paper)
- continuing to support the Joint Committee and work programmes of the Association of South Essex Authorities (ASELA).

The Council supported a comprehensive regional resource review, including taking a leading role in the Digital workstream, as well as performing the Committee's secretariat and taking on the Accountable Body function for the partnership in 2022/23.

Enhanced devolution conversations have seen Thurrock, Essex and Southend Councils working together to understand how devolution might benefit the wider region. An Expression of Interest was submitted to government in March 2023, outlining a package of policy aspirations across the Greater Essex area. Working alongside the two upper tier authorities, districts and partners including the Police, Fire and Crime Commissioners office, Southend-on-Sea officers are scoping potential future governance structures. Discussions with government are expected to take place over the summer before key decisions are presented to the councils for a decision and public consultation.

Medium Term Financial Strategy (MTFS) 2023/24 – 2027/28

The key overriding aim of the Council's MTFS is 'To provide a financial framework within which financial stability can be achieved and sustained in the medium term to deliver the Council's key strategic outcomes, priorities and sustainable services.'

As part of the development and approval of the Council's 2023/24 Budget and Medium Term Financial Strategy in February 2023 a commitment was given to a new Transformation Blueprint and development of a major service redesign programme for 2023/24 – 2027/28. This was agreed as part of the Council's overall budget package, with specific areas and themes identified to be scoped and developed further during 2023/24, against a clear set of approved guiding principles. This commitment has been supplemented and enhanced from 1 April 2023 by the introduction of new comprehensive service plans that cover every area of the Council. The ambition is to support the Council's future financial sustainability commitment and help to target resources and re-design plans to avoid a financial 'cliff edge' which would require **even** more drastic action over a shorter time frame.

Other measures to complement this new Transformation Programme and enhance the Council's financial resilience and continue to improve the value for money delivery of services will also continue and include: on-going budget reviews; implementation of outcome-based budgeting principles; 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; evaluating a range of income generation initiatives and continuing to enhance our systems, processes and internal business transformation arrangements.

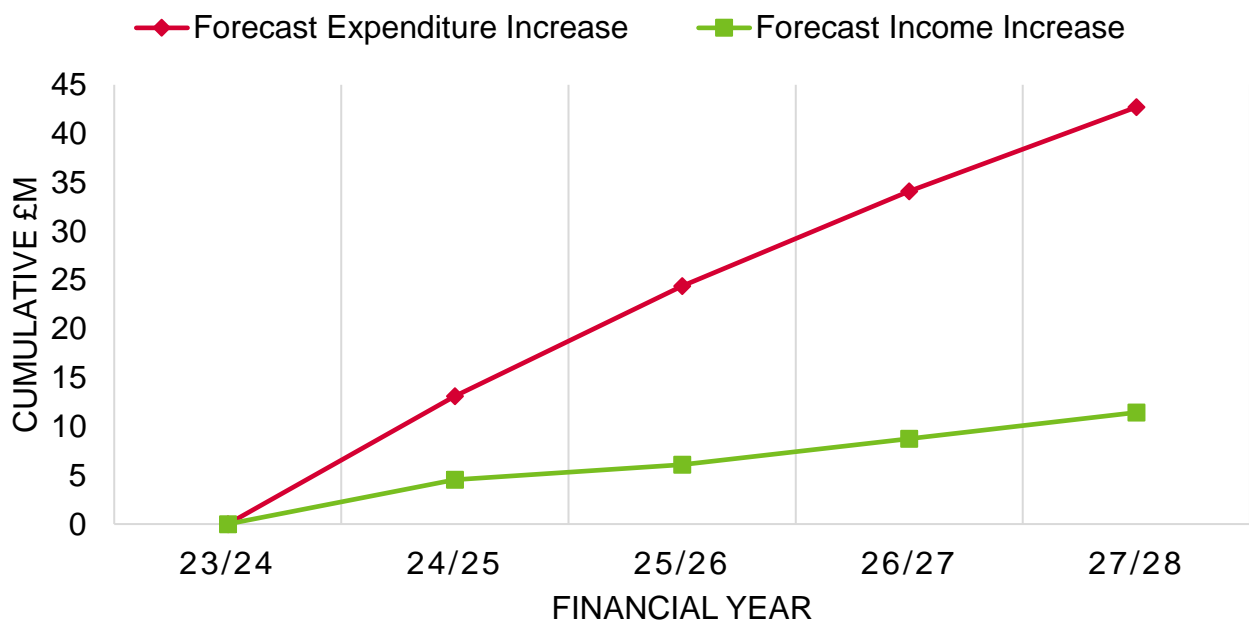
The unpredicted and unprecedented rapid rise in inflation throughout 2022/23, together with changing professional opinions on the depth and potential duration of continued inflationary increases into the future, will add significant new pressures and local challenges for the Council. The operating landscape continues to be uncertain as the medium to long term implications on demand and future cost of service delivery are difficult to assess. The situation will continue to be closely monitored and appropriate tactics will be deployed to support local businesses and communities wherever possible throughout 2023/24.

A considerable amount of analysis and financial planning was undertaken throughout 2022/23, particularly due to the fact that Southend-on-Sea was already having to respond to some high value social care demand trends from previous years. This scenario was replicated in many other upper tier authorities right across the country. These pressures had been recognised locally and attempts were made to address some of these issues by increasing the revenue base of these services for 2023/24 and as part of the Medium Term Financial Strategy.

The concerns highlighted early in 2022/23 around the potential for previously hidden demand during the pandemic did surface locally throughout the year. This was compounded by the combination of the impact of 'post COVID-19' re-engagement and demand for Council services and the cost-of-living crisis that developed throughout 2022/23 which had a substantial impact on all our local communities, but particularly in the more deprived areas.

The Council was predicting a cumulative budget gap of £29.8M up to the end of 2027/28. The Council's forecast profile of this budget gap for each of the next five years is detailed in the following chart (*Figure 11*) which illustrates the estimated funding gap to 2027/28 as reported to Council in February 2023.

Figure 11 Forecast Income and Expenditure



As 2023/24 has progressed the level of financial pressure that the Council is facing has become clearer. We are aware of the continuation of the risks of inflationary pressures, including employee pay negotiations and increases in both the cost and complexity of demand for critical statutory services. We have modelled scenarios and earmarked specific service risk reserves for the most volatile statutory service areas of Childrens and Adults Social Care to provide a safety net. The challenge of continuing to design and implement potential financial mitigating strategies for 2024/25 and future years will be significant.

Comprehensive financial monitoring and performance reports for Period 4, Period 6 and Period 8 were presented to Cabinet in September 2023, November 2023 and January 2024 respectively. These have highlighted the extent of the financial pressure in 2023/24 and have provided a summary of performance against savings and income generation initiatives and against targeted overspend reductions.

To help address and close the revised estimated budget gap over the next five years the Council will continue to aim to achieve financial sustainability from local income sources in the future and improve its efficiency and productivity. The Council will continue to work collaboratively with its partners, increase its focus on the delivery or joint commissioning of services in a targeted way to ensure that those in most need and who will receive the greatest benefit are the recipients of services. It is vital that we continue learn from our experience, reduce our cost base wherever possible and tailor our services and working practices accordingly.

The Council also has an ambitious capital investment programme designed to create the right conditions to attract additional private sector investment into the local area and to directly benefit Southend's residents, businesses, and future visitors. The level of planned investment is £169M over the next five years.

Building a City Council Fit for the Future

The overall level of net cost reduction required by Southend-on-Sea Council to bridge a medium to long term deficit by 2027/28 requires a programme of work that not only supports the development of net cost reduction and transformation opportunities at a service level, but that also considers how these opportunities can be integrated into a renewed, sustainable, operating model.

Grant Thornton have been working with Southend-on-Sea City Council to rapidly review the Council's operating model and identify tactical and strategic opportunities for savings and change. Through their work with us they have made key observations about the operating model of the Council:

- As a twenty-first-century Council with an ever-tightening fiscal environment, Southend has no option but to modernise its operating model and find new, more cost-effective ways of meeting the needs of its communities in the context of a changing public sector landscape.
- Overall, the Council is relatively 'traditional' in its mode of service delivery, and there is significant opportunity to innovate, considering not just 'how' services are delivered but also 'what' services are delivered.
- The Council has a history of being all things to all people - a key objective of the Corporate Plan and Service Plans should be to define more clearly what the Council prioritises and delivers and therefore give officers the authority to stop/reduce non-essential activities.

The developing work has been through a period of 'idea generation' which produced a long list of opportunities across the themes of:

- Target operating model (modern, simplified and streamlined)
- Efficiency and productivity
- Service offer changes
- Commercial (income generation and third party / contractual arrangements)
- Resident & customer engagement

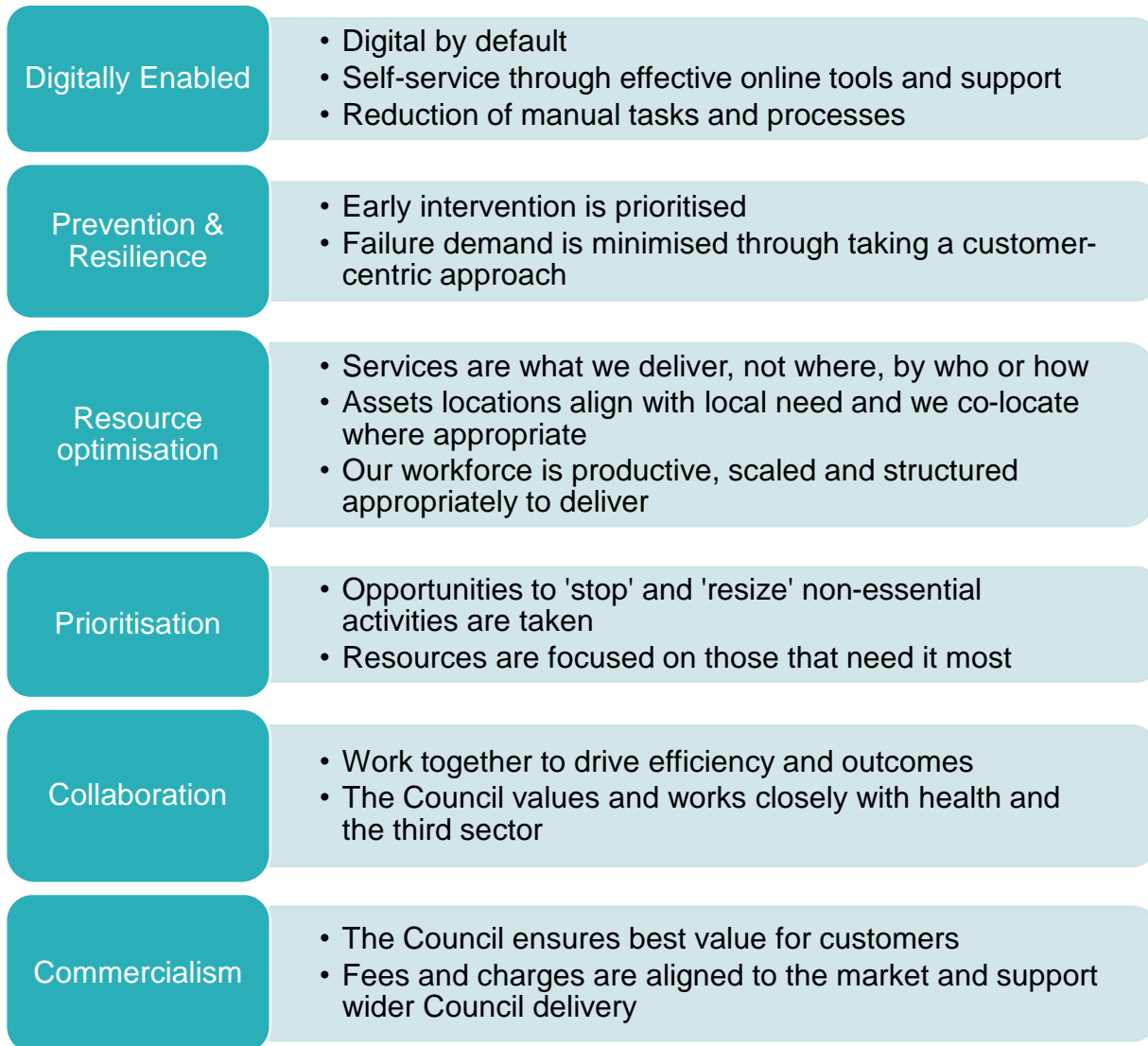
Due to the large number and scale of the value of opportunities identified, a comprehensive programme will be developed to focus activity, provide consistency and oversight as well as invest time and scarce resources in the right places. The transformation blueprint sets out this programme and organises these opportunities into workstreams to create order and sequence to activities.

A New Transformational Blueprint for the City Council

Southend on Sea City Council's transformation blueprint will look to provide a roadmap and framework for building a council that is fit for the future and is constructed of the following key elements.

Our transformation principles set the ambition for the Council and are the compass by which we will measure if an initiative helps the Council move towards the desired future state. They reflect the two sides of the organisation which are both important: Supporting vulnerable residents and protecting the Council. These principles are summarised in Figure 12.

Figure 12 Summary of Guiding Principles

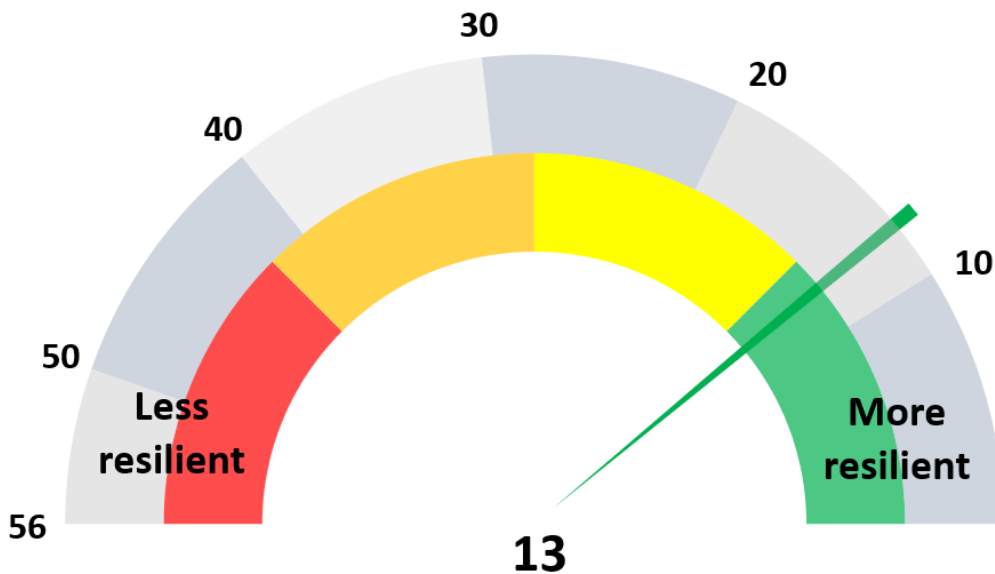


Financial Resilience and Future Sustainability

Financial resilience and future sustainability are important considerations. We are an ambitious Council and our local area secured City Status in 2022. We are committed to continually improving our performance and delivering better outcomes for residents through our guiding Southend 2050 ambition.

Our desire to improve, learn and provide value for money is also predicated on acting responsibly and ensuring our plans are affordable and sensible. Our approach and evidence of our relative financial strength was originally illustrated independently by CIPFA's Financial Resilience Index published for 2021.

Figure 13 Southend's performance in CIPFA's Financial Resilience Index 2021



At this time the index demonstrated that Southend was 13th out of 56 unitary authorities when ranked across the 16 indicators of financial stress. The only factor that was highlighted to be a potential higher risk within CIPFA's Index was the ratio of interest payable to net revenue expenditure. We believe that our approach is sustainable and is appropriate and proportionate in the context of our ambitious capital programme. Our plans and commitments are managed at a prudent level by using our relatively healthy level of reserves to allow cash balances to be used instead of external borrowing wherever suitable.

CIPFA have continued to publish updated resilience indexes for 2022 and 2023 but they recognised its limitations given the accounting impact of the Government's response to the COVID-19 pandemic which could result in misleading comparisons across unitary authorities. The prescribed accounting treatment, particularly in connection with Section 31 grants for Business Rates Reliefs, has temporarily artificially inflated reserves balances.

It is hoped when an updated index for 2024 is published the impacts of these arrangements will have stabilised and a true position of an individual Council's financial resilience will be established. Southend-on-Sea City Council's position against this index will be reported when our Medium Term Financial Strategy is next updated.

Annual Governance Statement

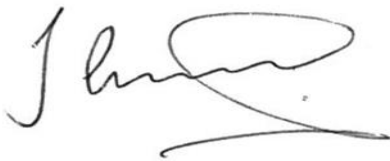
Our Annual Governance Statement (which commences on page 177 of this publication) summarises the outcome of our review of the Governance Framework that has been in place during 2022/23. The Annual Governance Statement demonstrates that we have effective governance arrangements in place, and that we are satisfied that we have a robust system of internal control, which is a critical component of our overall governance arrangements.

Acknowledgements

The production of the Statement of Accounts would not have been possible without the exceptional hard work and dedication of staff across the Council. I would like to express my gratitude to all colleagues, from my team and other services and organisations, who have assisted in the preparation of this document. I would also like to thank them for all their support and expertise during what was again a very challenging 2022/23 financial year.

The Council and particularly the finance team will also have to manage the finalisation of the independent external audit for both 2021/22 and 2022/23 financial years, due to the resourcing and capacity challenges that our external auditors have experienced over the last 18 months. The final clean audit opinion on our 2020/21 Accounts was reported to the Council's Audit Committee on 26 April 2023.

I hope you find this narrative and accompanying statements clear and informative. If you require any further information or wish to make any comment on these Accounts, then please contact us by any of the options listed below.



Joe Chesterton
Executive Director (Finance and Resources)

Date: 31 May 2023

This publication is issued by: Financial Services, Southend-on-Sea City Council

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The Financial Statements

The information provided in this publication presents the financial position of Southend-on-Sea City Council as at 31 March 2023, and the financial results for the financial year 2022/23. As a large and diverse organisation, these accounts will by their nature be both technical and complex and the purpose of this foreword is to provide a guide to the accounting information and statements that follow and summarise the Council's performance for the year. Since the introduction of IFRS (International Financial Reporting Standards) for local government accounting in 2010/11, the core financial statements comprise:

- **Comprehensive Income and Expenditure Statement;**
- **Movement in Reserves Statement;**
- **Balance Sheet;**
- **Cash Flow Statement.**

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Council. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

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

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

These four Statements are then followed by notes providing more detailed information of various elements within the statements.

The main Statements and their notes are supplemented by three further sections:

The Housing Revenue Account (HRA) reports separately on the Council's landlord activities, which are consolidated into the main accounts. Detailed notes follow these statements to expand on the information provided.

The Collection Fund reports separately on the collection and distribution of non-domestic rates and Council tax.

Group Accounts consolidate the Council's main accounts with those of its Subsidiary and Associated Companies, Joint Ventures and Charitable Trusts.

STATEMENT OF RESPONSIBILITY FOR THE STATEMENT OF ACCOUNTS

Statement of Responsibility for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Executive Director (Finance and Resources).
- Manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Executive Director (Finance and Resource's) Responsibilities

The Executive Director (Finance and Resources) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Executive Director (Finance and Resources) has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the local authority Code.

The Executive Director (Finance and Resources) has also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Executive Director (Finance & Resources) Certificate

I certify that these accounts present a true and fair view of the financial position of the Council at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.



Joe Chesterton, CPFA
Executive Director (Finance and Resources)
24 April 2024

Approval of the Statement of Accounts

In accordance with the requirements of Regulation 9 of the Accounts and Audit Regulations 2015, I confirm that the Statement of Accounts was approved by resolution of the Audit Committee of Southend-on-Sea City Council on 24 April 2024.

Councillor Martin Terry
Chair of Audit Committee
24 April 2024

**INDEPENDENT AUDITOR’S REPORT TO THE
MEMBERS OF SOUTHEND-ON-SEA CITY
COUNCIL**

Opinion on the Financial Statements

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of Southend-on-Sea City Council ('the Authority') and its subsidiaries ('the group'):

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2023 and of the group's and the Authority's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

We have audited the financial statements which comprise:

- the group and Authority Comprehensive Income and Expenditure Statements;
- the group and Authority Balance Sheets;
- the group and Authority Movement in Reserves Statements;
- the group and Authority Cash Flow Statements;
- the Housing Revenue Account Income and Expenditure Statement;
- the Housing Revenue Account Statement;
- the Collection Fund; and
- the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2022/23.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice, the Local Audit and Accountability Act 2014 and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

The going concern basis of accounting for the group and the Authority is adopted in consideration of the requirements set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements.

Other information

The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial

statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Chief Financial Officer's responsibilities

As explained more fully in the Statement of Responsibility for the Statement of Accounts, the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the group and the Authority will continue in operational existence for the foreseeable future.

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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which our procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

We considered the nature of the group and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Finance Act 2012 and Local Government and Housing Act 1989.
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. This included relevant employment legislation.

We discussed among the audit engagement team including relevant internal specialists such as valuations specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Matters on which we are required to report by exception

Use of resources

Under the Code of Audit Practice and the Local Audit and Accountability Act 2014, we are required to report to you if we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We have nothing to report in respect of this matter.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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

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

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

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2022, as to whether the Authority had 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 Authority a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023 by the time of the issue of our audit report. Other findings from our work, including our commentary on the Authority's arrangements, will be reported in our separate Auditor's Annual Report.

Reports in the public interest or to the regulator

The Code of Audit Practice also requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that our remaining work in these areas is unlikely to have a material impact on the financial statements or on our value for money conclusion.

USE OF OUR REPORT

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Mohammed Ramzan (Key Audit Partner)
For and on behalf of Deloitte LLP
Birmingham, United Kingdom

MAIN FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement

2021/22							2022/23		
Gross Expenditure £000 Restated	Gross Income £000 Restated	Net Expenditure/ (Income) £000 Restated			Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure/ (Income) £000	
34,885	(16,453)	18,432	Leader: Corporate Matters and Performance Delivery			24,043	(6,698)	17,345	
25,688	(6,460)	19,228	Deputy Leader (May-Oct): Environment, Culture and Tourism			33,884	(8,146)	25,738	
22,801	(6,104)	16,697	Deputy Leader (Nov-May): Public Protection			24,790	(5,185)	19,605	
104,333	(45,423)	58,910	Adult Social Care and Health Integration			100,262	(44,631)	55,631	
5,718	(2,318)	3,400	Asset Management and Inward Investment			12,105	(2,693)	9,412	
113,772	(65,436)	48,336	Children and Learning and Inclusion			127,008	(80,098)	46,910	
71,177	(69,628)	1,549	Economic Recovery, Regeneration and Housing			67,243	(66,144)	1,099	
26,279	(16,240)	10,039	Highways, Transport and Parking			23,861	(12,979)	10,882	
404,653	(228,062)	176,591	Net Cost of General Fund Services			413,196	(226,574)	186,622	
22,760	(30,573)	(7,813)	Local Authority Housing (HRA)			25,445	(30,032)	(4,587)	
22,760	(30,573)	(7,813)	Net Cost of Housing Revenue Account Services			25,445	(30,032)	(4,587)	
427,413	(258,635)	168,778	Cost of Services			438,641	(256,606)	182,035	
5,610	0	5,610	Other Operating Income and Expenditure		10	1,189	(806)	383	
23,706	(13,347)	10,359	Financing and Investment Income and Expenditure		11	33,496	(16,271)	17,225	
0	(166,299)	(166,299)	Taxation and Non-Specific Grant Income		12	0	(162,364)	(162,364)	
456,729	(438,281)	18,448	Deficit on Provision of Services			473,326	(436,047)	37,279	
			<i>Items that will not be reclassified to the Deficit on the Provision of Services</i>						
			Surplus on Revaluation of Heritage and Property, Plant and Equipment Assets		9			(21,506)	
			(102,177) Re-measurement of Net Pension Liability		9			(232,724)	
			(142,157) Other Comprehensive Income and Expenditure					(254,230)	
			(123,709) Total Comprehensive Income and Expenditure					(216,951)	

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Movement in Reserves Statement

	Note	Revenue Reserves				Capital Reserves			Total Usable Reserves
		General Fund Balance	Housing Revenue Account	Earmarked Schools Budget Reserves	Other Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
		£000	£000	£000	£000	£000	£000	£000	
Balance at 1 April 2021		11,000	3,502	8,211	131,904	13,917	8,067	24,943	201,544
Surplus (Deficit) on the Provision of Services		(26,218)	7,770	0	0	0	0	0	(18,448)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0
Total Comprehensive Income and Expenditure		(26,218)	7,770	0	0	0	0	0	(18,448)
Adjustments between accounting basis and funding basis under regulations	19	17,510	(7,583)	0	0	737	328	6,295	17,287
Net Increase / Decrease before Transfers to earmarked reserves		(8,708)	187	0	0	737	328	6,295	(1,161)
Transfers to / (from) Earmarked Reserves	20	8,708	(187)	3,757	(12,278)	0	0	0	0
Increase / Decrease in 2021/22		0	0	3,757	(12,278)	737	328	6,295	(1,161)
Balance at 31 March 2022		11,000	3,502	11,968	119,626	14,654	8,395	31,238	200,383

	Note	Revenue Reserves				Capital Reserves			Total Usable Reserves
		General Fund Balance	Housing Revenue Account	Earmarked Schools Budget Reserves	Other Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
		£000	£000	£000	£000	£000	£000	£000	
Movement in Reserves during 2022/23									
Surplus (Deficit) on the Provision of Services		(40,967)	3,688	0	0	0	0	0	(37,279)
Other Comprehensive Income and Expenditure		0	0		0	0	0	0	0
Total Comprehensive Income and Expenditure		(40,967)	3,688	0	0	0	0	0	(37,279)
Adjustments between accounting basis and funding basis under regulations	19	24,302	(4,011)	0	0	3,351	1,521	9,032	34,195
Net Increase / Decrease before Transfers to earmarked reserves		(16,665)	(323)	0	0	3,351	1,521	9,032	(3,084)
Transfers to / (from) Earmarked Reserves	20	16,665	323	2,766	(19,754)	0	0	0	0
Increase / Decrease in 2022/23		0	0	2,766	(19,754)	3,351	1,521	9,032	(3,084)
Balance at 31 March 2023		11,000	3,502	14,734	99,872	18,005	9,916	40,270	197,299

	Unusable Reserves							Unusable Reserves	Total Authority Reserves
	Revaluation Reserve	Financial Instrument Revaluation Reserve	Pensions Reserve	Capital Adjustment Account	Deferred Capital Receipts	Collection Fund Adjustment Account	Accumulated Absences Account		
	£000	£000	£000	£000	£000	£000	£000		
Balance at 1 April 2021	285,887	(1,190)	(169,636)	208,006	3,750	(7,828)	(2,347)	316,642	518,186
Surplus (Deficit) on the Provision of Services	0	0	0	0	0	0	0	0	(18,448)
Other Comprehensive Income and Expenditure	39,980	0	102,177	0	0	0	0	142,157	142,157
Total Comprehensive Income and Expenditure	39,980	0	102,177	0	0	0	0	142,157	123,709
Adjustments between accounting basis and funding basis under regulations	(9,380)	4,800	(24,972)	5,080	1,075	6,404	(294)	(17,287)	0
Net Increase / Decrease before Transfers to earmarked reserves	30,600	4,800	77,205	5,080	1,075	6,404	(294)	124,870	123,709
Transfers to / (from) Earmarked Reserves	0	0	0	0	0	0	0	0	0
Increase / Decrease in 2021/22	30,600	4,800	77,205	5,080	1,075	6,404	(294)	124,870	123,709
Balance at 31 March 2022	316,487	3,610	(92,431)	213,086	4,825	(1,424)	(2,641)	441,512	641,895

	Revaluation Reserve	Financial Instrument Revaluation Reserve	Unusable Reserves				Accumulated Absences Account	Unusable Reserves	Total Authority Reserves
	£000	£000	Pensions Reserve	Capital Adjustment Account	Deferred Capital Receipts	Collection Fund Adjustment Account			
Movement in Reserves during 2022/23									
Surplus (Deficit) on the Provision of Services	0	0	0	0	0	0	0	0	(37,279)
Other Comprehensive Income and Expenditure	21,506	0	232,724	0	0	0	0	254,230	254,230
Total Comprehensive Income and Expenditure	21,506	0	232,724	0	0	0	0	254,230	216,951
Adjustments between accounting basis and funding basis under regulations	(7,051)	(7,335)	(17,762)	(8,224)	759	6,354	(936)	(34,195)	0
Net Increase / Decrease before Transfers to earmarked reserves	14,455	(7,335)	214,962	(8,224)	759	6,354	(936)	220,035	216,951
Transfers to / (from) Earmarked Reserves	0	0	0	0	0	0	0	0	0
Increase / Decrease in 2022/23	14,455	(7,335)	214,962	(8,224)	759	6,354	(936)	220,035	216,951
Balance at 31 March 2023	330,942	(3,725)	122,531	204,862	5,584	4,930	(3,577)	661,547	858,846

Balance Sheet

31 March 2022 £000		Notes	31 March 2023 £000
759,029	Property, Plant & Equipment (excluding infrastructure assets)	21a	772,384
128,780	Infrastructure Assets	21b	137,486
30,986	Heritage Assets	23	32,239
37,952	Investment Property	24	38,143
9,126	Intangible Assets	22	7,902
37,078	Long Term Investments	25	30,517
6,953	Long Term Debtors	25	4,318
0	Other Long Term Assets – Pensions		122,531
1,009,904	Long Term Assets		1,145,520
80,545	Short term Investments	25	47,658
187	Inventories		201
58,125	Short Term Debtors	26	51,642
53,764	Cash and Cash Equivalents	25, 27	44,724
192,621	Current Assets		144,225
(1,804)	Short Term Borrowings	25	(1,825)
(94,679)	Short Term Creditors	28	(57,879)
(4,493)	Provisions	29	(4,733)
(100,976)	Current Liabilities		(64,437)
(2,028)	Long Term Creditors		(1,881)
(355,554)	Long Term Borrowing	25	(355,365)
(92,431)	Other Long Term Liabilities – Pensions	37	0
(9,641)	Other Long Term Liabilities – Other	25	(9,216)
(459,654)	Long Term Liabilities		(366,462)
641,895	Net Assets		858,846
200,383	Usable Reserves	30	197,299
441,512	Unusable Reserves	31	661,547
641,895	Total Reserves		858,846

Cash Flow Statement

2021/22 £000		Notes	2022/23 £000
18,448	Net Deficit on the Provision of Services		37,279
(68,088)	Adjustments to Net Deficit on the Provision of Services for non-cash Movements	40	(26,200)
28,225	Adjustments for items included in the Net Deficit on the Provision of Services that are Investing and Financing Activities	41	25,253
<u>(21,415)</u>	Net cash outflows from Operating Activities		<u>36,332</u>
78,767	Investing Activities	42	(18,762)
(45,086)	Financing Activities	43	(8,530)
<u>12,266</u>	Net Decrease in Cash and Cash Equivalents		<u>9,040</u>
(66,030)	Cash and Cash Equivalents at the beginning of the Reporting Period		(53,764)
<u>(53,764)</u>	Cash and Cash Equivalents at the end of the Reporting Period	27	<u>(44,724)</u>

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Note 1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS), and statutory guidance issued under Section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where it does not materially affect the accounts, and a full year's income and expenditure is recorded, an accrual need not be raised.
- Accruals are not made for items under £5,000, except where in the opinion of the Executive Director (Finance and Resources) the absence of an accrual for a lesser amount would lead to a misrepresentation of the cost of a service.
- Where the Council acts as an agent, transactions will not be reflected in the Council's financial statements. Exceptions to this are in respect of cash received or expenditure incurred by the agent on behalf of the principal, in which case a debtor or creditor will be raised.

Cash and Cash Equivalents

Cash and Cash Equivalents are represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

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

Where the Council acts as an agent, transactions will not be reflected in the Council's financial statements. Exceptions to this are in respect of cash received or expenditure incurred by the agent on behalf of the principal, in which case the net cash position will be included in Financing Activities in the Cash Flow Statement.

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

There are no changes to accounting policies in 2022/23 which require restatement of prior periods.

Charges to Revenue for Non-Current Assets

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

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

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

Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

Employee Benefits

Post Employment Benefits

Different groups of employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme.
- The Local Government Pensions Scheme administered by Essex County Council.

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children and Learning line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year and the Adult Social Care and Health Integration line is charged with the employer's contributions payable to the NHS Pensions Scheme.

The Local Government Pension Scheme

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

- The liabilities of the Essex Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.60%. The discount rate is the annualised Merrill Lynch AA rated corporate bond yield curve (where the curve is assumed to be flat beyond the 30-year point). This is consistent with the approach used at the previous accounting date.
- The assets of Essex Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.

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

- Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- contributions paid to the Essex Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

Events after the Balance Sheet Date

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

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

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

Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as investments in property funds, short-dated bond funds, enhanced cash funds and money market funds at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date;

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

Level 3 – unobservable inputs for the asset or liability.

Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and

Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Expected Credit Loss Model

The Council recognises expected credit losses on all its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

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

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

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

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

Foreign currency translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Government Grants and Contributions

Where grants have been paid to the Council under Section 31 of the Local Government Act and where material, an assessment will be made as to whether to account for them as principal or agent transactions after considering how the grant operates and all the relevant facts and circumstances. Where the Council is acting as a distribution point

only for grant monies to other bodies and has no control over the amount or determination of eligibility of grant allocated to a recipient, then the Council is likely to be acting as an agent. Where the Council is able to conclude that it has direct influence over the basis, value and distribution of the grant it would be deemed to be acting as a principal.

Where the Council acts as an agent, transactions will not be reflected in the Council's financial statements. Exceptions to this are in respect of cash received or expenditure incurred by the agent on behalf of the principal, in which case a debtor or creditor will be raised and the net cash position included in Financing Activities in the Cash Flow Statement.

Where the Council acts as a principal

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Heritage Assets

Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets).

The Council's Heritage Assets consist of historic seaside assets, heritage land and buildings, antiques/collectables, museum collections and memorials/statues. These assets are held by the reporting entity in pursuit of its overall objectives in relation to the maintenance of the heritage. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant, and equipment (PPE). However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below. The Council's heritage assets are accounted for as follows.

Historic Seaside Assets

- The historic seaside assets comprise the pier, the cliff lift, and the cliff bandstand. These assets are considered to be part of the fabric of the city as an historic seaside resort and are treated in accordance with the Council's policies for PPE assets.

Heritage Land and Buildings

- These consist of the official mayor's residence, Porters, and Southchurch Hall, a grade I listed medieval manor house. These assets are considered to be part of the heritage of the city and are intended to be preserved for future generations because of their cultural, environmental, or historical associations. These are treated in accordance with the Council's policies for PPE assets.

Antiques / Collectables

- These comprise furniture and furnishings, panelling, carpets, textiles, clocks, silver, plated wares and gold, works of art, ceramics and glass, books, pictures and presentation and commemorative wares. These items are reported in the Balance Sheet at insurance valuation which is based on market values. These assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.
- The collection is relatively static, and acquisitions and donations are rare. Where they do occur, acquisitions are initially recognised at cost and donations are recognised at valuation.

Museum Collections

- The Council considers that obtaining valuations for the items that are exhibited within the city's museums would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. This is because of the diverse nature of the assets held and the lack of comparable values. The Council does not recognise these exhibits on the Balance Sheet.
- The Saxon King artefacts form part of the Council's heritage assets and have been valued by a specialist in archaeology. These items are reported in the Balance Sheet at this valuation which is based on sale prices of comparable material and museum valuations for loan purposes, where relevant. These assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

Memorials and Statues

- These are a statue of Queen Victoria and a War Memorial. The Council does not consider that reliable cost or valuation information can be obtained for the items due to the lack of comparable market values. Consequently, the Council does not recognise these assets on the Balance Sheet.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see "Property, Plant and Equipment" in this summary of significant accounting policies. The proceeds of any disposals are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see "Revenue Expenditure Funded from Capital under Statute" and "Property, Plant and Equipment" in this summary of significant accounting policies).

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Interests in Companies and Other Entities

The Council has material interests in wholly owned companies, other entities and trusts that have the nature of subsidiaries and joint ventures which require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

Investment Property

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

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

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

Joint operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:

- its assets, including its share of any assets held jointly.
- its liabilities, including its share of any liabilities incurred jointly.
- its revenue from the sale of its share of the output arising from the joint operation.
- its share of the revenue from the sale of the output by the joint operation.
- its expenses, including its share of any expenses incurred jointly.

Leases

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

The Council as Lessor

Operating Leases

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

Overheads and Support Services

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

Property, Plant and Equipment (including infrastructure assets)

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

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (eg bridges), street lighting, street furniture (eg illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Other infrastructure assets include sea/coastal defences, offshore leisure facilities and cliffs stabilisation.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment, or the acquisition or replacement of components of Infrastructure Assets, is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. For schools, capitalisation takes place for community and foundation schools only. Capital expenditure on voluntary aided schools or academies is treated as Revenue Expenditure Funded from Capital Under Statute.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not generally capitalise borrowing costs incurred whilst assets are under construction, with the exception of major invest to save schemes where the financing is structured to allow the initial roll up of revenue costs prior to savings or income streams being realised.

The cost of assets acquired other than by purchase is deemed to be its fair value unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in

the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

- community assets, vehicles, plant, furniture and equipment, and assets under construction – depreciated historical cost;
- infrastructure assets are generally measured at depreciated replacement cost, however, this is a modified form of historical cost. Opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost. Upon Local Government Reorganisation, on 1 April 1998 Southend Borough Council's infrastructure assets were transferred to the Council from Essex County Council at depreciated historical cost.
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV);
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value;
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued or have indexation adjustments applied sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum are revalued every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains might be credited to the Surplus of Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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

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

Impairment

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

Where impairment losses are identified, they are accounted for by:

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. Assets under Construction).

Depreciation is provided on the parts of the infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant, furniture, and equipment – on a straight-line basis, a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.
- infrastructure – useful lives of the various categories of infrastructure assets are assessed by the Head of Civil Engineering using industry standards where applicable as follows:

Infrastructure Asset Category	Total Useful Economic Life Years
Carriageways	35
Footways and Cycle Tracks	40
Structures	100
Street Lighting	35
Bus Shelters	25
Street Furniture	30
Traffic Management Systems	20
Sea/Coastal Defences	45
Offshore Leisure Facilities	45
Cliff Stabilisation	12
Parking Controls	10
Security Management	40
Waste Infrastructure	40

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals

When an asset or a component of the highways network asset is disposed of or decommissioned, the carrying amount of the asset or component in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (the amount depending on how many dwellings are sold and net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the

Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement, and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

Schools

The *Code of Practice on Local Authority Accounting in the United Kingdom* confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves, and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

VAT

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

Note 2. Accounting Standards that have been Issued but have not yet been Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2023/24 Code:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

The Code requires implementation from 1 April 2023. It is not anticipated that these accounting changes will have any material impact on the Council's Statement of Accounts.

The implementation of IFRS 16 Leases has been deferred until 1 April 2024 but the 2023/24 Code allows for earlier adoption if preferred. The Council has decided not to adopt IFRS 16 Leases in the 2023/24 financial year.

Note 3. Critical Judgements in applying Accounting Policies

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

- There remains a high degree of uncertainty over future levels of funding for local government. The whole sector has experienced large inflationary pressures (which have been exacerbated by the implications of the events in Ukraine and the resulting unprecedented rise in energy prices) combined with the complexity of service demand pressures in the aftermath of the pandemic. The Council only received a one-year financial settlement for 2023/24 and no clarity has yet been provided over the content or timing of the next Comprehensive Spending Review or over key areas of local government funding reform. This makes it difficult to properly assess the levels of provisions and reserves needed to maintain the Council's financial resilience and judgements have been made using the best information available.
- A key area of judgement relates to who controls schools' assets. The following judgements have been made by management: All community schools are owned by the Council and the land and buildings used by the schools are included on the Council's Balance Sheet. For the foundation schools the control of the land and buildings is vested with the Governing Body and so they are included on the Councils' Balance Sheet. For the Voluntary Aided schools the Diocese owns the title to the assets, the schools use the assets under "mere" licences which pass no interest to the school and the Diocese has not ceded control of the assets to the school, so the land and buildings used by the schools are not included on the Council's Balance Sheet. Academies are not considered to be maintained schools in the Council's control so the land and building assets are not owned by the Council and not included on the Council's Balance Sheet.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made considering historical experience, current trends, and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions' liability of changes in individual assumptions can be measured. As examples, an increase in life expectancy of retired employees of 1 year would increase the net pension liability by £19.0M, and an increase in the discount rate of 0.1% would decrease the net pension liability by £8.8M. The full effects on the net pensions' liability are fully disclosed in note 37 to the Accounts.

Item	Uncertainties	Effect if actual results differ from assumptions
<p>Fair Value Measurements</p>	<p>When the fair values of non-financial assets and non-financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties and surplus assets, the Council's external valuer). Information about the valuation techniques and inputs used in determining the fair value of the Council's Investment Properties and Surplus Assets are disclosed in notes 24 and 21a respectively.</p>	<p>The Council uses the discounted cash flow model to measure the fair value of its investment properties. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy levels, bad debt levels, maintenance costs and discount rates.</p> <p>The Council uses the comparative approach to measure the fair value of its surplus development plots using the sales price obtained for similar development plots in the past. The significant unobservable inputs used in the fair value measurement include the external valuers' professional judgement on current sales prices.</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and surplus assets.</p> <p>The ranges used, on a weighted average basis, are maintained on a consistent basis year on year.</p> <p>The Council's investment property portfolio and surplus assets are relatively stable and there has been no change in the valuation techniques used for Investment Properties or Surplus Assets in 2022/23 including the applicable ranges.</p>

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment (including infrastructure assets)	The uncertainties arise because of the estimations used by the valuer. The basis of these estimations is set out in note 21 but different valuers could arrive at different results whilst still using the same basis for those estimations.	The actual value of the asset only becomes apparent when it is sold. The accounting treatment is set out in the disposals paragraph of the Property, Plant and Equipment section of Note 1.
	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge would increase by £1.5M for every year that useful lives had to be reduced.</p>

Note 5. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Executive Director (Finance and Resources) on 31 May 2023. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The prevailing national operating environment, particularly for upper tier local authorities has never been so financially challenging with numerous Councils announcing or giving warnings of financial distress. There remains widespread concern and risk to the continued delivery and level of public services in many local authority areas. Locally, challenges remain with the effects of coping with the impact of the cost of living crisis on the Council and its partners. The increased service demand pressures, prevailing inflationary increases and supply chain issues will impact the ongoing financial position of the Council. There were 8 successive interest rate rises during 2022/23 and although the rate of inflation has decreased during 2023/24, it still remains above the Bank of England's target rate. There is uncertainty as to the timing and extent of any further measures that will be taken by the Bank of England and the Government to meet the target. The key impacts on the 2022/23 financial year and the implications for the 2023/24 budget and Medium Term Financial Strategy was set out in the provisional resources outturn for 2022/23 that was presented to the Cabinet meeting on 18 July 2023.

Porters Place Southend-on-Sea LLP is one of the joint ventures in which the Council participates, with the purpose to regenerate the Queensway Estate and surrounding environs. It was a 30-year partnership with Swan Housing Association and their wholly

owned subsidiary Swan BQ Limited. Following the business combination with the housing association Sanctuary towards the end of 2022/23, Sanctuary then commenced a period of review and due diligence of all Swan Housing Association's development commitments. On 10 August 2023 Sanctuary Housing Association confirmed its intention to withdraw involvement from the Better Queensway project so that it could prioritise investment and commitment to existing homes and communities and focus on the delivery of schemes where construction had already started. Following the signing of the settlement agreement by all relevant parties, Swan BQ Limited exited as a member of Porters Place Southend-on-Sea LLP on 28 November 2023.

A joint venture partnership between Southend-on-Sea City Council and London Hire Community Services to provide a passenger transport service across the City was trading as Vecteo as at 31 March 2023. At that date the Council had a 49% holding. On 12 May 2023 the Council became the 100% shareholder of the company.

Notes Supporting the Comprehensive Income and Expenditure Statement

Note 6. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, Council Tax and Business Rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	2021/22			Notes	2022/23		
	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000 Restated	£000 Restated	£000 Restated		£000	£000	£000
	11,734	6,698	18,432		7,235	10,110	17,345
	15,378	3,850	19,228		14,593	11,145	25,738
	15,395	1,302	16,697		16,333	3,272	19,605
	46,931	11,979	58,910		50,597	5,034	55,631
	(789)	4,189	3,400		(1,611)	11,023	9,412
	37,363	10,973	48,336		41,288	5,622	46,910
	(3,079)	4,628	1,549		931	168	1,099
	(525)	10,564	10,039		2,970	7,912	10,882
	122,408	54,183	176,591		132,336	54,286	186,622
	(7,275)	(538)	(7,813)		(7,535)	2,948	(4,587)
	(7,275)	(538)	(7,813)		(7,535)	2,948	(4,587)
	115,133	53,645	168,778		124,801	57,234	182,035
	14,576	1,393	15,969		5,296	12,312	17,608
	(129,709)	(36,590)	(166,299)		(130,097)	(32,267)	(162,364)
	(115,133)	(35,197)	(150,330)		(124,801)	(19,955)	(144,756)
	0	18,448	18,448	7	0	37,279	37,279
	14,502				14,502		
	0				0		
	14,502				14,502		

The adjustments required to convert the accounts from the funding basis to the comprehensive income and expenditure statement are set out below.

	2021/22				Notes	2022/23			
	IAS 19 Pension Adjustments	Adjustments for Capital Purposes	Other Differences	Total Adjustments between the Funding and Accounting Basis		IAS 19 Pension Adjustments	Adjustments for Capital Purposes	Other Differences	Total Adjustments between the Funding and Accounting Basis
	£000	£000	£000	£000		£000	£000	£000	£000
	Restated	Restated	Restated						
	1,972	4,104	622	6,698	Leader: Corporate Matters and Performance Delivery	1,865	8,146	99	10,110
	3,589	3,556	(3,295)	3,850	Deputy Leader (May-Oct): Environment, Culture and Tourism	2,547	7,341	1,257	11,145
	1,514	(222)	10	1,302	Deputy Leader (Nov-May): Public Protection	1,089	2,142	41	3,272
	4,206	7,709	64	11,979	Adult Social Care and Health Integration	2,928	1,954	152	5,034
	0	1,998	2,191	4,189	Asset Management and Inward Investment	(1)	8,019	3,005	11,023
	6,871	3,093	1,009	10,973	Children and Learning	4,853	(64)	833	5,622
	1,479	3,138	11	4,628	Economic Recovery, Regeneration and Housing	1,162	2,355	(3,349)	168
	1,526	9,030	8	10,564	Highways, Transport and Parking	1,077	6,789	46	7,912
	21,157	32,406	620	54,183	Net Cost of General Fund Services	15,520	36,682	2,084	54,286
	0	(539)	1	(538)	Net Cost of Housing Revenue Account Services	0	2,816	132	2,948
	21,157	31,867	621	53,645	Net Cost of Services	15,520	39,498	2,216	57,234
	3,815	(6,633)	4,211	1,393	Other (Income) and Expenditure	2,242	(34,268)	44,338	12,312
	0	(14,838)	(21,752)	(36,590)	Taxation and non-specific Grant Income	0	0	(32,267)	(32,267)
	24,972	10,396	(16,920)	18,448	(Surplus) or Deficit	17,762	5,230	14,287	37,279

a IAS19 Pension Adjustments

Net change for the removal of actual pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

For **services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.

For **financing and investment income and expenditure** -- the net interest on the defined benefit liability is charged to the CIES.

b Adjustments for Capital Purposes

Adjustments for capital purposes – for **services** this column adds in depreciation, impairment and revaluation gains and losses in the services line and consolidates out interest payments and income for the HRA, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

c Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For **services** this column adjusts for the accrued value of holiday entitlements not taken as at the balance sheet date, consolidates in the in-year activity of maintained schools and moves the value of traded services and investment properties to **financing and investment income and expenditure**.

The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Note 7. Expenditure and Income Analysed by Nature

The Council's expenditure and income as set out in the Comprehensive Income and Expenditure Statement is analysed as follows.

	Notes	2022/23 £000	2021/22 £000
Income			
Fees, Charges and other Service Income	8	(86,104)	(77,706)
Interest and Investment Income	11	(4,176)	(1,898)
Increases in the Fair Value of pooled investments	11	0	(4,800)
Gains on Revaluation		(7,238)	(3,983)
Income from Council Tax	12	(93,344)	(88,675)
Income from Non-domestic Rates	12	(17,900)	(15,109)
Government Grants and Contributions	18	(226,479)	(246,110)
Gains on the disposal of Assets	10	(806)	0
Total Income		(436,047)	(438,281)
Expenditure			
Employee Benefits Expenses		107,869	106,316
Other Service Expenses		287,031	285,972
Support Service Recharges (net)		(121)	(253)
Depreciation, Amortisation and Impairment		54,921	42,621
Interest Payments	11	12,860	12,654
Decreases in the Fair Value of pooled investments	11	7,335	0
Pensions Interest and Expected Return	11	2,242	3,809
Precepts and Levies	10	1,189	1,077
Payments to Housing Capital Receipts Pool	10	0	608
Losses on the disposal of Assets	10	0	3,925
Total Expenditure		473,326	456,729
Deficit on the Provision of Services		37,279	18,448

Note 8. Segmental Income

Fees, charges, and other Income generated on a portfolio service basis is analysed as follows.

	2022/23	2021/22
	£000	£000
		Restated
Leader: Corporate Matters and Performance Delivery	(2,758)	(3,993)
Deputy Leader (May-Oct): Environment, Culture and Tourism	(5,272)	(4,836)
Deputy Leader (Nov-May): Public Protection	(3,839)	(5,150)
Adult Social Care and Health Integration	(13,726)	(12,222)
Asset Management and Inward Investment	(2,660)	(2,220)
Children and Learning	(4,555)	(2,131)
Economic Recovery, Regeneration and Housing	(5,886)	(2,020)
Highways, Transport and Parking	(11,549)	(10,726)
Total Income from General Fund Services	(50,245)	(43,298)
Local Authority Housing (HRA)	(29,667)	(28,329)
Total Income from Housing Revenue Account Services	(29,667)	(28,329)
Total Income from Services	(79,912)	(71,627)
Other Income and Expenditure	(6,192)	(6,079)
Total Income	(86,104)	(77,706)

Note 9. Material Items of Income and Expense

In relation to 2022/23:

- The Surplus/Deficit on Revaluation of non-current assets of £21.506M consists of £22.322M of revaluation gains from the increase in the value of Property Plant and Equipment and £0.816M accumulated revaluation gains lost as a result of downwards revaluation and impairment losses to Property Plant and Equipment.
- The performance of the Essex Pension Fund during 2022/23 improved with the combination of an increase in the underlying value of scheme assets and a decrease in the present value of scheme liabilities. This has led to an actuarial gain passing through the Comprehensive Income and Expenditure Statement of £232.724M
- In response to the cost-of-living crisis the Government provided financial support to all households through the Council Tax Energy Rebate. In accordance with the grant conditions the Council validated the intended eligible households and value of support based on the specific guidance and instructions received. The Council only acted as an agent for this £10.334M and had no control or influence over the basis or the actual amount that was passed on to the intended recipient.

In relation to 2021/22:

- The Surplus/Deficit on Revaluation of non-current assets of £39.980M consists of £45.406M of revaluation gains from the increase in the value of Property Plant and Equipment and £5.426M accumulated revaluation gains lost as a result of downwards revaluation and impairment losses to Property Plant and Equipment.
- The performance of the Essex Pension Fund during 2021/22 improved with the combination of an increase in the underlying value of scheme assets and a decrease in the present value of scheme liabilities. This has led to an actuarial gain passing through the Comprehensive Income and Expenditure Statement of £102.177M
- In response to the COVID-19 pandemic the Government provided financial support to all Councils in the form of grants and compensation for loss of income. In accordance with the grant conditions and compensation arrangements £28.823M of the financial support was received by the Council to meet the increased costs incurred as a result of the pandemic or passed on to eligible local residents and businesses where the Council had a direct influence over the basis, value and distribution of the grant.
- A further £14.697M was also received from Government where the Council validated the intended eligible resident/business and value of support based on the specific guidance and instructions received. This amount is made up of £7.158M of funding allocated in response to the COVID-19 pandemic and £7.539M allocated through the Better Care Fund. The Council only acted as an agent and had no control or influence over the basis or the actual amount that was passported on to the intended recipient.
- The Collection Fund has continued to see a significant reduction in the level of business rate income received and the Council has received Section 31 grants of £5.233M in the General Fund to compensate for this.

Note 10. Other Operating Income and Expenditure

	2022/23	2021/22
	£000	£000
Leigh Town Council Precept and Grant	453	443
Levies	736	634
Payments to the Government Housing Capital Receipts Pool	0	608
(Gains)/Losses on the Disposal of Non-current Assets	(806)	3,925
Total	383	5,610

Note 11. Financing and Investment Income and Expenditure

	2022/23 £000	2021/22 £000
Interest Payable and Similar Charges	12,860	12,654
Interest on net pension liability	2,242	3,809
Interest Receivable and Similar Income	(4,176)	(1,898)
Movement in the Fair Value of pooled investments	7,335	(4,800)
Income and Expenditure in relation to Investment Properties and changes in their Fair Value	(3,078)	(1,619)
Deficit on Traded Services	2,242	2,372
Other	(200)	(159)
Total	17,225	10,359

See also note 24 for more information on Investment Properties.

Note 12. Taxation and Non Specific Grant Incomes

	2022/23 £000	2021/22 £000
Council Tax Income	93,344	88,675
Retained Business Rates	17,900	15,109
Non-Ringfenced Government Grants	39,641	31,363
COVID-19 Related Grants and Contributions	6	16,314
Capital Grants and Contributions	11,473	14,838
Total	162,364	166,299

Note 13. Pooled Budgets

The Better Care Fund, an agreement between Southend-on-Sea City Council and Mid and South Essex Integrated Care Board (previously Southend Clinical Commissioning Group), came into place for the 2015/16 financial year. The purpose of the fund is to encourage the integration of Health and Adult Social Care commissioning. The agreement is made in accordance with Section 75 of the National Health Service Act 2006 and any surplus or deficit generated will be the responsibility of the respective partner to whom it is attributable. The pooled budget is hosted by Southend-on-Sea City Council on behalf of the two partners in line with the agreement.

The Contributions into the pool are the minimum requirements under rules set by the Department of Health and Social Care and the Department for Levelling Up, Housing and Communities. The expenditure by each of the partners is negotiated between them each year and set within the Section 75 agreement referred to above.

In 2022/23 the Adult Social Care Discharge Fund was created and allocated from the Department of Health and Social Care to local authorities and health in order to achieve the maximum reduction in delayed discharge from hospital, with the requirement that this funding was pooled into the Better Care Fund

	2022/23	2021/22
	£000	£000
Funding provided to the pooled budget		
Southend-on-Sea City Council	(10,237)	(9,289)
NHS Mid and South Essex Integrated Care Board	(15,493)	(14,312)
Total Funding	(25,730)	(23,601)
Expenditure met from the pooled budget		
Southend-on-Sea City Council	17,393	16,062
NHS Mid and South Essex Integrated Care Board	8,337	7,539
Total Expenditure	25,730	23,601
Net Pooled Budget	0	0
Southend-on-Sea City Council share	0	0

Note 14. Members' Allowances

The Council paid the following amounts to Members of the Council during the year.

	2022/23	2021/22
	£000	£000
Basic Allowances	515	478
Special Allowances	208	195
Total Members Allowances	723	673

A full list of the Members' allowances, including their travel and subsistence, is published in the Additional Financial Information Section.

Note 15. Officers' Remuneration

The remuneration paid to the Council's senior employees is as follows:

2022/23

Post holder information (Post title)	Salary (Including fees and Allowances)	Compensation for loss of employment	Benefits in Kind (e.g. Car Allowance)	Total Remuneration excluding pension contributions 2021/22	Pension contribution	Total Remuneration including pension contributions 2021/22
	£	£	£	£	£	£
Chief Executive from 25th October 2022	81,974	0	0	81,974	15,264	97,238
Chief Executive to 28th October 2022	105,542	0	0	105,542	20,305	125,847
Deputy Chief Executive & Executive Director Finance and Resources to 31st January 2023	119,497	0	0	119,497	23,182	142,679
Executive Directors						
Children and Public Health - Michael Marks	126,978	0	0	126,978	24,634	151,612
Adults and Communities to 29th August 2022	53,299	0	0	53,299	10,340	63,639
Interim Adults and Communities from 22nd August 2022 to 6th March 2023	114,912	0	0	114,912	0	114,912
Adults and Communities from 6th March 2023	8,882	0	0	8,882	1,697	10,579
Neighbourhoods and Environment to 17th July 2022	39,321	0	0	39,321	7,628	46,949
Interim Neighbourhoods and Environment	299,294	0	0	299,294	0	299,294
Interim Growth & Housing	123,419	0	0	123,419	23,830	147,249
Finance & Resources from 1st February 2023	20,859	0	0	20,859	4,047	24,906
Interim Strategy, Change & Governance	122,634	0	0	122,634	23,586	146,220
Directors						
Regeneration and Growth to 16th June 2022	22,041	0	0	22,041	4,276	26,317
Interim Regeneration and Growth from 1st June 2022	132,012	0	0	132,012	0	132,012
Planning	89,587	0	0	89,587	17,380	106,967
Housing	98,355	0	0	98,355	19,081	117,436
Social Care Operations	109,066	0	0	109,066	0	109,066
Commissioning	98,205	0	0	98,205	19,052	117,257
Culture and Tourism	98,205	0	0	98,205	19,052	117,257
Education and Early Years to 31st July 2022	33,842	31,628	0	65,470	6,565	72,035
Education, Inclusion and Early Years from 20th February 2023	11,182	0	0	11,182	2,169	13,351
Children's Services to 11th May 2022	12,560	38,288	0	50,848	2,437	53,285
Interim Children's Social Work, Early Help & Youth Support to 27th May 2022	37,001	0	0	37,001	0	37,001
Children's Social Work, Early Help and Youth Support from 9th May 2022	95,478	0	0	95,478	18,523	114,001
Public Health	111,787	0	0	111,787	12,711	124,498
Public Protection	106,937	0	0	106,937	20,746	127,683
Financial Services	195,487	0	0	195,487	0	195,487
Legal Services and Monitoring	90,913	0	0	90,913	17,637	108,550
Digital & ICT	103,205	0	0	103,205	20,022	123,227

2021/22

Post holder information (Post title)	£ Salary (Including fees and Allowances)	£ Compensation for loss of employment	£ Benefits in Kind (e.g. Car Allowance)	£ Total Remuneration excluding pension contributions 2021/22	£ Pension contribution	£ Total Remuneration including pension contributions 2021/22
Chief Executive to 25th July 2021	51,862	0	0	51,862	10,061	61,923
Chief Executive - Andrew Lewis from 26th July 2021	111,634	0	0	111,634	21,657	133,291
Deputy Chief Executive & Executive Director Growth and Housing - Andrew Lewis to 25th July 2021	44,082	0	0	44,082	8,552	52,634
Deputy Chief Executive & Executive Director Finance and Resources from 21st September 2021	73,346	0	0	73,346	14,229	87,575
Executive Directors						
Adults and Communities	122,917	0	0	122,917	23,846	146,763
Children and Public Health	122,917	0	0	122,917	23,846	146,763
Interim Neighbourhoods and Environment to 7th May 2021	19,494	0	0	19,494	0	19,494
Neighbourhoods and Environment from 29th April 2021	113,357	0	0	113,357	21,991	135,348
Interim Growth and Housing from 26th July 2021	74,423	0	0	74,423	14,438	88,861
Legal and Democratic Services <i>annualised as reduced hours</i>	87,198	0	0	87,198	16,916	104,114
Finance and Resources to 20th September 2021	54,564	0	0	54,564	10,585	65,149
Transformation to 30th September 2021	54,498	0	0	54,498	10,573	65,071
Strategy, Change and Governance from 6th September 2021	59,657	0	0	59,657	11,573	71,230
Directors						
Regeneration and Growth	94,884	0	0	94,884	18,407	113,291
Interim Planning to 2nd July 2021	43,380	0	0	43,380	0	43,380
Interim Planning from 4th January 2022	20,660	0	0	20,660	4,008	24,668
Housing	94,884	0	0	94,884	18,407	113,291
Adult Social Care Operations from 3rd January 2022	26,175	0	0	26,175	0	26,175
Commissioning	101,263	0	0	101,263	19,645	120,908
Communities to 28th February 2022	87,347	70,968	0	158,315	16,945	175,260
Culture and Tourism	94,884	0	0	94,884	18,407	113,291
Education and Early Years	94,884	0	0	94,884	18,407	113,291
Children's Services	94,884	0	0	94,884	18,407	113,291
Interim Children's Social Work, Early Help and Youth Support from 29th November 2021	77,520	0	0	77,520	0	77,520
Public Health	107,689	0	0	107,689	13,062	120,751
Public Protection to 30th June 2021	23,721	30,000	0	53,721	4,602	58,323

Interim Public Protection from 26th July 2021 to 4th February 2022	96,330	0	0	96,330	0	96,330
Public Protection from 1st February 2022	17,500	0	0	17,500	3,395	20,895
Interim Highways and Parks from 5th July 2021	199,667	0	0	199,667	0	199,667
Property and Commercial to 25th July 2021	30,098	0	0	30,098	5,839	35,937
Financial Services	168,123	0	0	168,123	0	168,123
Digital and ICT	99,884	0	0	99,884	19,377	119,261

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

	2022/23			2021/22		
	Number of Staff			Number of Staff		
	Council	Schools	Total	Council	Schools	Total
£50,000 to £54,999	98	5	103	87	8	95
£55,000 to £59,999	54	11	65	40	3	43
£60,000 to £64,999	38	3	41	27	6	33
£65,000 to £69,999	14	5	19	8	2	10
£70,000 to £74,999	14	2	16	16	3	19
£75,000 to £79,999	9	3	12	8	4	12
£80,000 to £84,999	3	2	5	3	1	4
£85,000 to £89,999	1	1	2	1	0	1
£90,000 to £94,999	1	0	1	1	1	2
£95,000 to £99,999	0	0	0	1	0	1
£105,000 to £109,999	0	0	0	1	0	1
Total	232	32	264	193	28	221

Remuneration includes all sums paid to or receivable by employees, expense allowances chargeable to tax, severance payments and the money value of benefits.

Exit package cost band including special payments

	Total number of exit packages by cost band						Total cost of exit packages	
	2022/23			2021/22			2022/23	2021/22
	Compulsory	Other	Total	Compulsory	Other	Total	£	£
Council Staff								
£0 - £19,999	16	4	20	15	17	32	116,369	177,374
£20,000 - £39,999	1	1	2	2	5	7	61,709	177,302
£40,000 - £59,999	1	2	3	3	0	3	146,812	141,150
£60,000 - £79,999	0	1	1	0	2	2	66,084	135,760
£80,000 - £99,999	0	1	1	0	3	3	94,533	276,484
£150,000 - £199,999	0	1	1	0	0	0	176,295	0
Sub-Total	18	10	28	20	27	47	661,801	908,070
School Staff								
£0 - £19,999	0	1	1	1	0	1	9,294	19,378
£60,000 - £79,999	0	1	1	0	0	0	61,389	0
Sub-Total	0	2	2	1	0	1	70,683	19,378
Total	18	12	30	21	27	48	732,484	927,448

Note 16. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts provided by the Council's external auditors:

	2022/23	2021/22
	£000	£000
Fees payable with regard to external audit services	125	110
Total Audit Costs	125	110

Note 17. Dedicated Schools Grant

The Council's expenditure on schools and early years childcare is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget and for early years childcare, as defined in the School and Early Years Finance (England) Regulations 2018.

Details of the deployment of DSG receivable are as follows:

	2022/23	2022/23	2022/23	2021/22
	Central	Individual	Total	Total
	Expenditure	Schools	£000	£000
	£000	Budget		
		£000		
Final DSG before academy recoupment			178,909	170,936
Academy figure recouped			(122,349)	(116,931)
Total DSG after academy recoupment			56,560	54,005
Plus: Brought forward from prior year			8,401	4,481
Less: Carry forward to following year, agreed in advance			(8,146)	(4,309)
Total DSG available			56,815	54,177
Agreed initial budget distribution	23,310	33,505	56,815	54,177
In year adjustments (early years)	61	0	61	(45)
Final budget distribution	23,371	33,505	56,876	54,132
Less: Actual central expenditure	(19,878)		(19,878)	(16,204)
Less: Actual ISB deployed to Schools and providers		(33,226)	(33,226)	(33,836)
Carry forward to following year	3,493	279	3,772	4,092
Plus: Carry forward agreed in advance			8,146	4,309
Total DSG Carried Forward			11,918	8,401

Note 18. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23.

	2022/23	2021/22
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Non-Ringfenced Government Grants		
Business Rates Top Up and Section 31 Grants	21,057	17,319
Adult Social Care Grant	8,155	5,953
Revenue Support Grant	6,244	6,055
Services Grant	2,433	0
Other non-ringfenced government grants	1,077	659
New Homes Bonus	675	1,377
COVID-19 Related Grants and Contributions		
Business Rates Reliefs	265	5,233
COVID-19 Additional Relief Fund (CARF)	0	1,224
COVID-19 Local Authority Support Grant	0	4,931
Council Tax Hardship Fund & Income Guarantee Scheme	0	2,941
COVID-19 Income Compensation Scheme	(259)	1,644
COVID-19 Clinically Extremely Vulnerable Support	0	341
	39,647	47,677
Capital Grants and Contributions		
Levelling Up Fund	5,758	1,482
Highways and Infrastructure	3,876	5,591
Schools	949	3,367
Housing	557	1,043
Energy Saving	264	0
Enterprise and Regeneration	68	0
Culture	1	21
Airport Business Park	0	3,325
Social Care	0	9
	11,473	14,838
Total	51,120	62,515

	2022/23	2021/22
	£000	£000
Credited to Services		
Dedicated Schools Grant	56,621	53,960
Housing Benefits	51,594	53,290
Other Service Grants and Contributions	10,411	9,806
Public Health Grant	10,073	9,798
Other grants and third party contributions funding REFCUS	10,072	10,495
Improved Better Care Fund	7,798	7,568
Better Care Fund	7,156	0
Education and Skills Funding Agency	3,722	3,239
Resettlement Programme	3,717	0
Household Support Fund	2,826	1,413
Pupil Premium	2,081	1,943
Unaccompanied Asylum Children	1,855	1,121
South East Business Boost	1,852	1,935
Homelessness/Rough Sleeper Initiatives	1,595	2,104
Funding from Clinical Commissioning Groups	831	7,467
Universal Infant Free School Meals Grant	765	868
Troubled Families	754	0
Adult Social Care Discharge Fund	687	0
Housing Benefit Administration	613	846
COVID-19 Response Grant and Contributions	336	17,742
Total	175,359	183,595

The Council has recognised all of the grants and contributions received as income through the Comprehensive Income and Expenditure Statement, as any conditions attached to the grants and contributions that may have required the monies or property to be returned to the giver have been met.

Notes Supporting the Movements in Reserves Statement

Note 19. Adjustments between Accounting Basis and Funding Basis under Regulations

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

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the comprehensive income and expenditure statement						
Charges for depreciation of non-current assets	16,979	7,682	0	0	0	(24,661)
Revaluation and impairment losses on property, plant and equipment and intangible assets	11,105	1,620	0	0	0	(12,725)
Movements in the market value of investment properties	(123)	(131)	0	0	0	254
Amortisation of intangible assets	2,923	0	0	0	0	(2,923)
Capital grants and contributions applied	17,742	982	0	0	(24,803)	6,079
Revenue expenditure funded from capital under statute	7,383	352	0	0	0	(7,735)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement	2,092	1,441	0	0	0	(3,533)
Change in fair value of pooled investments taken to Financial Instruments Revaluation Reserve	7,335	0	0	0	0	(7,335)
Insertion of items not debited or credited to the comprehensive income and expenditure statement						
Statutory provision for the financing of capital investment	(11,722)	0	0	0	0	11,722
Capital expenditure charged against the General Fund and HRA Balances	(559)	(4,105)	0	0	0	4,664
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	(38,412)	(1,858)	0	0	40,270	0
Application of grants to capital financing transferred to the capital adjustment account	0	0	0	0	(6,435)	6,435
Adjustments Primarily involving the Major Repairs Reserve						
Reverse MRA credited to HRA	0	(7,682)	0	0	0	7,682
Reversal of HRA Depreciation credited to the Major Repair Reserve	0	0	0	7,682	0	(7,682)
Use of the major repairs reserve to finance new capital expenditure	0	0	0	(6,161)	0	6,161
Adjustments primarily involving the Deferred Capital Receipts Account						
Transfer of deferred capital receipt recognised as income in the Comprehensive Income and Expenditure Account	(759)	0	0	0	0	759

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Receipts Reserves						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	(2,026)	(2,312)	4,338	0	0	0
Use of the capital receipts reserve towards administrative costs of non-current asset disposals	0	0	0	0	0	0
Use of the capital receipts reserve to repay borrowing	0	0	0	0	0	0
Use of the capital receipts reserve to finance new capital expenditure	0	0	(987)	0	0	987
Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool	0	0	0	0	0	0
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to the retirement benefits debited or credited to the comprehensive income and expenditure statement (see note 37)	30,674	0	0	0	0	(30,674)
Employer's pensions contributions and direct payments to pensioners payable in the year	(12,912)	0	0	0	0	12,912
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which council tax and business rate income credited to the comprehensive income and expenditure statement is different from council and business rate income calculated for the year in accordance with statutory requirements	(6,354)	0	0	0	0	6,354
Adjustments Primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with the statutory requirements	936	0	0	0	0	(936)
Total Adjustments	24,302	(4,011)	3,351	1,521	9,032	(34,195)

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the comprehensive income and expenditure statement						
Charges for depreciation of non-current assets	13,173	6,817	0	0	0	(19,990)
Revaluation and impairment losses on property, plant and equipment and intangible assets	10,381	(1,251)	0	0	0	(9,130)
Movements in the market value of investment properties	845	0	0	0	0	(845)
Amortisation of intangible assets	1,670	0	0	0	0	(1,670)
Capital grants and contributions applied	6,186	(280)	0	0	(11,213)	5,307
Revenue expenditure funded from capital under statute	7,174	90	0	0	0	(7,264)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement	5,011	1,413	0	0	0	(6,424)
Change in fair value of pooled investments taken to Financial Instruments Revaluation Reserve	(4,800)	0	0	0	0	4,800
Insertion of items not debited or credited to the comprehensive income and expenditure statement						
Statutory provision for the financing of capital investment	(10,467)	0	0	0	0	10,467
Capital expenditure charged against the General Fund and HRA Balances	(750)	(3,125)	0	0	0	3,875
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	(29,204)	(2,034)	0	0	31,238	0
Application of grants to capital financing transferred to the capital adjustment account	0	0	0	0	(13,730)	13,730
Adjustments Primarily involving the Major Repairs Reserve						
Reverse MRA credited to HRA	0	(6,817)	0	0	0	6,817
Reversal of HRA Depreciation credited to the Major Repair Reserve	0	0	0	6,817	0	(6,817)
Use of the major repairs reserve to finance new capital expenditure	0	0	0	(6,489)	0	6,489
Adjustments primarily involving the Deferred Capital Receipts Account						
Transfer of deferred capital receipt recognised as income in the Comprehensive Income and Expenditure Account	(1,075)	0	0	0	0	1,075

2021/22 Comparative Figures

Usable Reserves

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Receipts Reserves						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	(104)	(2,396)	2,500	0	0	0
Use of the capital receipts reserve towards administrative costs of non-current asset disposals	0	0	0	0	0	0
Use of the capital receipts reserve to repay borrowing	0	0	0	0	0	0
Use of the capital receipts reserve to finance new capital expenditure	0	0	(1,155)	0	0	1,155
Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool	608	0	(608)	0	0	0
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to the retirement benefits debited or credited to the comprehensive income and expenditure statement (see note 37)	36,389	0	0	0	0	(36,389)
Employer's pensions contributions and direct payments to pensioners payable in the year	(11,417)	0	0	0	0	11,417
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which council tax and business rate income credited to the comprehensive income and expenditure statement is different from council and business rate income calculated for the year in accordance with statutory requirements	(6,404)	0	0	0	0	6,404
Adjustments Primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with the statutory requirements	294	0	0	0	0	(294)
Total Adjustments	17,510	(7,583)	737	328	6,295	(17,287)

Note 20. Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2022/23.

Earmarked Reserves	Balance at 31	Transfers		Balance at	Transfers		Balance at
	March			31 March			31 March
	2021	To	From	2022	To	From	2023
	£000	£000	£000	£000	£000	£000	£000
School Balances	3,730	0	(163)	3,567	0	(751)	2,816
General Fund Reserves							
Capital Investment Reserves	25,785	0	(1,667)	24,118	10	(4,622)	19,506
Insurance Reserves	6,033	0	0	6,033	0	(611)	5,422
Corporate Reserves	26,809	9,083	(7,629)	28,263	3,120	(11,362)	20,021
851 Service Reserves	12,690	2,608	(4,145)	11,153	991	(2,341)	9,803
Grants Reserves	25,882	10,366	(21,081)	15,167	5,622	(10,238)	10,551
Dedicated Schools Grant	4,481	3,920	0	8,401	3,563	(46)	11,918
Monies held in Trust	53	0	0	53	0	0	53
Total GF Reserves	101,733	25,977	(34,522)	93,188	13,306	(29,220)	77,274
HRA Service Reserves	34,652	8,407	(8,220)	34,839	4,332	(4,655)	34,516
Total Earmarked Reserves	140,115	34,384	(42,905)	131,594	17,638	(34,626)	114,606

Schools Balances

The school's balances for both revenue and capital are all committed to be spent on the education service. The amounts disclosed in the balance sheet represent an amalgamation of unspent and overspent balances.

Capital Investment Reserves

Amounts set aside to fund future capital projects.

Insurance Reserve

A reserve that covers potential claim liabilities arising from the Employers' Liability, Public Liability, Property, and other insurable risks retained by the Council.

Corporate Reserves

Amounts set aside to fund the costs of corporate, non-service specific activities, such as business transformation, interest equalisation and pensions.

Service Reserves

Amounts set aside to fund the costs of service specific activities, such as adult social care, children's social care and waste management. Separate service reserves are held for General Fund and Housing Revenue Account services.

Grants Reserves

In compliance with Recommended Practice, service grant income received in the year has been fully recognised, even where it has not necessarily been or planned to be spent. In these cases, the spending power of the grant has been preserved through the use of earmarked reserves.

Section 31 Grants

The Government has continued to provide financial support to all councils relating to the support provided to businesses following the COVID-19 pandemic in the form of grants for business rate reliefs.

Monies held in Trust

The Council holds monies in respect of two trust funds and on behalf of several children pending them reaching the age of 18.

Notes Supporting the Balance Sheet

Note 21. Property, Plant and Equipment

Note 21a Property, Plant and Equipment (excluding infrastructure assets)

Movements in 2022/23

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation as at 1 April 2022	460,419	272,447	27,186	3,799	16,122	8,759	788,732
Additions	12,280	6,121	1,609	176	1	5,514	25,701
Revaluations via Revaluation Reserve	8,067	11,292	0	0	30	0	19,389
Revaluations recognised in the CIES	(1,620)	(10,732)	(431)	(157)	(1)	0	(12,941)
Disposals	(1,500)	(598)	(1,320)	0	(1,224)	0	(4,642)
Transfers	38	9,248	0	355	0	(9,953)	(312)
Gross Book Value as at 31 March 2023	477,684	287,778	27,044	4,173	14,928	4,320	815,927
Accumulated Depreciation as at 1 April 2022	(12,661)	(5,060)	(11,980)	0	(2)	0	(29,703)
Depreciation	(7,502)	(4,474)	(4,919)	0	(1,298)	0	(18,193)
Written out to Revaluation Reserve	0	2,118	0	0	0	0	2,118
Written out to the CIES	0	666	0	0	0	0	666
On Disposals	58	22	1,283	0	0	0	1,363
On Transfers	0	206	0	0	0	0	206
Accumulated Depreciation at 31 March 2023	(20,105)	(6,522)	(15,616)	0	(1,300)	0	(43,543)
Net Book Value as at 31 March 2022	447,758	267,387	15,206	3,799	16,120	8,759	759,029
Net Book Value as at 31 March 2023	457,579	281,256	11,428	4,173	13,628	4,320	772,384

Movements in 2021/22

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation as at 1 April 2021	417,664	265,555	22,238	3,537	13,881	9,417	732,292
Additions	11,472	7,806	5,066	127	18	15,839	40,328
Revaluations via Revaluation Reserve	30,893	4,492	0	43	(2,037)	0	33,391
Revaluations recognised in the CIES	967	(11,707)	0	(86)	302	0	(10,524)
Disposals	(1,454)	(5,510)	(118)	0	0	0	(7,082)
Transfers	877	11,811	0	178	3,958	(16,497)	327
Gross Book Value as at 31 March 2022	460,419	272,447	27,186	3,799	16,122	8,759	788,732
Accumulated Depreciation as at 1 April 2021	(6,037)	(10,822)	(8,852)	0	2	0	(25,709)
Depreciation	(6,687)	(4,173)	(3,172)	0	(12)	0	(14,044)
Written out to Revaluation Reserve	22	3,406	0	0	3,147	0	6,575
Written out to the CIES	0	2,817	0	0	0	0	2,817
On Disposals	41	573	44	0	0	0	658
On Transfers	0	3,139	0	0	(3,139)	0	0
Accumulated Depreciation at 31 March 2022	(12,661)	(5,060)	(11,980)	0	(2)	0	(29,703)
Net Book Value as at 31 March 2021	411,627	254,733	13,386	3,537	13,883	9,417	706,583
Net Book Value as at 31 March 2022	447,758	267,387	15,206	3,799	16,120	8,759	759,029

Depreciation

The useful lives disclosed below are the number of years remaining, over which the asset is depreciated on a straight-line basis (where applicable):

2022/23		2021/22
Useful economic Life Years	Fixed Asset Category	Useful Economic Life Years
Between 2 and 60	Council Dwellings	Between 1 and 59
Between 1 and 60	Other Land & Buildings	Between 1 and 60
Between 1 and 47	Vehicles, Plant, Furniture and Equipment	Between 1 and 48
Not applicable	Community Assets	Not applicable
Between 7 and 58	Surplus Assets	Between 1 and 60
Not applicable	Assets Under Construction	Not applicable

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. Valuations were carried out using external valuers. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). Valuations of vehicles, plant, furniture, and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The following table shows the progress of the Council's rolling programme for the revaluations of fixed assets.

Year of Rolling Programme	Internal/External Valuation	Valuer	Assets Revalued
2019/20	External	Whybrow and Dodds	Investment properties, Southchurch Hall, the Cliff Lift, cliff bandstand, pier structure and Porters.
2020/21	External	Whybrow and Dodds	Housing Revenue Account council dwellings, investment properties, garages and hostels. Car parks, clubs, travel centre, community centres, depots, libraries, museum, leisure centres, shelters, theatres, public conveniences, care homes, cemetery offices and the crematorium.
2021/22	External	Whybrow and Dodds	Schools, Sports Pavilions, Park WCs, Park Messrooms, Day Centres, Marine Activity Centre and Lagoon WCs.
2022/23	External	Whybrow and Dodds	Parks, pier assets (excluding structure), Southend Adult Community College, Council administrative buildings, cemetery buildings, nursery schools.

The basis for valuation is set out in the statement of accounting policies.

The 2020/21 rolling programme list of assets revalued includes those valued as at 1/4/2021. These would normally be included in the 2021/22 Statement of Accounts but as these values were known at the date of publication, they were included in 2020/21.

The 2021/22 rolling programme list of assets revalued are those valued as at 1/4/2022. These would normally be included in the 2022/23 Statement of Accounts but as these values were known at the date of publication, they have been included in 2021/22.

The 2022/23 rolling programme list of assets revalued are those valued as at 1/4/2023. These would normally be included in the 2023/24 Statement of Accounts but as these values were known at the date of publication, they have been included in 2022/23.

A variety of assets were revalued as at 1/4/2023, some as part of the 5-year rolling programme. The main assets were parks, pier assets (excluding structure), Southend Adult Community College, Council administrative buildings, cemetery buildings and nursery schools.. The significant assumptions applied by the valuer in estimating their current values were:

- The data provided by the Council was accurate at 1 April 2023.
- The Council has good title to the asset, free from onerous covenant and other encumbrances.
- There are no planning proposals that are likely to have an effect on the value of the properties.
- All properties are at a suitable level of condition for service provision and that all internal and external repairs and maintenance have been carried out.
- No deleterious or hazardous material has been used in the construction of the properties or has since been incorporated.
- No contaminative or potentially contaminative uses have ever been carried out on the property.
- The use of relevant data from the Building Cost Information Service of RICS (BCIS).

Indexation

A market review is undertaken by the external valuers at each year-end leading to the valuer advising indexation adjustments to the Council. The Council applies these index percentages to the assets affected to ensure that the carrying amount of relevant assets is not materially different from their current value at the year-end.

Fair Value of Surplus Assets

The Council's surplus assets consist of sixteen development plots at the Airport Business Park (£8.475M) and six other land and building assets which are no longer in operational use (£5.143M).

The fair value of the development plots has been measured using the comparative approach, by means of calculating an expected value per acre, using the sales price obtained for similar development plots in the past and applying this to the acreage of the development plots held.

Third party resources have been used to value these assets. Typical valuation inputs which have been analysed in arriving at the fair valuations include:

- transaction data from previous development plot sales.
- prices at which development plots can currently achieve on the market.
- acreage of the development plots held.
- external valuers' professional judgement on current sales prices.

The Council's surplus assets are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (see the accounting policy for Fair Value Measurement in note 1). There is no reasonably available information that indicates that market participants would use different assumptions.

In estimating the fair value of the Council's surplus assets, the highest and best use of the properties is their future potential use following disposal. The assets are not currently in use and therefore the current use is not considered to be the highest and best use.

The approach to surplus asset valuation in respect of development plots has been developed using the Authority's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows relating to historical sales of the Authority's own development plots, market value growth observed in the Authority's wider asset portfolio, occupancy levels of similar assets held as investment properties, bad debt levels, and maintenance costs. The ranges used, on a weighted average basis, are maintained on a consistent basis year on year. The ranges are sensitive to significant changes in market prices which can result in a significantly lower or higher fair value. The Council's development plot portfolio is relatively stable and there has been no change in the valuation techniques used for these assets in 2022/23 including the applicable ranges.

The fair value of the Authority's surplus asset portfolio is measured as part of a five-year rolling programme. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Authority's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

Note 21b Infrastructure Assets

Accounting for subsequent expenditure on infrastructure assets has recently been subject to heightened focus nationally, and specifically whether local authorities should be assessing if there is any undepreciated cost remaining in the balance sheet for replaced components that needs to be derecognised. This may also lead to issues relating to the reporting of gross historical cost and accumulated depreciation (depreciated historical cost). As a result, CIPFA has issued an "Update to the Code and Specifications for Future Codes for Infrastructure Assets".

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

Net Book Value (modified historical cost)	2022/23	2021/22
At start of year	128,780	116,904
Additions	14,607	17,826
Impairment	(220)	(578)
Transfers	181	0
Depreciation	(5,862)	(5,372)
At end of year	137,486	128,780

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Depreciation

CIPFA also issued Bulletin 12: “Accounting for Infrastructure Assets – Temporary Solution”. In accordance with that guidance the useful lives of the various categories of infrastructure assets have been assessed by the Council’s civil engineering team, which resulted in the useful lives set out in the accounting policy disclosure note 1.

The useful lives disclosed below are the number of years remaining, over which the various parts of the highways network are depreciated on a straight-line basis (where applicable):

2022/23 Remaining Useful Economic Life Years	Infrastructure Asset Category	2021/22 Remaining Useful Economic Life Years
Between 13 and 41	Carriageways	Between 14 and 42
Between 21 and 40	Footways and Cycle Tracks	Between 22 and 36
Between 82 and 100	Structures	Between 83 and 91
Between 22 and 35	Street Lighting	Between 23 and 26
Between 12 and 25	Bus Shelters	Between 13 and 16
Between 17 and 30	Street Furniture	Between 18 and 21
Between 1 and 20	Traffic Management Systems	Between 2 and 11
Between 24 and 45	Sea/Coastal Defences	Between 25 and 36
Between 34 and 35	Offshore Leisure Facilities	Between 35 and 36
Between 2 and 12	Cliff Stabilisation	3 years
2 years	Parking Controls	3 years
Between 36 and 40	Security Management	37 years
29 years	Waste Infrastructure	30 years
Between 38 and 40	Masts	39 years

Note 22. Intangible Assets

The movement on Intangible Asset balances during the year is as follows:

Purchased Software Licences	2022/23 Assets Under Construction £000	2022/23 Purchased £000	2022/23 Total £000	2021/22 Purchased £000
Gross carrying amount at start of year	0	19,342	19,342	17,652
Accumulated amortisation	0	(10,216)	(10,216)	(8,546)
Net carrying amount at start of year	0	9,126	9,126	9,106
Additions	46	1,908	1,954	2,182
Impairment	0	(1)	(1)	(492)
Disposals	0	(4,701)	(4,701)	
<u>Amortisation</u>				
Written out to CIES	0	4,447	4,447	
For Current Year	0	(2,923)	(2,923)	(1,670)
Gross carrying amount at end of year	46	16,548	16,594	19,342
Accumulated amortisation	0	(8,692)	(8,692)	(10,216)
Net carrying amount at end of year	46	7,856	7,902	9,126

The useful lives for these assets (the number of years remaining over which they are depreciated) are between 1 and 20 years (*between 1 and 20 years for 2021/22*).

Note 23. Heritage Assets

The Council's Heritage Assets consist of historic seaside assets, heritage land and buildings, antiques/collectables, museum exhibits and memorials/statues.

Historic Seaside Assets

The historic seaside assets comprise the pier, the cliff lift, and the cliff bandstand. These assets are considered to be part of the fabric of the city as an historic seaside resort.

Heritage Land and Buildings

These consist of the official mayor's residence, Porters, and Southchurch Hall, a grade I listed medieval manor house. These assets are considered to be part of the heritage of the city and are intended to be preserved for future generations because of their cultural, environmental, or historical associations.

Antiques / Collectables

These comprise furniture and furnishings, panelling, carpets, textiles, clocks, silver, plated wares and gold, works of art, ceramics and glass, books, pictures and presentation and commemorative wares. These antiques/collectables date from between the 16th Century and the 20th Century.

Museum Collections

The Council considers that obtaining valuations for the items that are exhibited within the city's museums would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. This is because of the diverse nature of the

assets held and the lack of comparable values. The Council does not recognise these exhibits on the Balance Sheet.

The exception is the Saxon King artefacts which form part of the Council's heritage assets and have been valued by a specialist in archaeology. These items are reported in the Balance Sheet at this valuation which is based on sale prices of comparable material and museum valuations for loan purposes, where relevant. The valuations also take into account the condition of the objects, their rare or unique nature and their relationship to material from other high-status burial contexts such as Sutton Hoo and Taplow. These assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

Memorials and Statues

These are a statue of Queen Victoria which was presented to the city to mark the Queens Jubilee in 1897, and a Lutyens War Memorial to commemorate lives lost in the First World War which was built in 1920. The Council does not consider that reliable cost or valuation information can be obtained for the items due to the lack of comparable market values. Consequently, the Council does not recognise these assets on the balance sheet.

Reconciliation of the carrying value of heritage assets held by the Council:

Movements in 2022/23

	Historic Seaside Assets £000	Heritage Land and Buildings £000	Antiques and Collectables £000	Museum Collections £000	Total Heritage Assets £000
Cost or Valuation as at 1 April 2022	28,905	1,233	896	1,557	32,591
Additions	2,078	11	0	0	2,089
Revaluations recognised in the CIES	(230)	0	0	0	(230)
Gross Book Value as at 31 March 2023	30,753	1,244	896	1,557	34,450
Accumulated Depreciation as at 1 April 2022	(1,513)	(92)	0	0	(1,605)
Depreciation	(575)	(31)	0	0	(606)
Accumulated Depreciation as at 31 March 2023	(2,088)	(123)	0	0	(2,211)
Net Book Value as at 31 March 2022	27,392	1,141	896	1,557	30,986
Net Book Value as at 31 March 2023	28,665	1,121	896	1,557	32,239

Movements in 2021/22

	Historic Seaside Assets £000	Heritage Land and Buildings £000	Antiques and Collectables £000	Museum Collections £000	Total Heritage Assets £000
Cost or Valuation as a 1 April 2021	26,648	1,960	896	1,557	31,061
Additions	1,802	67	0	0	1,869
Revaluations recognised in the CIES	(339)	0	0	0	(339)
Transfers	794	(794)	0	0	0
Gross Book Value as at 31 March 2022	28,905	1,233	896	1,557	32,591
Accumulated Depreciation as at 1 April 2021	(845)	(186)	0	0	(1,031)
Depreciation	(544)	(30)	0	0	(574)
On Transfers	(124)	124	0	0	0
Accumulated Depreciation as at 31 March 2022	(1,513)	(92)	0	0	(1,605)
Net Book Value as at 31 March 2021	25,803	1,774	896	1,557	30,030
Net Book Value as at 31 March 2022	27,392	1,141	896	1,557	30,986

Basis of valuation

Asset	Date of last valuation	Valuer	Qualification	Method of Valuation
Cliff Lift	01/04/2019	Whybrow and Dodds	MRICS	Depreciated replacement cost
Porters	01/04/2019	Whybrow and Dodds	MRICS	Depreciated replacement cost
Porters contents	16/08/2013	Webb Valuations Fine Art Ltd	FRICS	Current replacement cost
Southchurch Hall	01/04/2019	Whybrow and Dodds	MRICS	Depreciated replacement cost
Pier	01/04/2019	Whybrow and Dodds	MRICS	Depreciated replacement cost
Bandstand	01/04/2019	Whybrow and Dodds	MRICS	Depreciated replacement cost
Saxon King artefacts	01/10/2009	Lesley Webster FSA – Society for Medieval Archaeology	FSA	Current replacement cost

Note 24. Investment Properties

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

	2022/23	2021/22
	£000	£000
Balance at start of the year	37,952	39,113
Additions: Subsequent Expenditure	12	11
Transfers:		
Transfers (to)/from Property, Plant and Equipment	(38)	(327)
Transfers (to)/from Assets Under Construction	(37)	0
Revaluations and impairments	254	(845)
Balance at end of the year	38,143	37,952

All the Council's investment properties are categorised as commercial.

The fair value of these assets has been measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream.

Third party resources have been used to value these assets. Typical valuation inputs which have been analysed in arriving at the fair valuations include:

- rental incomes.
- CBRE UK Property Investment Yields.
- external valuers' professional judgement on yields.

The Council's investment properties are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (see the accounting policy for Fair Value Measurement in note 1). There is no reasonably available information that indicates that market participants would use different assumptions.

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

The approach to investment property valuation has been developed using the authority's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, and maintenance costs. The ranges used, on a weighted average basis, are maintained on a consistent basis year on year. The ranges are sensitive to significant changes in rental income and rent growth; vacancy levels or discount rate which can result in a significantly lower or higher fair value. The Council's investment property portfolio is relatively stable and there has been no change in the valuation techniques used for Investment Properties in 2022/23 including the applicable ranges.

The fair value of the authority's investment property is measured annually at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The authority's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

Note 25. Financial Instruments

Categorisation of Financial Assets under IFRS9

Amortised cost

The Council holds various term deposits and instant access accounts with banks and other financial institutions and has made loans to its joint ventures or institutions that it considers to be an important partner in delivering services. These are held at amortised cost and the Council considers these a normal part its operations and cash flow and holds the instruments to collect contractual cash flows.

Fair value through profit or loss

The Council holds units in money market funds, an enhanced cash fund, short-dated bond funds and property funds at fair value. These are classified as fair value through profit or loss as the income is not solely from principal and interest.

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Non-Current		Current	
	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000
Investments, Cash and Cash Equivalents				
Financial Assets at Amortised Cost	13	19	52,011	84,268
Financial Assets at Fair Value Through Profit or Loss	30,504	37,059	40,371	50,041
Total Investments	30,517	37,078	92,382	134,309
Debtors				
Financial Assets at Amortised Cost	4,318	6,953	49,358	41,645
Total Debtors	4,318	6,953	49,358	41,645
Borrowings				
Financial Liabilities at Amortised Cost	364,581	365,195	1,825	1,804
Total Borrowings	364,581	365,195	1,825	1,804
Creditors				
Financial Liabilities at Amortised Cost	87	17	39,013	40,165
Total Creditors	87	17	39,013	40,165

Reclassifications

There were no reclassifications of financial instruments during 2022/23.

Income, Expense, Gains and Losses

2022/23

	Financial Liabilities measured at:	Financial Assets measured at:		Total
	Amortised Cost	Amortised Cost	Fair Value Through Profit or Loss	
	£000	£000	£000	£000
Interest Expense	12,560	0	0	12,560
Fee Expense	4	0	163	167
Total Expense in Surplus or Deficit on the Provision of Services	12,564	0	163	12,727
Interest Income	0	(1,473)	4,849*	3,376
Total Income in Surplus or Deficit on the Provision of Services	0	(1,473)	4,849	3,376
Net Gain/(Loss) for the year	12,564	(1,473)	5,012	16,103

* This includes a £7.335M decrease in the fair value due to decreases in the unit price of the externally managed enhanced cash fund, short dated bond funds and property funds.

2021/22

	Financial Liabilities measured at:	Financial Assets measured at:		Total
	Amortised Cost	Amortised Cost	Fair Value Through Profit or Loss	
	£000	£000	£000	£000
Interest Expense	12,483	0	0	12,483
Fee Expense	18	0	109	127
Total Expense in Surplus or Deficit on the Provision of Services	12,501	0	109	12,610
Interest Income	0	(244)	(6,279)	(6,523)
Total Income in Surplus or Deficit on the Provision of Services	0	(244)	(6,279)	(6,523)
Net Gain/(Loss) for the year	12,501	(244)	(6,170)	6,087

Fair Values of Assets and Liabilities

Financial liabilities, financial assets (except for those classified as fair value through profit and loss) and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2023 of 4.24% to 4.78% for loans from the Public Works Loan Board (PWLB) based on new lending rates for equivalent loans at that date;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

The fair values calculated are the same as the carrying amount except where shown below:

The fair value of the financial liabilities are categorised as Level 2 in the fair value hierarchy as the measurement technique uses inputs other than quoted prices included within Level 1 that are observable for the loans.

The financial liabilities where the fair value differs from the carrying value are held with PWLB and market lenders. All these borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount a financial model valuation has been used. This valuation applies the net present value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. Our accounting policy uses new loan borrowing rates to discount the future cash flows.

	31 March 2023		31 March 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities	405,419	340,653	407,164	439,250
Long Term Creditors	87	87	17	17

The fair value of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes several fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders below current market rates.

	31 March 2023	31 March 2022
	Carrying Amount	Carrying Amount
	£000	£000
Financial Assets	172,257	213,032
Long Term Debtors	4,318	6,953

Fair Value through Profit and Loss

The fair value of the property funds, the short-dated bond funds, the enhanced cash fund, and the money market funds have been measured using the quoted price of units. These assets have therefore been categorised as Level 1 in the fair value hierarchy as they have unadjusted quoted prices in active markets for identical assets that the authority can access at the measurement date. The table below sets out the input level in the fair value hierarchy and the valuation techniques for each type of fund.

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Recurring Fair Value Measurements	Input level in Fair Value Hierarchy	Valuation Technique used to Measure Fair Value	Source of Prices or Inputs	31 March 2023	31 March 2022
				£000	£000
Fair Value Through Profit or Loss:					
Money Market Funds	Level 1	Unadjusted quoted prices in active markets for identical assets	Unit price of fund	21,099	30,014
Enhanced Cash Fund	Level 1	Unadjusted quoted prices in active markets for identical assets	Unit price of fund	4,962	5,032
Short Dated Bond Funds	Level 1	Unadjusted quoted prices in active markets for identical assets	Unit price of fund	14,310	14,996
Property Funds	Level 1	Unadjusted quoted prices in active markets for identical assets	Unit price of fund	30,793	37,374
Total Fair Value Through Profit of Loss				71,164	87,416

All movements in the Fair Value have been credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the financial reporting period in which the movement occurred.

Note 26. Short Term Debtors

	31 March 2023	31 March 2022
	£000	£000
Central government bodies	13,416	28,279
Local authorities	4,273	4,040
NHS bodies	1,799	1,394
Public corporations and trading funds	4	0
Other entities and individuals	32,150	24,412
Total Debtors	51,642	58,125
Value of impairment included above	(16,887)	(16,200)

Note 27. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2023	31 March 2022
	£000	£000
Cash and cash equivalents held by the Council	39,133	47,156
Other cash and cash equivalents held by the Council (Bank current accounts held by schools)	5,591	6,607
Euro bank account held by the Council	0	1
Total Cash and Cash Equivalents	44,724	53,764

Note 28. Short Term Creditors

	31 March 2023	31 March 2022
	£000	£000
Central government bodies	11,548	49,818
Other local authorities	5,640	5,901
NHS bodies	1,302	200
Other entities and individuals	39,389	38,760
Total Creditors	57,879	94,679

Note 29. Provisions

	Insurance	Redundancy	Business Rate Appeals	Other Provisions	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2021	2,728	0	2,489	0	5,217
Additional provisions made in year	555	102	452	531	1,640
Amounts used in year	0	0	(1,188)	0	(1,188)
Unused amounts reversed in year	(1,176)	0	0	0	(1,176)
Balance at 31 March 2022	2,107	102	1,753	531	4,493
Additional provisions made in year	717	145	1,329	246	2,437
Amounts used in year	0	(102)	(1,253)	(531)	(1,886)
Unused amounts reversed in year	(311)	0	0	0	(311)
Balance at 31 March 2023	2,513	145	1,829	246	4,733

Insurance Provision

This reflects the total value of claims outstanding at the year-end for which the Council has a future liability of uncertain timing. In addition the Council keeps an insurance reserve (shown in Note 20) to mitigate against the risk of potential claims arising in the future.

Redundancy Provision

Redundancy costs paid in 2021/22 were met from the Council's redundancy provision. A small provision has been made at 31 March 2023 for known management decisions regarding redundancies that were made in 2022/23 that have led to an obligation arising at 31 March 2023 that had not been paid by the year end date.

Business Rates Appeals Provision

This reflects the Council's share of the potential for successful appeals by local businesses against the rateable value of the premises they use, and therefore the potential need for the Council to refund rates paid in 2022/23 and prior years. The overall liability is shared with Central Government and the Essex Fire Service.

Note 30. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 19 and 20.

Note 31. Unusable Reserves

Movements in the Council's unusable reserves are detailed in the Movement in Reserves Statement and in the individual tables below.

Revaluation Reserve

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

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

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

	2022/23	2021/22
	£000	£000
Balance at 1 April	316,487	285,887
Upward revaluation of assets	22,322	45,406
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the provision of services	(816)	(5,426)
Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the provision of services	21,506	39,980
Difference between fair value and historical cost depreciation	(5,326)	(3,940)
Balance attributable to disposal/write offs	(1,725)	(5,440)
Amount written off to the capital adjustment account	(7,051)	(9,380)
Balance at 31 March	330,942	316,487

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction, or enhancement of those assets under statutory provisions.

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, downward revaluation and impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction, and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 19 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2022/23	2021/22
	£000	£000
Balance at 1 April	213,086	208,006
<i>Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement</i>		
Charges for depreciation and revaluation gains and losses and impairment losses on non-current assets	(37,386)	(29,120)
Amortisation of intangible assets	(2,923)	(1,670)
Revenue expenditure funded from capital under statute	(7,735)	(7,264)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement	(3,533)	(6,424)
	(51,577)	(44,478)
Adjusting amounts written out of the revaluation reserve	7,051	9,380
Net written out amount of the cost of non-current assets consumed in the year	(44,526)	(35,098)
<i>Capital financing applied in the year</i>		
Use of the capital receipts reserve to finance new capital expenditure	987	1,155
Use of the major repairs reserve to finance new capital expenditure	6,161	6,489
Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital financing	12,514	19,037
Statutory provision for the financing of capital investment charges against the general fund and HRA balances	11,722	10,467
Capital expenditure charges against the general fund and HRA balances	4,664	3,875
	36,048	41,023
Movement in the market value of investment properties debited or credited to the comprehensive income and expenditure statement	254	(845)
Balance at 31 March	204,862	213,086

Pensions Reserve

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

	2022/23	2021/22
	£000	£000
Balance at 1 April	(92,431)	(169,636)
Remeasurements of the net defined benefit (liability)/asset	232,724	102,177
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Service in the Comprehensive Income and Expenditure Statement	(30,674)	(36,389)
Employer's pensions contributions and direct payments to pensioners payable in the year	12,912	11,417
Balance at 31 March	122,531	(92,431)

Note 32. Capital Expenditure and Capital Financing

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

	2022/23	2021/22
	£000	£000
Capital Investments		
Property, Plant and Equipment (excluding Infrastructure Assets)	25,701	40,328
Infrastructure Assets	14,607	17,826
Investment Assets	12	11
Intangible Assets	1,954	2,182
Heritage Assets	2,089	1,869
Revenue Expenditure Funded from Capital Under Statute	7,735	7,264
Total Capital Investment	52,098	69,480
Sources of Finance		
Usable Capital Receipts	987	1,155
Government Grants and other Contributions	12,514	19,037
Sums set aside from Revenue:		
Direct Revenue Contributions	4,664	3,875
Major Repairs Reserve	6,161	6,489
Total Financing from Internal Resources	24,326	30,556
Credit arrangements	45	246
Un-supported Capital Borrowing	27,727	38,678
Total Financing from Borrowing/Credit Arrangements	27,772	38,924
Total Capital Financing	52,098	69,480
	2022/23	2021/22
	£000	£000
Opening Capital Financing Requirement	426,741	397,771
Explanation of Movement in Year		
Borrowing (unsupported by Government financial assistance)	27,727	38,678
Assets acquired under Finance Leases	45	246
Repayments of capital long term investments	(61)	0
Minimum Revenue Provision	(11,295)	(9,954)
Closing Capital Financing Requirement	443,157	426,741
of which		
General Fund CFR	343,405	327,553
Housing Revenue Account CFR	99,752	99,188
	443,157	426,741

Note 33. Leases

Council as Lessor

Operating Leases

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

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

The future minimum lease payments receivable under non-cancellable operating leases in future years are:

	31 March 2023	31 March 2022
	£000	£000
Not later than one year	2,989	2,908
Later than one year and not later than five years	10,931	10,837
Later than five years	108,808	109,282
	122,728	123,027

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as rental payments that vary with turnover. In 2022/23 no contingent rents were estimated to be receivable by the Council (2021/22 nil estimated).

Note 34. Downward Revaluation and Impairment Losses

In relation to 2022/23:

Various assets were revalued at 1 April 2023 as part of the rolling revaluation programme which led to a downward valuation or impairment loss of £6.472M in total.

Investment Properties were revalued at 31 March 2023 led to a downward valuation or impairment loss of £5.457M in total.

An impairment review was also undertaken of capital additions of which £5.401M was considered not to increase the asset value and therefore was impaired.

As a result of the regular review of the fixed asset register downward revaluations and impairments of £0.033M were identified within the Other Land and Buildings category of assets.

As a result of the revaluation of assets transferred from the Asset Under Construction category downward revaluations of £3.159M were identified within the Other Land and Buildings category of assets.

In the Comprehensive Income and Expenditure Statement, £19.707M of these impairment losses were recognised in the deficit on the provision of services and £0.815M were

recognised in Other Comprehensive Income and Expenditure and taken to the revaluation reserve.

In relation to 2021/22:

Various assets were revalued at 1 April 2021 as part of the rolling revaluation programme which led to a downward valuation or impairment loss of £6.166M in total.

A market review was carried out at 31 March 2022 which led to a downward valuation or impairment loss of £0.215M in total.

An impairment review was also undertaken of capital additions of which £6.124M was considered not to increase the asset value and therefore was impaired.

As a result of the regular review of the fixed asset register downward revaluations and impairments of £0.064M were identified within the Other Land and Buildings category of assets.

As a result of the revaluation of assets transferred from the Asset Under Construction and Other Land and Buildings categories downward revaluations of £5.421M were identified within the Other Land and Buildings, Surplus Assets and Council Dwellings categories of assets.

In the Comprehensive Income and Expenditure Statement, £12.542M of these impairment losses were recognised in the deficit on the provision of services and £5.427M were recognised in Other Comprehensive Income and Expenditure and taken to the revaluation reserve.

Note 35. Termination Benefits

The Council is planning to develop a transformational programme which will lead to significant service redesign involving, amongst other things, potential redundancy payment obligations that, although not yet identified, if required will be charged on an accruals basis against the appropriate provision or to the appropriate service area.

Note 36. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme (TPS), administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded, and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2022/23 the Council paid £2.8M (2021/22 £2.8M) to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay (2021/22 23.68%). There were no contributions remaining payable at the year end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for

on a defined benefit basis. There were added years payments of £7,319 awarded in respect of the teachers' pension scheme in 2022/23 (2021/22 £8,417).

It is estimated that the Council will pay £2.9m to the Teachers' Pension Scheme in 2023/24 at a continued contribution rate of 23.68%.

NHS Staff Pension Scheme

A number of NHS staff transferred to the Council as of 1 April 2013 as part of the transfer of Public Health from the NHS. There have also been further transfers of NHS staff as Public Health contracted services have been reviewed and the services brought in-house. These staff have maintained their membership in the NHS Pension Scheme. The Scheme provides these staff with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. However, the Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2022/23, the Council paid £0.213M (2021/22 £0.253M) in respect of retirement benefits to NHS Pensions in respect of staff who have transferred into the Council from the NHS, representing 20.68% of pensionable pay. It is estimated that the Council will similarly pay £0.220M to NHS Pensions in 2023/24.

Note 37. Defined Benefit Pension Schemes

Participation in Pensions Schemes

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

The Council participates in the Local Government Pension Scheme (LGPS) administered by Essex County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level to balance the pension liabilities with investment assets.

Transactions relating to post-employment benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2022/23	2021/22
	£000	£000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current Service Cost	27,663	32,168
(Gain)/Loss from Settlement	0	(693)
Cost of Curtailments	404	827
Administrative Expense	365	278
Financing and Investment Income and Expenditure		
Net Interest Expense	2,242	3,809
Total post-employment benefit charged to the surplus or deficit on the provision of services	30,674	36,389
Other post-employment benefit charged to the comprehensive income and expenditure statement		
Return on plan assets in excess of interest	14,217	(43,733)
Other actuarial gains on assets	0	(10,347)
Change in financial assumptions	(307,422)	(34,716)
Change in demographic assumptions	0	(15,838)
Experience (gain)/loss on defined benefit obligation	60,481	2,457
Remeasurement and Other Comprehensive Income and Expenditure	(232,724)	(102,177)
Total post-employment benefit (credited)/charged to the Comprehensive Income and Expenditure Statement	(202,050)	(65,788)
Movement in Reserves Statement		
Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the code	202,050	65,788
Actual amount charges against the General Fund Balance for Pensions in the year		
Employer's contributions payable to scheme	12,912	11,417

Pension Assets and Liabilities Recognised in the Balance Sheet

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

	31 March 2023	31 March 2022
	£000	£000
Present Value of the defined benefit obligation	511,453	726,542
Fair Value of Plan Assets	(633,984)	(634,111)
Net (Asset)/Liability arising from defined benefit obligation	(122,531)	92,431

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	2022/23	2021/22
	£000	£000
Opening Balance at 1 April	726,542	744,796
Current Service Cost	27,663	32,168
Interest Cost	18,703	14,376
Contributions by Scheme Participants	4,331	3,934
Actuarial gains arising from changes in demographic assumptions	0	(15,838)
Actuarial (gains)/losses arising from changes in financial assumptions	(307,422)	(34,716)
Other	60,481	2,457
Losses of Curtailments	404	827
Benefits Paid	(19,249)	(19,880)
Liabilities extinguished on Settlements	0	(1,582)
Closing Balance at 31 March	511,453	726,542

Reconciliation of fair value of the scheme assets

	2022/23	2021/22
	£000	£000
Opening Balance at 1 April	634,111	575,160
Interest Income	16,461	10,567
The return on plan assets, excluding the amount included in the net interest expenses	(14,217)	43,733
Other Actuarial Gains	0	10,347
Employers Contributions	12,912	11,417
Contributions by Scheme Participants	4,331	3,934
Benefits Paid	(19,249)	(19,880)
Payment of Bulk Transfer Value	0	(889)
Administrative Expense	(365)	(278)
Closing Balance at 31 March	633,984	634,111

Local Government Pension Scheme assets

The asset allocation as at 31 March is as follows:

	31 March 2023		31 March 2022	
	£000		£000	
Equity Investments	365,186	57.6%	376,314	59.3%
Government Bonds	9,272	1.5%	15,344	2.4%
Other Bonds	0	0.0%	27,535	4.3%
Property	51,924	8.2%	54,161	8.5%
Cash/Liquidity	20,442	3.2%	17,949	2.8%
Alternative Assets	100,340	15.8%	79,923	12.6%
Other Managed Funds	86,820	13.7%	62,885	9.9%
	633,984	100%	634,111	100%

The listed equities allocation consists entirely of overseas investments. All of the equities are listed.

The Government Bonds allocation consists entirely of UK index linked government securities.

Of the Property allocation, 23% is listed.

The Alternative Assets allocation is made up of 28% in Infrastructure, 13% in Private Equity, 9% in Timber, 5% in Private Debt, 36% in Other Managed Funds and 9% in Cash/Temporary Investments.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Pension Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates being based on the last full revaluation of the scheme as at 31 March 2019.

The significant assumptions used by the actuary have been:

	2022/23	2021/22
Mortality assumptions:		
Longevity at 65 for Current Pensioners	21.1	21.0
Men	23.5	23.5
Women		
Longevity at 65 for Future Pensioners	22.3	22.3
Men	25.0	24.9
Women		
Rate of Inflation (RPI)	3.3%	3.6%
Rate of Inflation (CPI)	2.9%	3.2%
Rate of increases in salaries	3.9%	4.2%
Rate of increase in pensions	2.9%	3.2%
Rate for discounting scheme liabilities	4.8%	2.6%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies of the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme	Increase in Assumption	Decrease in Assumption
	£000	£000
Longevity (increase or decrease in 1 year)	19,021	(20,051)
Rate of inflation (increase or decrease by 0.1%)	6,792	(8,465)
Rate of increase in salaries (increase or decrease by 0.1%)	(395)	(1,466)
Rate of increase in pensions (increase or decrease by 0.1%)	6,792	(8,465)
Rate of discounting scheme liabilities (increase or decrease by 0.1%)	(8,846)	7,185

Impact on the Council's Cash Flows

One of the objectives of the scheme is to keep employers' contributions at as constant a rate as possible. Based on the triennial valuation as at 31 March 2019 the Council agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 5

years. Funding levels are monitored on an annual basis. The next triennial valuation has taken place as at 31 March 2022 and will take effect from the 2023/24 financial year. The scheme currently provides benefits based on career average revalued earnings.

The Council anticipates paying a £12.695M contribution to the scheme in 2023/24.

The weighted average duration of the defined benefit obligation for scheme members is 17 years (19 years 2021/22).

Note 38. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates, market prices and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and has set treasury management indicators to control key financial instruments risks.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The risk with banks and financial institutions is minimised through the Annual Treasury Management Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, the credit ratings being set by Moody, Standard & Poors and Fitch Ratings Services. Regard is also given to rating watches and outlooks and relevant market information as appropriate. The Annual Treasury Management Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by the Council are as detailed in the Annual Treasury Management Investment Strategy which can be accessed from the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £52M cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all the Council's deposits, but there was no evidence at the 31 March 2023 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

Credit Risk	Amounts £000	31 March 2023		31 March 2022	
		Historical experience of default %	Historical experience adjusted for market conditions %	Estimated maximum exposure to default and uncollectability £000	Estimated maximum exposure to default and uncollectability £000
		Deposits With Banks And Other Financial Institutions	52,024	0.00%	0.00%
Bonds and Other Securities	70,875	0.00%	0.00%	0	0
Customers	51,751	0.34%	0.52%	250	200

No credit limits were exceeded during the reporting period. Although the unit price of the externally managed enhanced cash fund, short dated bond funds and property funds decreased during 2022/23 due to market conditions these funds are being held into the medium to long term. Over that period the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The past due but not impaired amount can be analysed by age as follows:

	31 March 2023 £000	31 March 2022 £000
Less Than Three Months	12,211	4,855
Three To Six Months	1,158	558
Six Months To One Year	892	1,044
More Than One Year	5,725	5,560
Total	19,986	12,017

Expected Credit Losses

Credit risk at the balance sheet date is assessed by using credit ratings where available and applying the weighted default rate to the balance. Where credit ratings are not available the nature of the financial instrument is considered together with the likelihood that the future cash flows will materialise.

Low risk is considered to be where the credit ratings are A3 and above, where the counterparty is an important partner to the Council with access to external funds or where the Council has a stake in a joint venture or 100% owned subsidiary where the Council has access to the company cash flow forecasts. Where this is the case the 12-month expected credit loss method will be used. All non-trivial balances were assessed as low risk.

The Council applies the rebuttable presumption that credit risk will have increased significantly since initial recognition when contractual payments are more than 30 days past due.

Where a possible default has been identified, where applicable it has been calculated using the credit ratings agencies weighted corporate default rate and applying this to the balance.

For short- and long-term trade debtors the credit risk cannot be assessed individually, so these have been grouped and a collective assessment made by means of a provision matrix.

Expected losses are an allowance based on all reasonably possible future events that could result in default, weighted by likelihood of occurrence. They are calculated by comparing the net present value of all contractual cash flows that are due with the net present value of all cash flows that are expected to be received. There were no non-trivial expected losses identified.

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from other Local Authorities and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy for long term borrowing is to ensure that not more than 40% of loans are due to mature between 2 and 5 years, through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

	31 March 2023	31 March 2022
	£000	£000
Less than 1 year	12,519	12,503
Between 1 and 2 years	20,519	12,519
Between 2 and 5 years	67,103	66,113
Between 5 and 10 years	109,012	116,251
Between 10 and 15 years	96,467	89,341
Between 15 and 20 years	36,466	53,267
More than 20 years	257,442	262,037
Total Cost of Loans Over Their Life	599,528	612,031
This total consists of:		
Principal Amount of Loans	355,554	355,721
Future Interest Element	243,974	256,310
Total Cost of Loans Over Their Life	599,528	612,031

These amounts are higher than those recognised in note 25 as they include the interest for each year of the loans, included in the year it falls due.

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest rate risk

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

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall;
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise;
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council has several strategies for managing interest rate risk. Policy is to keep an appropriate mix of fixed and variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The treasury management team, together with its advisers, has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2023, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(1,584)
Increase in government grant receivable for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	(1,584)
Share of overall impact debited to the HRA	(392)
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(31,680)

Price Risk

The Council has no investments in equity shares, and therefore has no exposure to losses arising from movements in the price of such shares.

The Council holds investments in property funds, short-dated bond funds and an enhanced cash fund and therefore has exposure to losses arising from movements in the price of the units of those funds. However, under statute the Financial Instrument Revaluation Reserve must be used to capture the change in fair value of these funds, therefore not impacting the General Fund Balance.

Foreign Exchange Risk

The Council has very limited exposure to loss arising from movements in exchange rates.

Notes Supporting the Cash Flow Statement

Note 39. Cash Flow Statement - Interest Paid and Received

The interest paid and received figures are included within the Net (Surplus) or Deficit on the Provision of Services line of the Cash Flow Statement. The amounts are as follows:

	2022/23	2021/22
	£000	£000
Interest paid	12,560	12,248
Interest received	(3,255)	(1,563)
Net Cash Flows from Interest Paid and Received	9,305	10,685

These figures differ from the Interest Payable and Similar Charges and Interest Receivable and Similar Income figures in Note 11, as they do not include accruals and other non-cash items.

Note 40. Cash Flow Statement – Non-Cash Movements

The Cash flows for non-cash movements include the following items:

	2022/23	2021/22
	£000	£000
Depreciation of Non-Current Assets	(24,661)	(19,990)
Downward Revaluation and Impairment Losses on Non-Current Assets	(12,725)	(9,130)
Amortisations	(2,923)	(1,670)
Increase in impairment for provision for bad debts	(1,062)	(1,896)
(Increase)/Decrease in Creditors	34,244	(10,096)
Decrease in Debtors	(7,199)	(2,780)
Increase/(Decrease) in Inventories	14	(9)
Net retirement benefits per IAS19	(17,762)	(24,972)
Carrying amount of assets disposed/sold	(3,533)	(6,424)
Reverse out the movement on the provision debited or credited to the Comprehensive Income and Expenditure Statement and replace with the cash payments made in the year out of the provision	(240)	724
Movements in the value of investment properties	254	(845)
Removal of Council Tax and Business Rates Agency Adjustments from Comprehensive Income and Expenditure Statement	9,392	8,999
Other	1	1
Net Cash Flow Adjustments	(26,200)	(68,088)

Note 41. Cash Flow Statement - Adjustments for items included in the Net Deficit on the Provision of Services that are Investing and Financing Activities

	2022/23	2021/22
	£000	£000
Capital Grants credited to deficit on the provision of services	20,132	25,333
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,338	2,500
Proceeds from short-term and long-term investments	783	392
Net Cash Flow Adjustments	25,253	28,225

Note 42. Cash Flow Statement - Investing Activities

	2022/23	2021/22
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	46,331	61,970
Purchase of short-term and long-term investments	30,000	70,079
Proceeds from the sale of property, plant and equipment, investment properties and intangible assets	(4,338)	(2,500)
Proceeds from short-term and long-term investments	(70,623)	(25,449)
Other receipts from investing activities	(20,132)	(25,333)
Net Cash Flow from Investing Activities	(18,762)	78,767

Note 43. Cash Flow Statement - Financing Activities

	2022/23	2021/22
	£000	£000
Cash receipts of short and long-term borrowing	0	(40,000)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	269	257
Repayments of short and long-term borrowing	167	3,143
Council Tax and Non-Domestic Rates agency adjustments	(9,392)	(8,999)
Repayments of ECC transferred debt	426	513
Net Cash Flow from Financing Activities	(8,530)	(45,086)

Other Notes

Note 44. Related Parties

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

Central UK Government

Central UK government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefits). Grants received from government departments, and other areas of the public sector, used in 2022/23 and those received but not yet applied as at 31 March 2023 are set out in Note 18.

In addition, the Council works in partnership with NHS Mid and South Essex Integrated Care Board through a pooled budget arrangement.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2022/23 is shown in Note 14.

As part of their roles, Members are often appointed to be the Council's representatives on outside bodies, and occasionally hold similar roles in their own right. Separately the Council may commission services from these organisations, or potentially grant aid them under its voluntary sector grants programme. Contracts were entered into with full procurement rules compliance and awards made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Civic Offices during office hours.

It is considered that these transactions do not constitute related party transactions.

Officers

Two officers acted as Board members to two of the Council's wholly owned subsidiaries – Southend Trading Corporation Limited and Southend Business Services Limited. One of those officers also acted as Board member to another of the Council's wholly owned subsidiaries - Southend Housing Limited. Southend Trading Corporation Limited has ceased trading. Southend Business Services Limited and Southend Housing Limited had yet to trade as at the balance sheet date. The officers do not hold any pecuniary stake in the companies, nor take any director fee. The Council however is reimbursed for officer time spent on company business.

Five officers acted as Board members to three of the Council's joint ventures – Porters Place Southend-on-Sea LLP, Airport Business Park Southend Management Ltd and LHCS and Southend Travel Partnership Limited.

Entities Controlled or Significantly Influenced by the Council

Southend-on-Sea City Council has a dominant influence over South Essex Homes Limited, which manages the Council's housing stock. During the financial year, three Councillors occupied the three reserved positions on the board of South Essex Homes Limited. All material transactions with the company are recorded in the notes to the consolidated group accounts.

Under IAS19 South Essex Homes Limited must account for the net surplus or deficit arising from its share of the pension assets and liabilities in respect of its employees who are members of the Essex County Council Pension Fund. As at 31 March 2023 there was a net surplus of £15.327M (*net deficit of £1.558M at 31 March 2022*) in respect of South Essex Homes Limited's pension liabilities. As at 31 March 2023 South Essex Homes Limited also had a retained surplus of £3.317M (*£3.369M at 31 March 2022*) in respect of its Profit and Loss reserve. Southend-on-Sea City Council undertakes to provide continuing financial support to enable the financial statements of South Essex Homes Limited to be prepared on a going concern basis.

Southend-on-Sea City Council also has a dominant influence over Southend Care Ltd, which provides adult social care services to the Council. During the course of the financial year no Councillors or Officers acted as Director on the board of Southend Care Ltd. All material transactions with the company are recorded in the notes to the consolidated group accounts.

Under IAS19 Southend Care Ltd must account for the net surplus or deficit arising from its share of the pension assets and liabilities in respect of its employees who are members of the Essex County Council Pension Fund. As at 31 March 2023 there was a net surplus of £3.368M (*net deficit of £5.422M as at 31 March 2022*) in respect of Southend Care Limited's pension liabilities. As at 31 March 2023 Southend Care Ltd also had a retained surplus of £0.738M (*£1.259M retained surplus at 31 March 2022*) in respect of its Profit and Loss reserve. Southend-on-Sea City Council undertakes to provide continuing financial support to enable the financial statements of Southend Care Ltd to be prepared on a going concern basis.

Given the nature of the two companies, and the fact that they substantially only work to provide services to the Council, in the event of failure of a company the Council would need to secure the continuance of service provision through other means. In such an eventuality, it would mean that any pension deficit would simply transfer from group to the single entity at that point.

Southend-on-Sea City Council has joint control of Porters Place Southend-on-Sea LLP, together with Swan BQ Limited, now a wholly owned subsidiary of Sanctuary Housing Association, with the purpose to regenerate the Queensway Estate and surrounding environs.

Note 45. Contingent Liabilities

The Council has no contingent liabilities.

HOUSING REVENUE ACCOUNT

HRA Income and Expenditure Statement

2021/22		2022/23
£000		£000
	Income	
(26,423)	Dwelling Rents (Gross)	(27,659)
(1,527)	Non Dwelling Rents (Gross)	(1,595)
(650)	Charges for Services and Facilities	(589)
(1,973)	Revaluation Gains (to reverse previous impairment charges)	(321)
(30,573)	Total Income	(30,164)
	Expenditure	
6,370	Repairs and Maintenance	6,097
7,625	Supervision and Management	8,539
799	Rents, Rates, Taxes and other Charges	792
199	Provision for Bad and Doubtful Debts	293
7,386	Depreciation and impairment on Council Dwellings <i>(HRA Note 3)</i>	9,287
153	Depreciation and impairment on Other Assets <i>(HRA Note 3)</i>	205
25	Debt Management Expenses	27
22,557	Total Expenditure	25,240
(8,016)	Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Account	(4,924)
204	HRA services share of Corporate and Democratic Core	204
(7,812)	Net Cost of HRA Services	(4,720)
(983)	Profit on Sale of HRA Long Term Assets	(871)
3,156	Interest Payable and Similar Charges	3,536
(2,043)	General Grants	(700)
(88)	Interest Receivable	(933)
(7,770)	Surplus for the year on HRA services	(3,688)

Movement on the HRA Balance

This Statement takes the outturn on the HRA Income and Expenditure Account and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

2021/22 £000		2022/23 £000
(7,770)	Surplus for the year on the Housing Revenue Account Income And Expenditure Account	(3,688)
7,583	Net additional amount required by statute to be debited/(credited) to the HRA Balance for the year	4,011
187	Transfer to/(from) Earmarked Reserves	(323)
(0)	Decrease/(Increase) in the Housing Revenue Account Balance	0
(3,502)	Housing Revenue Account - Balance Brought Forward	(3,502)
(3,502)	Housing Revenue Account - Balance Carried Forward	(3,502)

Calculation of Movement on the HRA Balance

2021/22 £000		2022/23 £000
	Amounts included in the HRA Income And Expenditure Account but required by statute to be excluded when determining the Movement on the HRA Balance for the year	
983	Profit on Sale of HRA Long Term Assets	871
2,314	General Grants / Service Grants	876
	Amounts not included in the HRA Income And Expenditure Account but required to be included by statute when determining the Movement on the HRA Balance for the year	
1,251	Transfer to/(from) Capital Adjustment Account - Revaluations	(1,489)
(90)	Transfer from Capital Adjustment Account - REFCUS	(352)
3,125	Revenue Contribution to Capital	4,105
187	Transfer to/(from) Earmarked Reserves	(323)
7,770	Net Additional Amount required to be credited to the Housing Revenue Account Balance for the year	3,688

Notes to the HRA

HRA Note 1. Analysis of Housing Stock

	Number of Properties 31 March 2023	Number of Properties 31 March 2022
Houses And Bungalows	2,089	2,095
Flats	3,853	3,841
Total Houses and Flats	5,942	5,936
Homelessness Hostel Bedsits - Room only	125	125
	6,067	6,061

HRA Note 2. Major Repairs Reserve

The Reserve consists of depreciation charged to the HRA transferred to the account via the Capital Adjustment Account. The balance on the reserve is available to fund future capital expenditure within the HRA.

	2022/23 £000	2021/22 £000
Balance at 1 April	8,395	8,067
Transfers In	7,682	6,817
Used To Fund Capital (Council Dwellings)	(6,161)	(6,489)
Balance at 31 March	9,916	8,395

HRA Note 3. Depreciation

Depreciation – a charge for depreciation has also been made covering dwellings. The useful economic life for Dwellings, other buildings and non-operational assets are in accordance with the componentisation policy and in line with those shown in note 21. The Major Repairs Allowance (MRA) is matched against the cost of depreciation. Land is not depreciated due to having an indefinite life.

	2022/23	2021/22
	£000	£000
Item 8 Debit		
<u>Depreciation</u>		
Council Dwellings	7,477	6,664
Other Assets	205	153
<u>Impairment</u>		
Council Dwellings	1,810	722
Other Assets	0	0
Total Depreciation and Impairment	9,492	7,539
Debt Management Expenses	27	25
Loan Interest Payable	3,536	3,156
Item 8 Credit		
Interest Receivable	(933)	(88)
<u>Revaluation Gains</u>		
Council Dwellings	(190)	(1,688)
Other Assets	(131)	(285)
Appropriation To/(From) Capital Adjustment Account - Revaluations	(1,489)	1,251
Appropriation From Capital Adjustment Account - REFCUS	(352)	(90)
Net Effect On HRA	9,960	9,820

HRA Note 4. Property, Plant and Equipment

The Fixed Assets for the Housing Revenue Account are shown in the table below.

The assets are shown at existing use value to reflect the fact that they are used for social housing and are less than market value.

The Open Market Value (OMV) of council dwellings at 1 April 2022 amounted to £719.5M. It should be noted that the difference between the vacant possession value, or the OMV above, and the balance sheet value of dwellings within the HRA show the economic cost to Government of providing council housing at less than market value.

	Council Dwellings	Other Land & Buildings	Assets Under Construction	Non-Operational Investment Properties	Total
	£000	£000	£000	£000	£000
Gross Book Value as at 31 March 2022	458,732	11,097	216	913	470,958
Accumulated Depreciation as at 31 March 2022	(12,666)	(306)	0	0	(12,972)
Net Book Value as at 31 March 2022	446,066	10,791	216	913	457,986
Additions	12,281	16	123	0	12,420
Disposals	(1,499)	0	0	0	(1,499)
Transfers	38	0	0	0	38
Revaluations via Revaluation Reserve	8,039	0	0	0	8,039
Revaluations recognised in I&E	(1,620)	0	0	131	(1,489)
<u>Depreciation</u>					
For Current Year	(7,477)	(205)	0	0	(7,682)
Disposals	58	0	0	0	58
Gross Book Value as at 31 March 2023	475,971	11,113	339	1,044	488,467
Accumulated Depreciation as at 31 March 2023	(20,085)	(511)	0	0	(20,596)
Net Book Value as at 31 March 2023	455,886	10,602	339	1,044	467,871

HRA Note 5. Capital Expenditure

	2022/23 £000	2021/22 £000
Purchase, construction or enhancement of Council Dwellings	12,420	12,631
REFCUS	352	90
Total HRA Capital Expenditure	12,772	12,721
<u>Financed by:-</u>		
Usable Capital Receipts	929	877
Total Financed By Capital Receipts	929	877
<u>Revenue contributions:-</u>		
General Reserves	4,105	3,125
Major Repairs Reserve	6,161	6,489
Third Party	736	1,089
Capital Grant	316	1,043
Total Revenue Contributions	11,318	11,746
<u>Funded by Borrowing</u>	525	98
Total Capital Expenditure	12,772	12,721

THE COLLECTION FUND

The Collection Fund

	2021/22 £000	2021/22 £000	2021/22 £000		2022/23 £000	2022/23 £000	2022/23 £000	Collection Fund Note
	Council Tax	NNDR	Total		Council Tax	NNDR	Total	
				INCOME				
	107,859	0	107,859	Income from Council Tax	113,107	0	113,107	1
	0	27,892	27,892	Income Collectable from Business Ratepayers adjusted for Transitional Payment Protection payable	0	37,998	37,998	2
	107,859	27,892	135,751	Total Income	113,107	37,998	151,105	
				EXPENDITURE				
				Precepts and Demands				
	88,079	0	88,079	Southend-on-Sea City Council	92,297	0	92,297	
	12,226	0	12,226	Essex Police Authority	12,911	0	12,911	
	4,332	0	4,332	Essex Fire Authority	4,451	0	4,451	
				Business Rates				
	0	21,926	21,926	Payments to Government	0	18,565	18,565	
	0	439	439	Payments to Fire Authority	0	371	371	
	0	21,487	21,487	Payments to Southend-on-Sea City Council	0	18,194	18,194	
	0	218	218	Costs of Collection	0	215	215	
				Doubtful Debt and Appeals Provisions				
	429	(435)	(6)	Top-up of Doubtful Debt Provision	1,123	70	1,193	
	265	348	613	Write-off of Debt	0	40	40	
	0	923	923	NNDR Provisions for Appeals	0	2,713	2,713	
	0	(2,424)	(2,424)	NNDR Settlement of Appeals	0	(2,557)	(2,557)	
	105,331	42,482	147,813	Total Expenditure	110,782	37,611	148,393	
				USE OF BALANCES				
				Council Tax				
	1,500	0	1,500	Southend-on-Sea City Council	1,500	0	1,500	
	208	0	208	Council Tax – Essex Police Authority	749	0	749	
	78	0	78	Council Tax – Essex Fire Authority	266	0	266	
				Business Rates				
	0	(13,192)	(13,192)	Government	0	(6,446)	(6,446)	
	0	(12,929)	(12,929)	Southend-on-Sea City Council	0	(6,318)	(6,318)	
	0	(264)	(264)	Essex Fire Authority	0	(129)	(129)	
	742	11,795	12,537	Surplus/(Deficit) for the year	(190)	13,280	13,090	

2021/22 £000 Council Tax	2021/22 £000 NNDR	2021/22 £000 Total		2022/23 £000 Council Tax	2022/23 £000 NNDR	2022/23 £000 Total
COLLECTION FUND BALANCE						
7,185	(28,295)	(21,110)	Balance brough forward at 1 April	7,927	(16,500)	(8,573)
742	11,795	12,537	(Deficit)/Surplus for the year (as above)	(190)	13,280	13,090
7,927	(16,500)	(8,573)	Balance Carried Forward at 31 March	7,737	(3,220)	4,517
ALLOCATED TO:						
0	(8,250)	(8,250)	Government	0	(1,610)	(1,610)
931	0	931	Police Authority	920	0	920
324	(165)	159	Fire Authority	317	(32)	285
6,672	(8,085)	(1,413)	Southend-on-Sea City Council	6,500	(1,578)	4,922
7,927	(16,500)	(8,573)	Balance Carried Forward at 31 March	7,737	(3,220)	4,517

Notes to the Collection Fund

Collection Fund Note 1 Income from Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands using estimated 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Essex Police Authority, Essex Fire Authority and Southend-on-Sea City Council for the forthcoming year and dividing this by the Council Tax Base. The basic amount for a Band D property (£1,899.18 for the Leigh-on-Sea Town Council area and £1,848.24 for all other parts of the City) is multiplied by the proportion specified for the particular band to give an individual amount due.

The amount per band is as follows:

Valuation Band	Range of Values	Council Tax 2022/23 Leigh-on-Sea Town Council Area	Council Tax 2022/23 All other parts of the City	Ratio to Band D
	£	£	£	
A	Up to and including 40,000	1,266.12	1,232.16	6/9
B	40,001 - 52,000	1,477.14	1,437.52	7/9
C	52,001 - 68,000	1,688.16	1,642.88	8/9
D	68,001 - 88,000	1,899.18	1,848.24	1
E	88,001 - 120,000	2,321.22	2,258.96	11/9
F	120,001 - 160,000	2,743.26	2,669.68	13/9
G	160,001 - 320,000	3,165.30	3,080.40	15/9
H	More than 320,000	3,798.36	3,696.48	18/9
Band D		2021/22	2022/23	% increase
		£	£	
Southend-on-Sea City Council		1,494.72	1,554.39	3.99
Essex Police Authority		208.53	218.52	4.79
Essex Fire Authority		73.89	75.33	1.95
Total for Other than Leigh-on-Sea Town Council Area		1,777.14	1,848.24	4.00
Leigh-on-Sea Town Council		50.58	50.94	0.71
Total for Leigh-on-Sea Town Council Area		1,827.72	1,899.18	3.91

The number of chargeable dwellings for Council Tax in each Valuation Band (adjusted for dwellings where discounts apply) for the year was as follows:

	Number of Dwellings	Ratio	Equivalent Number of Dwellings
Valuation Band - A*	4.32	5/9	2.40
Valuation Band - A	10,531.74	6/9	7,021.16
Valuation Band - B	12,147.94	7/9	9,448.40
Valuation Band - C	20,354.83	8/9	18,093.18
Valuation Band - D	11,188.65	9/9	11,188.65
Valuation Band - E	6,133.19	11/9	7,496.12
Valuation Band - F	3,436.67	13/9	4,964.08
Valuation Band - G	1,504.44	15/9	2,507.40
Valuation Band - H	96.39	18/9	192.78
	65,398.17		60,914.17

Less:

Adjustment for Collection of Rates and anticipated changes during the year for successful Appeals against Valuation Banding, New Properties, Demolitions, Disabled Persons Relief and Exempt Properties.	1,827.43
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* Reductions For Band A Disabled.

Council Tax Base	59,086.74
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Collection Fund Note 2 Non-Domestic Rates

Non-Domestic Rates are organised on a national basis. The Government specified an amount of 51.2p in 2022/23 (51.2p in 2021/22) with a small business rate of 49.9p in 2022/23 (49.9p in 2021/22) and, subject to the effects of transitional arrangements, local businesses pay rates that are calculated by multiplying their rateable value by that amount.

The Council is responsible for collecting rates due from the ratepayers in its area but pays 50% of the proceeds over to the Government for onward redistribution in line with need. The Council retains 49% of the proceeds, with the final 1% being passed over to Essex Fire Authority.

After relief and provisions, the Non-Domestic Rates income collectable was £37,518,537 for 2022/23 (£29,262,498 for 2021/22). The year-end rateable value for the Council's area was £119,188,793 at 31 March 2023 (£119,777,228 at 31 March 2022).

Collection Fund Note 3 Provisions for Non-collection and NNDR Appeals

Within the Collection Fund there are the following provisions.

- A provision of £6.437M as at 31 March 2023 for bad and doubtful debts for Council Tax (£5.559M as at 31 March 2022)
 - A provision of £0.815M as at 31 March 2023 for bad and doubtful debts for NNDR (£1.342M as at 31 March 2022). Under business rate retention arrangements, 49% of this provision is attributable to the Council.
- A provision of £3.696M as at 31 March 2023 for the potential impact of successful appeals by businesses against their rateable values (£3.578M as at 31 March 2022). Under business rate retention arrangements, 49% of this provision is attributable to the Council.

Collection Fund Note 4 Collection Fund Balance

The Community Charge Collection Fund was closed at 31 March 2007 and any income received after this date has been included in the Council Tax Collection Fund. The balance of £7.737M on the Council Tax Collection Fund is split between Essex Police Authority, Essex Fire Authority and this Council, in proportion to the value of the respective precept demands made by the three authorities on the Collection Fund and will be reflected in future year's Council Tax.

Under Business Rates retention, the deficit balance of £3.220M on the NNDR Collection Fund is split between Central Government, Essex Fire Authority, and this Council, in the statutory proportions 50%, 1% and 49% respectively.

	31 March 2023	31 March 2022
	£000	£000
Council Tax - Southend-on-Sea City Council	6,500	6,672
Council Tax - Essex Police Authority	921	931
Council Tax - Essex Fire Authority	317	324
NNDR - Southend-on-Sea City Council	(1,578)	(8,085)
NNDR – Government	(1,610)	(8,250)
NNDR - Essex Fire Authority	(32)	(165)
Total	4,517	(8,573)

	31 March 2023	31 March 2022
	£000	£000
Shown on Balance Sheet as:		
Collection Fund Adjustment Account	4,922	(1,413)
Creditors Falling Due Within One Year	(405)	(7,160)
Total	4,517	(8,573)

Collection Fund Note 5 Impact of COVID-19 on Collection Fund

An integral part of the Government's fiscal response to the impact of the COVID-19 pandemic in 2020/21 was to provide significant financial support (via Councils) to local businesses in the form of substantial rating reliefs within their respective areas. This financial support to local businesses continued into 2021/22 and 2022/23 but at a reduced level.

This national policy response reduced the value of business rate income available to be collected at a local level and the impact continued to a lesser extent in 2021/22 and 2022/23. This had the direct impact of reducing the level of business rate income collectable within the Council's Collection Fund. Across all three years, to compensate the Council for this reduction an equivalent value of Section 31 grant was received from the Government into the General Fund. After the appropriate amount had been applied to the Collection Fund in 2022/23 there was an in-year surplus of £13.280M, which reduced the deficit to be carried forward into 2023/24 for business rates. It is anticipated that over the medium term the Council will receive full compensation equivalent to the total amount of business rates income that has been lost directly due to this national policy initiative during the pandemic.

THE GROUP ACCOUNTS

Introduction

Many local authorities now provide services through partner organisations which operate under the control of the Council.

The Code requires that, where a Council has material financial interests and a significant level of control over one or more entities, it should prepare Group Accounts.

Southend-on-Sea City Council has reviewed the relationships it has with its partner organisations to determine the scope of the Council Group.

Wholly Owned Companies

As at 31 March 2023, the Council had five wholly owned companies that it considers to fall within the legal definitions of group accounts. These are:

- South Essex Homes Limited
- Southend Care Ltd
- Southend Trading Corporation Limited
- Southend Housing Limited, and
- Southend Business Services Limited

Southend-on-Sea City Council established an Arm's Length Management Organisation registered as South Essex Homes Limited on 16 May 2005 and transferred responsibility for the management of its housing stock to the company on 24 October 2005. South Essex Homes Limited has no share capital, is limited by guarantee and is controlled by the Council. The Council is committed to meet all accumulated deficits or losses.

Southend Care Ltd is a company that has been established to deliver a range of adult social care services previously provided by the Council directly. The Council transferred several its provider services to the company as at 1 April 2017.

Southend Trading Corporation Limited is a company that was established to exploit the Council's telephony assets by selling surplus capacity to the public and private sectors. It ceased trading as at 31 March 2015.

Southend Housing Limited and Southend Business Services Limited have yet to trade.

Of the five companies, South Essex Homes Limited and Southend Care Limited are the only subsidiary companies that have been judged to be material to the Council in both the current and the previous year. The other subsidiaries are immaterial in total and are hence excluded from the consolidation.

Joint Ventures

As at 31 March 2023 the Council participated in five joint ventures, where it has a significant level of control. These are:

- PSP Southend LLP
- Porters Place Southend-on-Sea LLP
- LHCS and Southend Travel Partnership Limited
- Southend-on-Sea Forum Management Limited
- Airport Business Park Southend Management Ltd

PSP Southend LLP is a vehicle through which the Council is able to redevelop surplus assets. It is jointly controlled with a partner company PSP Facilitating Limited on a 50:50 basis. Some assets have been formally transferred to the LLP and developed, and subject to Cabinet approvals, option agreements/direct sales of other sites are planned.

Porters Place Southend-on-Sea LLP is the 30-year partnership with Swan BQ Limited, a wholly owned subsidiary of Sanctuary Housing Association, with the purpose to regenerate the Queensway Estate and surrounding environs. The partnership is exercised by the Council being a member of Porters Place Southend-on-Sea LLP, where it holds a 50% stake, pursuant to a Limited Partnership Agreement dated 24 April 2019.

LHCS and Southend Travel Partnership Limited was incorporated on 5th July 2019 and has been established as a vehicle through which the Council can provide passenger transport. The company is a partnership between Southend-on-Sea City Council and London Hire Community Services and the Council has a 49% holding. The company commenced trading on 1 March 2020.

Southend-on-Sea Forum Management Limited has been established as a vehicle through which The Forum Southend-on-Sea is managed. The Forum Southend-on-Sea is a partnership between Southend-on-Sea City Council, the University of Essex, and South Essex College. The Forum Southend-on-Sea is also the home of the Focal Point Gallery. The Council has equal voting rights to the other two partners.

Airport Business Park Southend Management Ltd has been established as a vehicle through which the Airport Business Park will be managed. The development is a partnership between Southend-on-Sea City Council and HBD (formally Henry Boot Developments Limited). The Council has a majority shareholding linked to its majority land ownership and shares are distributed with plots as they are sold. The Council is not a director on this company but does attend all management company meetings.

For all five joint ventures, the Council's proportions of net assets are immaterial to the accounts and therefore have not been consolidated into the group accounts, with the exception of Porters Place Southend-on-Sea LLP. This joint venture is not yet material in a quantitative sense but will become so as the years progress and had been deemed material in a qualitative sense as Better Queensway is the largest housing and regeneration project the Council has undertaken since the 1960's. Sanctuary Housing Association's recent acquisition of Swan Housing Ltd has contributed to a delay in the finalisation of the LLP's draft Financial Statements for 2022/23. These draft group accounts have therefore been prepared without including 50% of the figures for Porters Place Southend-on-Sea LLP. The figures will be included before the audited and signed 2022/23 Statement of Accounts for the Council are published.

Trust Funds

The Council is responsible for administering several trust funds. These funds are not Council assets, so they are not included in the Council's own balance sheet. The Council prepares the accounts for these trusts which are subject to audit or examination in accordance with the requirements of the Charity Commission.

At the 31 March 2023, the Council was sole trustee of eight trust funds. Although the Council would require the agreement of the Charity Commission to alter the aims and objectives of the Charities, or indeed to dispose of any charity assets, the Council does have significant control over the day to day operations.

The purpose of each trust fund is set out below:

Beecroft Art Trust

The promotion of the study of art, music and literature.

Jones Memorial Recreation Ground Trust

The provision and maintenance of a recreation ground for the benefit of children and young persons who have not reached the age of 25 years and are resident in the city of Southend-on-Sea, without distinction of political, religious or other opinions.

The Palace Theatre Charity

The Palace Theatre was conveyed to the Council by Mrs GE Mouillot in a deed of gift as an expression of her interest and goodwill towards the then County Borough Council. The Theatre is used for the general benefit of the inhabitants of Southend-on-Sea.

Prittlewell Priory Museum Trust

To provide a museum for the general benefit of the inhabitants of Southend-on-Sea.

Priory Park Trust

To be dedicated, held, used and enjoyed as and for the purposes of a public park for the benefit of the inhabitants of the City of Southend-on-Sea and the recreation of the public area.

The Shrubbery Trust

For the enjoyment of the public as an open space under the Open Spaces Act 1906.

Victory Sports Ground Trust

A public park to be known as the "Victory Sports Ground" for the benefit of the inhabitants of the City of Southend-on-Sea and the recreation of the public.

Youth Commemoration Ground Trust

The provision and maintenance of a recreation ground for the benefit of children and young persons who have not reached the age of 25 years and are resident in the City of Southend-on-Sea.

The assets of these trusts were donated by individuals to provide facilities for the good of the local community.

Group Accounting Policies

South Essex Homes Limited, Southend Care Limited, Porters Place Southend-on-Sea LLP and the Trust Fund accounting policies are consistent with the Group accounting policies with the following exceptions:

The Group accounting policy is that Cash and Cash Equivalents are represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. South Essex Homes Limited's accounting policy is that cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours and cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Group Balance Sheet, the figures for Short Term Investments and Cash and Cash Equivalents have been aligned to the Group accounting policy.

The Group Accounts recognise the full pension assets for Southend-on-Sea City Council, South Essex Homes Limited and Southend Care Limited. The pension assets within the individual Financial Statements for South Essex Homes Limited and Southend Care Limited have been recognised to the extent that they are considered recoverable and have been disclosed as nil. The pension asset amounts have therefore been reinstated for these subsidiaries when consolidating their figures into the Group Accounts.

Group Comprehensive Income and Expenditure Statement

	2021/22 Restated			2022/23		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
34,885	(16,453)	18,432	Leader: Corporate Matters and Performance Delivery	24,043	(6,698)	17,345
26,131	(7,759)	18,372	Deputy Leader (May-Oct): Environment, Culture and Tourism	32,562	(6,372)	26,190
22,801	(6,104)	16,697	Deputy Leader (Nov-May): Public Protection	24,790	(5,185)	19,605
104,855	(45,656)	59,199	Adult Social Care and Health Integration	102,063	(45,633)	56,430
5,718	(2,318)	3,400	Asset Management and Inward Investment	12,105	(2,693)	9,412
113,772	(65,436)	48,336	Children and Learning and Inclusion	127,008	(80,098)	46,910
73,760	(69,453)	4,307	Economic Recovery, Regeneration and Housing	70,774	(65,997)	4,777
26,279	(16,240)	10,039	Highways, Transport and Parking	23,861	(12,979)	10,882
408,201	(229,419)	178,782	Net Cost of General Fund Services	417,206	(225,655)	191,551
26,143	(35,992)	(9,849)	Local Authority Housing (HRA)	27,181	(34,735)	(7,554)
26,143	(35,992)	(9,849)	Net Cost of Housing Revenue Account Services	27,181	(34,735)	(7,554)
434,344	(265,411)	168,933	Cost of Services	444,387	(260,390)	183,997
		5,985	Other Operating Expenditure			383
		10,562	Financing and Investment Income and Expenditure			17,111
		(166,299)	Taxation and Non-Specific Grant Income			(162,364)
		19,181	Deficit on Provision of Services			39,127
		0	Tax Expenses of Subsidiary			0
		19,181	Group Deficit			39,127
		(39,980)	Surplus on Revaluation of Property, Plant and Equipment Assets			(21,506)
		(110,978)	Actuarial gains/losses on Pension Assets/Liabilities			(259,391)
		(150,958)	Other Comprehensive Income and Expenditure			(280,897)
		(131,777)	Total Comprehensive Income and Expenditure			(241,770)

Group Movement in Reserves

	Usable Reserves £000	Unusable Reserves £000	Total Group Reserves £000
Balance at 31 March 2021	211,625	318,255	529,880
Movement in Reserves during 2021/22			
Deficit on the Provision of Services	(19,181)	0	(19,181)
Other Comprehensive Income and Expenditure	0	150,958	150,958
Total Comprehensive Income and Expenditure	(19,181)	150,958	131,777
Adjustments between accounting basis and funding basis under regulations	19,680	(19,680)	0
Net Increase before Transfers to reserves	499	131,278	131,777
Transfers to / from Earmarked Reserves	(1,113)	2,250	1,137
Increase in 2021/22	(614)	133,528	132,914
Balance at 31 March 2022	211,011	451,783	662,794
Movement in Reserves during 2022/23			
Deficit on the Provision of Services	(39,127)	0	(39,127)
Other Comprehensive Income and Expenditure	0	280,897	280,897
Total Comprehensive Income and Expenditure	(39,127)	280,897	241,770
Adjustments between accounting basis and funding basis under regulations	35,670	(35,670)	0
Net Increase before Transfers to reserves	(3,457)	245,227	241,770
Transfers to / from Earmarked Reserves	0	0	0
Increase in 2022/23	(3,457)	245,227	241,770
Balance at 31 March 2023	207,554	697,010	904,564

Group Balance Sheet

31 March 2022 £000		31 March 2023 £000
	Property, Plant & Equipment (excluding infrastructure assets)	785,322
772,356		137,486
128,780	Infrastructure Assets	36,020
34,888	Heritage Assets	38,709
38,518	Investment Property	7,902
9,126	Intangible Assets	30,517
37,078	Long Term Investments	4,318
6,953	Long Term Debtors	141,226
0	Other Long Term Assets - Pensions	1,181,500
1,027,699	Long Term Assets	
85,111	Short term Investments	52,298
0	Assets Held for Sale	0
187	Inventories	201
53,435	Short Term Debtors	46,738
57,627	Cash and Cash Equivalents	52,328
196,360	Current Assets	151,565
(1,804)	Short Term Borrowings	(1,825)
(88,084)	Short Term Creditors	(55,231)
(4,493)	Provisions	(4,733)
(94,381)	Current Liabilities	(61,789)
(2,278)	Long Term Creditors	(2,131)
(355,554)	Long Term Borrowing	(355,365)
(99,411)	Other Long Term Liabilities - Pensions	0
(9,641)	Other Long Term Liabilities - Other	(9,216)
(466,884)	Long Term Liabilities	(366,712)
662,794	Net Assets	904,564
211,011	Usable Reserves	207,554
451,783	Unusable Reserves	697,010
662,794	Total Reserves	904,564

Group Cash Flow Statement

2021/22		2022/23
£000		£000
19,181	Net Deficit on the Provision of Services	39,127
(69,676)	Adjustments to Net Surplus or Deficit on the Provision of Services for non-cash Movements	(31,749)
28,217	Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	25,138
(22,278)	Net cash flows from Operating Activities	32,516
78,773	Investing Activities	(18,687)
(45,043)	Financing Activities	(8,530)
11,452	Net (Increase)/Decrease in Cash and Cash Equivalents	5,299
(69,079)	Cash and Cash Equivalents at the beginning of the Reporting Period	(57,627)
(57,627)	Cash and Cash Equivalents at the end of the Reporting Period	(52,328)

Notes to the Group Accounts

The notes have only been produced where they are materially different to the notes supplied with the Council's primary statements, or where it adds significant contextual information.

Group Note 1 Details of Subsidiary Companies and Joint Venture

South Essex Homes Limited – Company registration number 05453601

Southend Care Limited – Company registration number 10138562

Porters Place Southend-on-Sea LLP - Company registration number OC427026

Group Note 2 Financial Performance

Subsidiary Companies

	2022/23			2021/22		
	South Essex Homes Ltd	Southend Care Ltd	Total	South Essex Homes Ltd	Southend Care Ltd	Total
	£000	£000	£000	£000	£000	£000
Income	(15,243)	(10,133)	(25,376)	(13,145)	(8,758)	(21,903)
Expenditure	15,872	11,069	26,941	13,988	9,195	23,183
Long Term Assets	15,327	3,368	18,695	0	0	0
Current Assets	11,625	5,003	16,628	7,762	3,143	10,905
Current Liabilities	(8,308)	(4,015)	(12,323)	(4,393)	(1,634)	(6,027)
Long Term Liabilities	0	(250)	(250)	(1,558)	(5,672)	(7,230)
Net Assets	18,644	4,106	22,750	1,811	(4,163)	(2,352)
Usable Reserves	3,317	738	4,055	3,369	1,259	4,628
Unusable Reserves	15,327	3,368	18,695	(1,558)	(5,422)	(6,980)
Total Reserves	18,644	4,106	22,750	1,811	(4,163)	(2,352)

The negative unusable reserves of both companies represent the deficits of their pension schemes. The Council provides a guarantee to both companies so that they can continue to be regarded as going concerns.

Trust Funds

	Beecroft Art Gallery	Jones Memorial Trust	Palace Theatre Charity	Prittlevell Priory Museum Trust	Priory Park Trust	The Shrubbery Trust	Victory Sports Ground Trust	Youth Commemoration Ground Trust	Total Trusts
2022/23	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income	(192)	(34)	(61)	(137)	(176)	(56)	(20)	(646)	(1,322)
Expenditure	193	31	110	286	213	5	20	747	1,605
Property, Plant and Equipment	0	22	1,075	518	553	0	10	10,760	12,938
Heritage Assets	1,969	0	0	1,812	0	0	0	0	3,781
Investment Property	0	0	0	0	84	482	0	0	566
Other Current Assets	1,287	134	1	6	1	568	1	3,694	5,692
Other Liabilities	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(3)	(10)
Net Assets	3,255	155	1,075	2,335	637	1,049	10	14,451	22,967
Usable Reserves	1,287	133	0	523	0	567	0	3,690	6,200
Unusable Reserves	1,969	22	1,075	1,812	637	482	10	10,760	16,767
Total Reserves	3,256	155	1,075	2,335	637	1,049	10	14,450	22,967

	2021/22								
	Beecroft Art Gallery £000	Jones Memorial Trust £000	Palace Theatre Charity £000	Prittlewell Priory Museum Trust £000	Priory Park Trust £000	The Shrubbery Trust £000	Victory Sports Ground Trust £000	Youth Commemoration Ground Trust £000	Total Trusts £000
Income	(1,481)	(52)	(53)	(137)	(152)	(46)	(42)	(291)	(2,254)
Expenditure	569	52	102	286	189	8	42	458	1,706
Property, Plant and Equipment	0	23	1,125	545	590	0	10	11,035	13,328
Heritage Assets	1,969	0	0	1,932	0	0	0	0	3,901
Investment Property	0	0	0	0	84	482	0	0	566
Other Current Assets	1,288	131	1	7	1	517	1	3,519	5,465
Other Liabilities	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(3)	(10)
Net Assets	3,256	153	1,125	2,483	674	998	10	14,551	23,250
Usable Reserves	1,287	130	0	551	0	516	0	3,516	6,000
Unusable Reserves	1,969	23	1,125	1,932	674	482	10	11,035	17,250
Total Reserves	3,256	153	1,125	2,483	674	998	10	14,551	23,250

Group Note 3 Intercompany transactions

South Essex Homes Limited

The Council paid fees of £6.898M to South Essex Homes Limited for the management of its housing stock, together with £2.626M in respect of other services.

The Council provides several services for its subsidiary for which South Essex Homes Limited paid £1.081M. These transactions have been removed from the Group Comprehensive Income and Expenditure Statement.

Southend Care Limited

The Council paid fees of £9.081M to Southend Care Limited for the provision of adult social care services.

The Council provides several services for its subsidiary for which Southend Care Limited paid £0.050M. These transactions have been removed from the Group Comprehensive Income and Expenditure Statement.

Trust Accounts

The Trusts generate little or no income in their own right. As such the Council provides either free services or a direct operating subsidy, by way of a grant. In addition, the Council paid interest on cash balances held. In total the Council supported the operation of the Trusts by £0.944M in 2022/23. These transactions have been removed from the Group Comprehensive Income and Expenditure Statement

All intra company debtor and creditor balances in the individual entities primary statements have been removed from the Group Balance Sheet.

Group Note 4 Property, Plant and Equipment

The Property, Plant and Equipment line of the Group Balance Sheet is materially different from the single entity's Balance Sheet. The categories of asset affected are as follows:

Movements in 2022/23	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000
Cost or Valuation as at 1 April 2022	285,092	29,563
Additions	6,576	1,609
Revaluations via Revaluation Reserve	11,292	0
Revaluations recognised in the CIES	(11,187)	(431)
Disposals	(598)	(1,320)
Transfers	9,248	0
Gross Book Value as at 31 March 2023	300,423	29,421
Accumulated Depreciation as at 1 April 2022	(6,266)	(12,469)
Depreciation	(4,732)	(5,051)
Written out to Revaluation Reserve	2,118	0
Written out to the CIES	666	0
On Disposals	22	1,283
On Transfers	206	0
Accumulated Depreciation as at 31 March 2023	(7,986)	(16,237)
Net Book Value as at 31 March 2022	278,826	17,094
Net Book Value as at 31 March 2023	292,437	13,184

Movements in 2021/22	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000
Cost or Valuation as at 1 April 2021	280,848	23,217
Additions	7,806	5,066
Revaluations via Revaluation Reserve	4,492	0
Revaluations recognised in the CIES	(11,707)	0
Disposals	(6,760)	(118)
Transfers	10,413	1,398
Gross Book Value as at 31 March 2022	285,092	29,563
Accumulated Depreciation as at 1 April 2021	(12,869)	(8,986)
Depreciation	(4,431)	(3,303)
Written out to Revaluation Reserve	3,406	0
Written out to the CIES	2,817	0
On Disposals	1,448	44
On Transfers	3,363	(224)
Accumulated Depreciation as at 31 March 2022	(6,266)	(12,469)
Net Book Value as at 31 March 2021	267,979	14,231
Net Book Value as at 31 March 2022	278,826	17,094

Group Note 5 Heritage Assets

The Heritage Assets line of the Group Balance Sheet is significantly different from the single entity's Balance Sheet. The categories of asset affected are as follows:

	Historic Seaside Assets	Heritage Land & Buildings	Antiques & Collectables	Museum Collections	Total Heritage Assets
	£000	£000	£000	£000	£000
Movements in 2022/23					
Cost or Valuation as at 1 April 2022	28,905	4,846	2,865	1,557	38,173
Additions	2,078	11	0	0	2,089
Revaluations via Revaluation Reserve	0	0	0	0	0
Revaluations recognised in the CIES	(230)	0	0	0	(230)
Gross Book Value as at 31 March 2023	30,753	4,857	2,865	1,557	40,032
Accumulated Depreciation as at 1 April 2022	(1,513)	(1,772)	0	0	(3,285)
Depreciation	(575)	(152)	0	0	(727)
Written out to Revaluation Reserve	0	0	0	0	0
Written out to the CIES	0	0	0	0	0
Accumulated Depreciation as at 31 March 2023	(2,088)	(1,924)	0	0	(4,012)
Net Book Value as at 31 March 2022	27,392	3,074	2,865	1,557	34,888
Net Book Value as at 31 March 2023	28,665	2,933	2,865	1,557	36,020

	Historic Seaside Assets	Heritage Land & Buildings	Antiques & Collectables	Museum Collections	Total Heritage Assets
	£000	£000	£000	£000	£000
Movements in 2021/22					
Cost or Valuation as at 1 April 2021	26,648	5,573	2,865	1,557	36,643
Additions	1,802	67	0	0	1,869
Revaluations via Revaluation Reserve	0	0	0	0	0
Revaluations recognised in the CIES	(339)	0	0	0	(339)
Transfers	794	(794)	0	0	0
Gross Book Value as at 31 March 2022	28,905	4,846	2,865	1,557	38,173
Accumulated Depreciation as at 1 April 2021	(845)	(1,746)	0	0	(2,591)
Depreciation	(544)	(150)	0	0	(694)
Written out to Revaluation Reserve	0	0	0	0	0
Written out to the CIES	0	0	0	0	0
Transfers	(124)	124	0	0	0
Accumulated Depreciation as at 31 March 2022	(1,513)	(1,772)	0	0	(3,285)
Net Book Value as at 31 March 2021	25,803	3,827	2,865	1,557	34,052
Net Book Value as at 31 March 2022	27,392	3,074	2,865	1,557	34,888

Group Note 6 Defined Benefit Pension Schemes

Alongside the Council, South Essex Homes and Southend Care participates in the Local Government Pension Scheme (LGPS) administered by Essex County Council. The nature of the scheme is set out in full in note 37 to the single entity accounts, and this note should be read in conjunction with that. The tables below set out where the Group Accounts are materially different from the single entity balance sheet.

Transactions relating to post-employment benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The following transactions have been made in the Group Comprehensive Income and Expenditure Statement and the Statement of Funds / General Fund Balance via the Movement in Reserves Statement during the year:

	2022/23 £000	2021/22 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current Service Cost	29,353	34,499
(Gain) / Loss from Settlement	0	(693)
Cost of Curtailments	445	844
Administration Expense	405	310
Financing and Investment Income and Expenditure		
Net Interest Expense	2,412	4,086
Total post-employment benefit charged to the surplus or deficit on the provision of services	32,615	39,046
Other post-employment benefit charged to the comprehensive income and expenditure statement		
Return on plan assets in excess of interest	15,798	(48,906)
Other actuarial gains on assets	286	(10,347)
Change in financial assumptions	(336,960)	(38,517)
Change in demographic assumptions	(1,729)	(15,838)
Experience (gain)/loss on defined benefit obligation	63,214	2,630
Remeasurements and Other Comprehensive Income and Expenditure	(259,391)	(110,978)
Total post-employment benefit (credited) / charged to the Comprehensive Income and Expenditure Statement	(226,776)	(71,932)
Movement in Reserves Statement		
Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the code	226,776	71,932
Actual amount charged against the General Fund Balance for Pensions in the year		
Employer's contributions payable to scheme	13,861	12,539

Pension Assets and Liabilities recognised in the Balance Sheet

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

Actuarial Gains/(Losses)	2022/23 £000	2021/22 £000
Present Value of the defined benefit obligation	562,727	804,338
Fair Value of Plan Assets	(703,953)	(704,927)
Net (Asset)/Liability arising from defined benefit obligation	(141,226)	99,411

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	2022/23 £000	2021/22 £000
Opening Balance at 1 April	804,338	824,278
Current Service Cost	29,353	34,499
Interest Cost	20,704	15,641
Contributions by Scheme Participants	4,599	4,255
Remeasurement Gains and Losses		
Actuarial gains arising from changes in demographic assumptions	(1,729)	(15,838)
Actuarial (gains) / losses arising from changes in financial assumptions	(336,960)	(38,517)
Other	63,214	2,630
Losses on Curtailments	445	844
Benefits Paid	(21,237)	(21,872)
Liabilities extinguished on Settlements	0	(1,582)
Closing Balance at 31 March	562,727	804,338

Reconciliation of fair value of the scheme assets

Local Government Pension Scheme assets

The estimated asset allocation as at 31 March is as follows:

	2022/23	2021/22
	£000	£000
Opening Balance at 1 April	704,927	640,093
Interest Income	18,292	11,858
The return on plan assets, excluding the amount included in the net interest expense	(15,798)	48,906
Other Actuarial Gains	(286)	10,347
Employer Contributions	13,861	12,539
Contributions by Scheme Participants	4,599	4,255
Benefits Paid	(21,237)	(21,872)
Payment of Bulk Transfer Value	0	(889)
Administrative Expense	(405)	(310)
Closing Balance at 31 March	703,953	704,927

Impact on the Council's Cash Flows

The Group anticipates paying a £13.602M contribution to the scheme in 2023/24.

Group Note 7 Accounts

The financial accounts of South Essex Homes Limited can be obtained from the Chair of the Board, South Essex Homes Limited, Civic Centre, Victoria Avenue, Southend-on-Sea, Essex, SS2 6ER.

The financial accounts of Southend Care Limited can be obtained from the Chair of the Board, Southend Care Limited, Civic Centre, Victoria Avenue, Southend-on-Sea, Essex, SS2 6ER.

The financial accounts of Porters Place Southend-on-Sea LLP can be obtained from Swan BQ Limited, Sanctuary House, Castle Street, Worcester, WR1 3ZQ.

The financial accounts of the Trusts can be obtained from the Executive Director (Finance and Resources), Southend-on-Sea City Council, PO Box 6, Civic Centre, Victoria Avenue, Southend-on-Sea, Essex, SS2 6ER.

ADDITIONAL FINANCIAL INFORMATION

Members' Allowances (unaudited)

Councillors' Allowances		Basic Allowances	Special Allowances	Travel & Subsistence	Total
		£	£	£	£
Elected Councillors					
Beck	J	8.12	0.00	0.00	8.12
Beggs	B	10,109.52	0.00	0.00	10,109.52
Berry	M	10,109.52	4,818.33	0.00	14,927.85
Borton	M	10,127.26	4,103.80	0.00	14,231.06
Boyd	H	10,127.26	75.51	0.00	10,202.77
Buck	K	10,127.26	1.14	0.00	10,128.40
Buckley	S	10,109.52	0.00	0.00	10,109.52
Burton	L	10,127.26	11,225.64	0.00	21,352.90
Collins	P	10,127.26	11,231.22	0.00	21,358.48
Courtenay	J	10,109.52	6,467.48	0.00	16,577.00
Cowan	D	10,127.26	1.14	0.00	10,128.40
Cowdrey	T	10,109.52	2,525.87	0.00	12,635.39
Cox	T	10,127.26	10,127.26	0.00	20,254.52
Davidson	M	10,127.26	2,530.96	0.00	12,658.22
Dear	A	10,127.26	376.70	0.00	10,503.96
Dent	M	10,127.26	2,525.87	0.00	12,653.13
Evans	K	10,127.26	0.00	0.00	10,127.26
Evans	M	10,127.26	0.00	0.00	10,127.26
Folkard	N	10,127.26	100.15	0.00	10,227.41
Garne	D	1,199.19	0.00	0.00	1,199.19
Garston	D	10,127.26	7,596.03	0.00	17,723.29
George	S	10,127.26	28,049.43	0.00	38,176.69
Gilbert	I	10,127.26	14,564.93	0.00	24,692.19
Habermel	S	10,127.26	3,158.14	0.00	13,285.40
Harland	J	8,998.18	0.00	0.00	8,998.18
Harp	T	1,199.19	28.37	0.00	1,227.56
Hooper	B	10,127.26	0.00	0.00	10,127.26
Hyde	L	8,998.18	0.00	0.00	8,998.18
Jarvis	D	10,127.26	0.00	0.00	10,127.26
Jones	A	10,127.26	2,290.78	0.00	12,418.04
Jones	D	9,974.68	0.00	0.00	9,974.68
Kelly	M	10,127.26	0.00	0.00	10,127.26
Lamb	J	10,127.26	34.06	0.00	10,161.32
Line	A	10,109.52	0.00	0.00	10,109.52
McGlone	D	1,199.19	0.00	0.00	1,199.19
McMullen	R	8,998.18	0.00	0.00	8,998.18
Mitchell	K	10,127.26	10,408.83	0.00	20,536.09
Moring	A	1,199.19	899.93	0.00	2,099.12
Moyies	J	10,109.52	0.00	0.00	10,109.52
Mulroney	C	10,127.26	13,915.84	0.00	24,043.10
Murphy	K	8,998.18	0.00	0.00	8,998.18
Nelson	D	10,127.26	431.21	0.00	10,558.47
Nevin	C	1,199.19	1,313.66	0.00	2,512.85

O'Connor	M	8,998.18	0.00	0.00	8,998.18
Robinson	K	10,127.26	13,738.39	0.00	23,865.65
Sadza	M	8,998.18	0.00	0.00	8,998.18
Salter	L	10,127.26	7,596.03	0.00	17,723.29
Shead	I	10,127.26	0.00	0.00	10,127.26
Stafford	M	10,127.26	2,331.72	0.00	12,458.98
Terry	M	10,127.26	14,260.44	0.00	24,387.70
Thompson	D	9,484.55	5,677.60	0.00	15,162.15
Wakefield	S	10,127.26	11,353.57	0.00	21,480.83
Walker	C	10,127.26	0.00	0.00	10,127.26
Ward	N	10,127.26	10,127.26	0.00	20,254.52
Warren	J	10,109.52	431.21	0.00	10,540.73
Wexham	P	10,127.26	0.00	0.00	10,127.26
Woodley	R	10,127.26	(146.82)	0.00	9,980.44
Co-opted Members					
Collis	J	0.00	52.04	0.00	52.04
Morgan	J	0.00	1,267.06	0.00	1,267.06
Pandya	K	0.00	1,267.07	0.00	1,267.07
Tetley	J	0.00	1,267.06	0.00	1,267.06
Watts	T	0.00	251.42	0.00	251.42
Total		514,782.64	208,276.33	0.00	723,058.97

ABBREVIATIONS and GLOSSARY

Abbreviations

ALMO	Arm's Length Management Organisation
ASELA	Association of South Essex Local Authorities
CIPFA	Chartered Institute of Public Finance and Accountancy
DfE	Department for Education
DSG	Dedicated Schools Grant
HRA	Housing Revenue Account
IFRS	International Financial Reporting Standard
LLP	Limited Liability Partnership
LGPS	Local Government Pension Scheme
MRICS	Member of the Royal Institute of Chartered Surveyors
MRP	Minimum Revenue Provision
MRR	Major Repairs Reserve
NNDR	National Non-Domestic Rates (Business Rates)
NPV	Net Present Value
OFSTED	Office for Standards in Education, Children's Services and Skills
OMV	Open Market Value
PWLB	Public Works Loan Board
REFCUS	Revenue Expenditure Financed From Capital Under Statute
SEH	South Essex Homes Limited
SOLACE	Society of Local Authority Chief Executives
UEL	Useful Economic Life
VAT	Value Added Tax
VFM	Value For Money

Glossary

Accounting Period	The period of time covered by the accounts, normally a period of twelve months, commencing on 1 April for local Council accounts. The end of the accounting period is the balance sheet date.
Accounting Statements	The Council's Core Financial Statements, Notes and Supplementary Financial Statements.
Accrual	A sum included in the final accounts attributable to the accounting period but for which payment has yet to be made or income received.
Accumulating Absences Account	Accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full. In local authorities, annual leave, flexitime, and time in lieu would usually be accumulating. Accumulating absences are typically earned by employees as they provide services. The Government has issued regulations which mean that the Council is only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.
Actuary	A suitably qualified independent consultant employed to advise the Council upon the financial position of the Pension Fund.
Amortisation	Amortisation is the writing down of costs to the Comprehensive Income and Expenditure Statement over a number of years.
Appropriations	Appropriations are the transfer of resources between, to and from the various reserves.
Asset	An item having value measurable in monetary terms. Assets can either be defined as non-current or current. A non-current asset has use and value for more than one year whereas a current asset (e.g. inventory or short-term debtors) can readily be converted into cash.
Audit of Accounts	An independent examination of the Council's accounts to ensure that the relevant legal obligations, accounting standards and codes of practice have been followed.
Balance Sheet	A financial statement that summarises the Council's assets, liabilities, and other balances at the end of the accounting period.
Billing Authority	A local authority such as Southend-on-Sea City Council charged by statute with responsibility for the collection of and accounting for Council Tax and non-domestic rates (NNDR; Business Rates).

Budget	A budget is a financial statement that expresses a Council's service delivery plans and capital investment programmes in monetary terms, covering the financial year.
Budget Requirement	The estimated revenue expenditure on general fund services that needs to be financed from the Council tax after deducting income from fees and charges, certain specific grants, and any funding from reserves.
Capital Charges	A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services, such as depreciation.
Capital Expenditure	(or capital spending) – Section 40 of the Local Government and Housing Act 1989 defines 'expenditure for capital purposes'. This includes spending on the acquisition of assets either directly by the Council or indirectly in the form of grants to other persons or bodies. Expenditure that does not fall within this definition must be charged to a revenue account.
Capital Financing	The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, direct revenue financing, usable capital receipts, capital grants, capital contributions and revenue reserves.
Capital Investment Programme	The capital schemes the Council intends to carry out over a specified period.
Capital Receipt	The proceeds from the disposal of land and other assets, so long as the amount is £10,000 or more. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government. They cannot be used for revenue purposes without Secretary of State approval.
CIPFA	Chartered Institute of Public Finance and Accountancy. The principal accountancy body dealing with local government finance.
Collection Fund	A separate fund maintained by a billing authority that records the expenditure and income relating to Council Tax and non-domestic rates, along with payments to precepting authorities, the national pool of non-domestic rates and its own general fund.
Community Assets	Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions in their disposal. Examples of community assets are parks and historical buildings.
Comprehensive Income and Expenditure Statement	An account which summarises resources generated and consumed in the provision of services.

Consistency	The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.
Contingent Liability	A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Alternatively, a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of that obligation cannot be measured with sufficient reliability.
Council Tax	The main source of local taxation to local authorities. Council Tax is levied on households within its area by the billing Council and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.
Council Tax Benefit	Assistance provided by billing authorities to adults on low incomes to help them pay their Council Tax bill. The cost to authorities of Council Tax benefit is largely met by government grant.
Creditor	Amounts owed by the Council for works done, goods received, or services rendered before the end of the accounting period but for which payments have not been made by the end of that accounting period.
Debtor	Amounts due to the Council for works done, goods received, or services rendered before the end of the accounting period but for which payments have not been received by the end of that accounting period.
Depreciation	The measure of the cost of the benefits of a non-current asset which have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of the asset whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.
Dedicated Schools Grant (DSG)	Grant funding system for schools through specific grant.
Events after the Balance Sheet Date	Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue. Also referred to as Post Balance Sheet Events.
Exceptional Items	Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence so that the financial statements give a true and fair view.

External Audit	The independent examination of the activities and accounts of local authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure economy, efficiency, effectiveness and equity in its use of resources.
Finance Lease	A lease which transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee, which is treated in the Government's capital control system as a credit arrangement as if it were like borrowing. The value of the asset is held on the Council's Balance Sheet
Financial Instruments	A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
Financial Regulations	A written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative procedures, and budgeting systems.
General Fund	The main revenue fund of a billing Council. Day-to-day spending on services is met from the fund. Spending on the provision of Council Dwellings, however, must be charged to a separate Housing Revenue Account.
Gross Expenditure	The total cost of providing the Council's services before taking into account income from government grants and fees and charges for services.
Housing Benefits	A system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central Government.
Housing Revenue Account (HRA)	A separate, statutory account inside the General Fund which includes the expenditure and income arising from the provision of housing accommodation by the Council acting as landlord.
Infrastructure Assets	Non-current assets belonging to the Council which do not necessarily have a resale value (e.g. highways).
Internal Audit	An independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation. It objectively examines, evaluates, and reports on the adequacy of internal control as a contribution to the proper, economic, efficient, and effective use of resources.
International Financial Reporting Standard (IFRS)	International Financial Reporting Standards cover particular aspects of accounting practice, and set out the correct accounting treatment, for example, of depreciation. Compliance with these standards is mandatory and any departure from them must be disclosed and explained. The standards originated in the commercial sector and some are not directly relevant to local authority accounts.

Inventory	These comprise one or more of the following categories: goods or other assets purchased for resale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion; long term contract balances and finished goods.
Minimum Revenue Provision (MRP)	This is the amount to be set aside for the repayment of debt. Each local Council has a general duty to make an MRP charge to its revenue account each year, which it considers to be prudent.
National Non-Domestic Rate (NNDR)	A standard rate in the pound set by the Government payable on the assessed rateable value of properties used for business purposes. Also known as Non-Domestic or Business Rates.
Net Expenditure	Gross expenditure less specific service income.
Non-Operational Assets	Fixed assets held by the Council but not directly occupied, used, or consumed in the delivery of services. Examples are investment properties or assets surplus to requirements, pending sale or redevelopment.
Operating Lease	A type of lease, usually of computer equipment, office equipment, furniture, etc. which is like renting and therefore represents a revenue cost. Ownership of the asset remains with the lessor.
Operational Assets	Non-current assets held and occupied, used, or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.
Outturn	Actual income and expenditure in a financial year.
Pension Fund	An employees' pension fund maintained by a Council, or group of authorities, in order to make pension payments on retirement of participants. It is financed from contributions from the employing Council, the employee and investment income.
Precept	The levy made by Precepting authorities on billing authorities, e.g. Southend-on-Sea City Council. The major precepting authorities are Essex Police and Crime Commissioner and Essex Fire Authority. The Leigh-on-Sea Town Council also raise money by means of a precept on the billing authority.
Public Works Loan Board (PWLB)	A central government agency which provides long- and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow. Local authorities can borrow a proportion of their requirements to finance capital spending from this source, subject to them being able to afford the interest and principal repayments.
Provision	An amount set aside for liabilities or losses that are certain to arise but owing to their inherent nature cannot be quantified with absolute certainty.

Prudential Code	The Prudential Code, introduced in April 2004, sets out the arrangements for capital finance in local authorities. It constitutes 'proper accounting practice' and is recognised as such by statute.
Rateable Value	The annual assumed rental value of a property that is used for business purposes.
Revenue Expenditure Financed from Capital under Statute (REFCUS)	Capital expenditure which may be properly treated as such, but which does not result in, or remain matched with, tangible fixed assets. An example of REFCUS would be capital expenditure on improvement grants.
Reserves	The accumulation of surpluses and deficits over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council.
Revenue Support Grant	A grant paid by the Government to Councils, contributing towards the costs of their services, as opposed to specific grants, which may only be used for a specific purpose.
Section 31 Grants	A grant issued by a Minister of State under Section 31 of the Local Government Act 2003.
Specific Grants	The term used to describe all government grants – including supplementary and special grants – to local authorities that are to be used for a particular purpose, as opposed to non-service specific grants such as revenue support grant.
Subjective Analysis	This is an analysis of income or expenditure according to type. Such expenditure headings are wages and salaries, capital charges, building maintenance, consumable materials. On the income side, the examples are government grant, fees, and charges.
Supplementary Financial Statements	Additional financial statements comprising the Housing Revenue Account and Collection Fund. Together with the Core Financial Statements comprise the Council's Accounting Statements.
Temporary Investment	Money invested for a period of less than one year.
Trust Funds	Funds administered by the Council for such purposes as charities and specific projects usually resulting from individual legacies and donations.
Value for Money (VFM)	A term that describes a service or product that demonstrates a good balance between its cost, quality, and usefulness to the customer. A VFM audit considers the economy, efficiency, effectiveness and equity of a Council service, function, or activity.

ANNUAL GOVERNANCE STATEMENT

Annual Governance Statement – 2022/23

Scope Of Responsibility

Southend-on-Sea City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently, and effectively. The Council also has a duty under the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

In discharging this overall responsibility, the Council is responsible for ensuring the proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk, are in place. This responsibility extends to satisfying itself that there are robust governance arrangements between the Council and its subsidiaries.

The Council approved and adopted an updated Local Code of Governance¹ in December 2019, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Council's code is part of the Council's Constitution and is available on the Council's [website](#) or can be obtained from the Corporate Strategy Group, Civic Centre, Victoria Avenue, SS2 6ER. The Council has been implementing new governance arrangements during the past year which will be commented upon below. Full details will be available in a refreshed version of the Local Code of Governance due to be published in the latter part of 2023/34.

This Annual Governance Statement explains how the Council has complied with the Code and meets the requirements of Section 6 of the Accounts and Audit Regulations 2015² in relation to the production and publication of an Annual Governance Statement.

The Purpose Of The Annual Governance Statement

The governance framework comprises the structures, systems, processes, culture, and values, by which the Council is directed and controlled and the activities through which it is accountable to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively, and economically.

The governance framework has been in place at the Council for the year ended 31 March 2023 and up to the date of approval of the annual statement of accounts. Revisions and improvements have been implemented, described throughout the statement, and will form a new Local Code of Governance to be published in 2023/24.

¹ The Local Code is available at www.southend.gov.uk/downloads/file/3928/local-code-of-governance-2019

² The Accounts and Audit Regulations 2015 are available at www.legislation.gov.uk/uksi/2015/234/contents/made

The Council's Governance Framework

The governance framework ensures the Council's ambition and desired outcomes are effectively promoted and progressed through its corporate governance arrangements and business planning processes. The key business process elements of the governance framework are as follows:

Citizens:

- Community participation
- Co-design and production with citizens
- Customer satisfaction
- Consultation and engagement
- Complaints, compliments and comments

Performance:

- Outcome based strategy and business planning
- Decision making / constitution
- Policy framework and procedures
- Performance management, including data quality
- Risk management, whistleblowing
- Business continuity
- Information security
- Contract management
- Project management
- Change / transformation management

Resources:

- Outcome based financial planning and reporting, budgetary control and treasury management
- Commissioning
- Procurement
- Asset Management
- Fraud & Corruption and Insurance
- Value for Money (through the Getting to Know your Business and Transformation Blueprint projects)

People:

- People Vision and Plan 2022-26
- Values and behaviours - codes of conduct for members and staff
- Staff performance management and development
- Health and safety
- Ethical governance

These areas form the main sources of assurance to be considered in any review of the Council's governance arrangements.

The Chief Executive has the responsibility for overseeing the implementation and monitoring of the Local Code of Governance, through a process which includes:

- Regular reports to the Corporate Management Team (CLT) and the Audit Committee which set out:
 - weaknesses identified in the governance arrangements;
 - any corrective action necessary to resolve concerns identified;
- An annual review of the governance framework undertaken by the officer Good Governance Group, and more recently by the officer Governance Board;
- An annual report to the Corporate Leadership Team and the Audit Committee on the adequacy of governance arrangements; and
- A regular review of 'The Local Code of Governance', with any significant amendments reported to the Audit Committee, endorsed by Cabinet and approved by Council.

The Council's key governance and business planning processes are also subject to audit on a risk assessed basis. Such work completed during the year forms part of the evidence in support of the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's system of internal control.

Key elements of the Local Code of Governance are outlined below:

The Council's Monitoring Officer is responsible for the maintenance of the Constitution and for reviewing its relevance and effectiveness, ensuring that it is always fit for purpose. Any changes to the Constitution are approved by full Council. Minor changes can also be made to the Constitution by the Chief Executive in consultation with the Group Leaders and the Monitoring Officer.

The Council operates a Leader and Cabinet model of governance, with the Leader (appointed by Full Council for a four-year term) appointing other Councillors to form the Cabinet. During 2022/23 Cabinet had 7 portfolio holders plus the Leader. Cabinet is responsible for the majority of functions of the Council within the budget and policy framework set by full Council. Executive decisions are taken by the Cabinet collectively or by officers acting under delegated powers, depending upon the significance of the decision being made. For urgent issues, a chief officer can take a decision in consultation with the relevant portfolio holder, which will then be reported to the whole Cabinet at the earliest opportunity.

Following the May 2022 election, the Council returned no overall political control and continued to operate a Joint Administration. Led by a Labour Leader, newly appointed in May 2022, the Administration was made up of 16 Labour members, 6 Independent members and 6 Liberal Democrats. The opposition comprised of Conservatives (21 seats) and 2 non-aligned independent members.

Five Special Cabinet meetings took place during 2022/23 increasing the flow of business and support mechanisms around these meetings. The regular occurrence of change and the annual preparation for election periods continues to present challenges and risks to the sustainability of longer-term service and financial planning, these issues were reported in the Local Government Association Corporate Peer Challenge findings in October 2022 (see section below for more detail).

2022/23 also saw changes within the Senior Leadership Team including a new permanent Chief Executive and plans for a reduced number of permanent Executive Directors. The local election in May 2023, returned a result of no overall control. At the Council's AGM on 18th May 2023, the Conservative Group formed a minority administration and appointed 10 Cabinet members (including the Leader).

The Council has three Scrutiny Committees which review and scrutinise proposed decisions in their respective areas of responsibility – People, Place and Policy & Resources. The committees review and scrutinise decisions made, or actions taken in connection with the discharge of any of the Council's functions. In accordance with the Health and Social Care Act 2012, the People Scrutiny Committee also scrutinises health matters.

During 2022/23, the General Purposes Committee, alongside other councillors developed and agreed new Scrutiny Procedure Rules which will be implemented from May 2023. Changes will enable more effective pre-Cabinet scrutiny system where scrutiny and opposition councillors are given opportunities to contribute to and offer advice on key decisions prior to consideration by Cabinet. This will be achieved by identifying reports through a pre-published Forward Plan.

The Council has a Standards Committee to promote and maintain high ethical standards of conduct for elected and co-opted committee members. A key role of the Committee is to help oversee the councillors' Code of Conduct and to monitor the effectiveness of the councillors' Code of Conduct. The Standards Committee also deals with formal complaints against councillors.

The Council has begun to operate a development and training programme for councillors to help support them in their strategic roles. This bespoke offer has been designed with councillors to support robust and effective decision making within a strong governance framework and will enhance councillors' aim for high performing and professional relationships.

The implementation of the 'Work Smart' hybrid framework, enabled by the Digital Smart Strategy and Facilities Management Strategy, and is facilitating more responsive, efficient, and effective ways of working. The model defines two types of working practices, incorporating a flexible mix of remote and in-office working making the location of where employees work, within reason, a choice.

Service Plans have been introduced from April 2023, these set out service area objectives, how services will contribute to the delivery of the corporate plan, and how success will be measured. The purpose of these plans is to provide robust management of service areas. They will help services to plan, organise and increase coordination and consistency across the Council and provide the organisation with the information and assurances required for good governance. Service plans will sit underneath the Council's corporate plan and form a key component of the golden thread approach (linking individual performance to service tactics and organisational strategy).

Annual performance and development conversations are held with employees to review their performance and agreed goals. These are aligned to the service plan and corporate plan priorities, performance development and career progression. This includes leadership capabilities. It is expected that all employees have a minimum of 4 or a maximum of 8 SMART goals. All budget holders must include the 'knowing your business' goal as one of their 8 goals. As part of the Council's response to the recommendation from the LGA Peer Challenge, the Council is enhancing the system by which the completion rates of conversations are monitored.

A local authority has a duty to ensure that it is fulfilling its responsibility for adequate and effective risk management, control, and governance. To this end, the Council has in place an Audit Committee. The Audit Committee has a key role in overseeing and assessing the risk management, control, and corporate governance arrangements and advising the Council on the adequacy and effectiveness of these arrangements.

The Council's major policy objectives and priorities are outlined in the 'Southend Corporate Plan 2022 - 2026', which provides the Council's focus for the next four years. The Plan translates ambitions set out in Southend 2050, the long-term vision for Southend-on-Sea, into medium-term priorities. The corporate plan details how employees and councillors will work with residents and partners to deliver strategic priorities. Reports outlining progress against key areas of delivery (Corporate Performance Report) are reviewed by the Corporate Leadership Team, Cabinet and Scrutiny Committees.

Regular integrated financial monitoring reports covering both revenue and capital projects are produced that provide analysis and explanations of any significant variances from approved budgets. The Investment Board has a particular focus on capital expenditure and reviews and challenges business cases.

The Council operates a five-year capital investment programme, with the application of a 'gateway review' process, enabling items on a reserved list to be subject to further and proportionate consideration before being included in the programme. This, among other things, enables consideration of levels of required resourcing to be applied to projects, both in terms of affordability and the capacity of the organisation to deliver them, and in alignment with the priorities outlined in the Corporate Plan.

The Council is undertaking a capital programme review process to consider what schemes should stop, pause or defer. Progress updates of the review were included in the Period 4, Period 6 and Period 8 financial performance reports to September, November, and January Cabinet respectively.

Four rounds of capital challenge sessions were also held with the Cabinet Member for Asset Management and Inward Investment: In August sessions relating to the strategic schemes, in early October sessions relating to all schemes, in early December sessions targeted on the key areas where further progress needed to be made and in late April sessions looking at the outturn position and any budget re-profiles to re-prioritise and re-align the programme. During the LGA Corporate Peer Challenge the peer team were impressed with the Council's current approach to the management and review of its capital programme.

A forecast outturn for the year is also developed and considered by Cabinet and the Scrutiny Committees. A five-year Medium Term Financial Plan is refreshed annually and shaped by the priorities agreed by the Council. The Council has also developed a Financial Sustainability Strategy providing a 10-year horizon. The Council's annual budget process is subject to engagement, consultation, and scrutiny by all interested stakeholders. Formal public Scrutiny Committees take place at the end of January, prior to consideration by Cabinet and decision by full Council on the overall budget package in February. This enables a robust, costed, and balanced, budget to be set. The overall budget development and approval arrangements complies with good practice and helps to ensure that the Council remains financially resilient.

The Corporate Risk Register is reviewed regularly by the Corporate Leadership Team, and by the Cabinet every six months. Project risk and departmental risk registers are reviewed by service area management teams.

The Council engages with its communities within a consultation, engagement and participation framework that increasingly harnesses co-design, co-production, and asset-based community development principles, with outputs integrated into business planning and delivery as is the case with the Health and Wellbeing Panel, the development of Adult Social Care Strategies and Tackling Poverty Strategy. Co-production activity through a test and learn approach continues to be evaluated by the Adults and Communities Senior Management Team and supported by Working Together for Change, an organisation working alongside councils and health organisations to improve citizen led change to public services. The Council will continue this relationship into 2023 with the development of the Autism and Neurodivergent Strategy.

The Council has a Health and Safety Policy, with an accompanying assurance mechanism and action plan that is reviewed quarterly by the Corporate Leadership Team and Divisional Management Teams via the Governance Board and newly formed SCC Health and Safety Group. This approach has recently been refreshed to support the learning from the pandemic and to assist the Council in maintaining Level 5 (out of 5) diamond award on the RoSPA (Royal Society for the Prevention of Accidents) Quality Safety Award assessment.

A complaints procedure and a whistleblowing policy are maintained and kept under review to enable issues to be raised by public, staff, councillors, and co-opted Members, when they feel appropriate standards have not been met. A report analysing complaints, comments and compliments is submitted to Cabinet and Council annually.

Role of the Chief Financial Officer

The Chief Financial Officer (CFO) occupies a key position in managing the Council's finances and ensuring that resources are used wisely to secure positive results and desired outcomes. To support the post holder in the fulfilment of their duties, and ensure the Council has access to effective financial advice, in 2016 the Chartered Institute of Public Finance Accountants (CIPFA) issued an updated statement on the Role of the Chief Financial Officer in Local Government. The statement:

- Sets out how the requirements of legislation and professional standards should be fulfilled by CFOs in the carrying out of their role; and
- Includes five key principles that define the core activities and behaviours that belong to the role of the CFO in public service organisations and the organisational arrangements needed to support them.

These principles are:

- The CFO in a local authority is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the Council's strategic objectives sustainably and in the public interest;
- The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and aligned with the authority's overall financial strategy;

- The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively;
- The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose; and
- The CFO in a local authority must be professionally qualified and suitably experienced.

The Council has the necessary arrangements and procedures in place which ensure that these principles are complied with. This is through a combination of direct compliance by the CFO and, where not directly complied with, ensuring there are alternative procedures in place to make sure that the necessary outcomes and objectives are still achieved, and suitable controls are in place. For example, this may include deputising arrangements and delegated authority for financial management in the clearance of relevant reports to councillors.

The Chief Finance Officer is responsible for ensuring that the annual Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting In The United Kingdom. Due to the resourcing and capacity challenges that external auditors have experienced over the last 18 months, the independent external audit of the 2020/21 Statement of Accounts was completed in April 2023, and the external audit of the 2021/22 Statement of Accounts has not yet been finalised. Whilst this is not a reflection on the effectiveness of the Council's governance arrangements or on the quality of the draft Statement of Accounts, it does mean that the Council and its partners and stakeholders do not yet have the assurances they seek from a fully audited and unqualified signed set of accounts for 2021/22. Also, during 2023/24 the Council's finance team will now have to manage the finalisation of the independent external audit for both the 2021/22 and 2022/23 financial years. Discussions for planning this programme of activity are ongoing with the external audit teams, as new external auditors have been appointed to deliver the audit of the 2023/24 statement of accounts.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by; the work of the Senior Leadership Group, work undertaken by the Good Governance Group (moving to a new officer Governance Board in March 2023), the Head of Internal Audit's annual report, and by comments made by external auditors and other external agencies and inspectorates. The Council has also undertaken an evidenced based self-assessment against each of the 17 standards contained within the CIPFA Financial Management Code (see section below).

The year 2022/23 has seen the Council undertake several landmark internal activities including, delivery of a new Corporate Plan and implementation of Service Planning, the appointment of a new permanent Chief Executive, as well as responding to a Local Government Association (LGA) Corporate Peer Challenge. The backdrop to which has seen the Council's services step up to respond to residents who have been facing the cost-of-living crisis. This significant increased demand for support at a time of inflationary cost pressures across all service areas has resulted in staff pressures and difficult budget decisions. Following the declaration of a cost-of-living emergency, the Council set up a councillor and officer working party to deliver a suit of bespoke activity. This was alongside the development and publication of a partnership co-produced 'Tackling Poverty Strategy 2023 to 2026'. The latter part of the year has seen the Council embark

on a wholesale review of its operating model and service standards so that it can continue to balance its budget and meet the needs of its residents and communities.

Internal activity

The councillor development programme, co-designed with councillors, equips them with the skills and knowledge they need to be an effective 21st century councillor. A number of activities have been progressed to include improvements to the dedicated councillor support hub (to improve handling of councillor enquiries); an improved induction programme; improvements to councillor's ICT requirements; more political awareness training for officers; a buddy system where senior officers support all newly elected councillors, and opportunities for better understanding respective roles and how these can be mutually supportive. These measures aim to support effective working relationships between councillors and officers and this work continues to be reviewed and enhanced for ongoing effectiveness.

Eleven reports were called-in from the Cabinet or referred directly for scrutiny by the People Scrutiny Committee. Thirty-seven reports were called-in or referred to the Place Scrutiny Committee for review and twenty-nine reports were called-in or referred directly to the Policy and Resources Scrutiny Committee.

An in-depth scrutiny project on behalf of the People Scrutiny Committee for 2022/23 covered the topic 'Providing First-Class Services for Families of Children with Special Educational Needs and Disabilities.' The project for the Policy and Resources Scrutiny Committee was 'Developing Strong Governance at Southend-on-Sea City Council: Strengthening Joint Working Between Councillors and Officers.' The in-depth Scrutiny Project for Place Scrutiny Committee was 'Preparing Southend for the EV Revolution'.

The Service Design Team support the Council by facilitating the planning and co-ordination of the Transformation Blueprint work. The next stage, starting in summer 2023, will see a rapid 14-week investigation and planning period and includes the review and future state design of 51 service areas within the organisation. The outcome will create implementation plans for change. After this period, the change programme will be delivered over the coming months and years.

In addition, the Service Design Team have facilitated the implementation of the transition/ learning and development programme to support the new customer support service embed within the organisation.

The development of options for a Project Management Office (PMO) has been scoped by the Service Design Team to support the wider Transformation Blueprint work. These plans have been developed and presented to the Corporate Leadership Team. Principles underpinning the PMO include enhancing and cascading current skill capacity across the Council. The functions of the PMO will cover: Programme and Project Management, Standards & Guidance, Business Management & Learning & Development. This will be central to the wider change programme within the Council and will be operational in summer 2023.

Mandatory e-learning for both data protection and cyber security is an annual event and was undertaken by staff and councillors, supplemented by alternative tailored training for those for who using an e-learning platform might not be appropriate. To support this learning, a number of email phishing exercises were undertaken to test the awareness and effectiveness of the training.

The Council's approach to cyber security is aligned to best practices and frameworks and is audited. Improvements in maturity are regularly self-assessed. A cyber security audit was completed and highlighted no high risk findings. A new approach to own device usage was trialled in ICT and across Digital Champions and will now be rolled out across all users. The Council's cyber security strategy will continue to increase maturity of understanding both within ICT, across officer teams and councillors.

Officer governance arrangements have continued to evolve, including in the introduction of four new boards to enable better focus on thematic issues and oversight functions. These include a new Governance Board, Performance Board, Strategy, Policy & Legislation Board and Transformation Board.

The Governance Board ensures that the Council has a robust method of scrutiny and appraisal to ensure delivery of the Council's Corporate Plan. The Board will act as a single point of assurance on governance within the Council. The Board advises the Corporate Leadership Team, General Purposes Committee and Cabinet on the adequacy of the governance arrangements and proposes areas for improvement. The Board reviews reports on Internal Audit, Risk & Governance, External Audit, Health and Safety, Business Continuity and other relevant documents. The Board is responsible for:

- Recommending changes to the Constitution
- Reviewing significant changes to governance policies
- Regularly reviewing governance structures
- Reporting on significant governance improvements and weaknesses to the General Purposes Committee
- Reviewing the Annual Governance Statement
- Ensuring the Council practices and embeds good governance in line with the Constitution and supporting policies and procedures
- Ensuring good practice of inclusive decision making through Data Protection Impact Assessments (DPIA) and Equality Analysis (EA).
- Overseeing development and implementation of key governance training and materials pertinent to running the Council effectively
- Reviewing reports about Internal Audit, Risk & Governance, External Audit and other relevant inspectorates
- Monitoring improvement plans and reporting to the Audit Committee
- Reviewing Ombudsman reports
- Reviewing the Council's Health & Safety compliance

The Performance Board ensures that the Council has a robust method of scrutiny and appraisal to ensure delivery of the Council's Corporate Plan. The Board advises the Corporate Leadership Team, Audit Committee and Cabinet on the performance arrangements and performance against the delivery of the Council's corporate priorities. The Board reviews reports from Corporate Strategy, Finance, HR, and Customer Support. The Performance Board is responsible for:

- Reviewing performance reporting against the delivery of the Council's Corporate Plan
- Reporting progress and key concerns to members
- Reviewing Council's statistical performance in Customer Support

- Oversight of implementation of the recommendations from the LGA Corporate Peer Challenge
- Providing the Corporate Leadership Team with a monthly highlight report.

The Strategy, Policy and Legislation Board will map all of the Council's policies and strategies, identifying gaps and allocating responsibility as required for updating existing policies or strategies or creating new ones. The Board is responsible for:

- Oversight of the development of the Council's Corporate Plan
- Reviewing all Council policies and strategies as and when required
- Allocating responsibility where policies and strategies require amendments.
- Identify all forthcoming consultations (legislation and guidance) concerning the Council and identifying responsibility for responding.
- Reviewing all new proposed policies and strategies prior to submission for decision

The Transformation Board will drive transformation aligned with strategic goals to enable the council to be modern and financially sustainable. The Board will continue to develop its measurable outcomes.

- Delivery of the transformation blueprint per the agreed project/programme plans and deliverables;
- Delivery of both the tactical and strategic workstreams;
- Achieving the savings stated in the GT blueprint- roughly £11.5 million each for the two workstreams;
- Achieving other savings identified;
- Delivery of the transformation recommendations from the LGA Corporate Peer Challenge;
- Ensuring the transformation programme is compliant with the Equalities Act and Data Protection Act and other relevant legislation.

A review of the Council's Constitution commenced in March 2021. Bevan Brittan solicitors were commissioned to carry out an initial review and reflect upon where the Constitution may be improved to better reflect how the Council wishes to operate. Following this review, the General Purposes Committee agreed to provide all councillors with the opportunity to engage in conversations supported by the Centre for Governance and Scrutiny (CfGS) about which aspects of the Constitution may be changed. The CfGS met with each party group, including non-aligned councillors, to discuss the working practices of the Constitution, providing learning and best practice from elsewhere, prior to facilitating cross party workshops in order to establish consensus on changes. Following the CfGS findings, the General Purposes Committee have designed and implemented new pre-decision scrutiny rules. The new process will provide councillors with greater oversight of planned work and provide an opportunity to collaborate on key decisions ahead of Cabinet. This new process will commence in May 2023 and will enable both councillors and officers to gain more certainty about the timing of decisions as they progress through the governance process.

The coming year expects the General Purposes Committee to lead changes to the Council's delegation's framework.

External facing activity

The Council continue to work with partners in a number of ways. Following the allocation of UK Shared Prosperity Funds (UKSPF) in August 2022 the Council prepared an Investment Plan to secure the £1.3 million which it had provisionally been awarded. Following confirmation of funding in December 2022 the Council issued an open call for prospective projects to bid for funding for 2022/23 and 2023/24. The government directed priority themes (support to local entrepreneurial ecosystems and volunteering or social action) along with required outputs and outcomes was published on the Council's webpages. A media campaign also raised awareness. The Council used a proportion of the available capacity funding to engage consultants who provided independent analysis and scoring of the bids. The Council also recruited an Assessment Panel made up of local partners representing various groups in Southend who made the final decision on which bids should receive funding. Panel members included representatives from the Department of Work and Pensions, Citizens Advice, Southend Business Partnership, Essex Constabulary, Brentwood Council and local charities and community groups. To maintain independence and transparency in the process, an internal 'firewall' was established within the Council. This meant that those bidding from within the Council were not involved or privy to the process of assessment and decision making.

Funding was awarded to nine projects, and they are now in delivery and are submitting quarterly monitoring reports. A further call for projects will be conducted in Autumn 2023 to award the 2024/25 allocation.

From April 2022, the Health Protection Board had a wider remit to include all health hazards and infectious diseases, as well as screening and immunisation. In May 2022, the equivalent member led Oversight and Outbreak Board decided to retain its existence and continued to support the Health Protection Board, under the new name of the Health Protection, Oversight and Engagement Board. Both of these Boards are accountable to the Southend Health and Wellbeing Board. In addition, the Council holds a seat on, and regularly engages with, the new Integrated Health Board.

Following the establishment of Porters Place Southend-on-Sea LLP as the joint venture partnership with Swan Housing Association, to progress the Better Queensway regeneration project in April 2019, the joint venture secured hybrid planning consent in March 2021 and has subsequently submitted a reserved matters application for the first phase of development. Through SELEP £4.2 million Get Building Fund was also secured to add to the £15 million Housing Infrastructure Fund previously secured from Homes England.

The impact of the pandemic and subsequent economic turmoil has resulted in Swan Housing Association merging with Sanctuary Housing Association, with Swan becoming a subsidiary of Sanctuary from February 2023. The business combination means that Swan Housing remains the council's partner in the LLP but that it has greater business and financial strength as a subsidiary of Sanctuary, a much larger and more robust housing association. Swan Housing Association completed its merger with Sanctuary Group at the end of November 2022. Sanctuary is completing its due diligence around the whole of the Swan Group of companies and all development ventures including Better Queensway. This due diligence will inform Sanctuary's ongoing involvement in the Better Queensway development.

The Council has set December 2023 as the deadline for receipt of the revised business plan for Better Queensway. Based on informal discussions with Swan/Sanctuary the revised business plan is expected to be made available for Council review over the summer.

Vecteo, originally a joint venture company between Southend-on-Sea City Council and London Hire Community Services, was transferred back into full Council ownership in May 2023, following challenges encountered with service delivery and financial sustainability. The service significantly improved during the year and the company is continuing to work to further improve the arrangements, deliver increased consistency in the quality of service provided and value for money to the Council. Changes made to the Directors on the Board have increased the operational and financial management, and the Council and the company are working together to bring the service onto a sustainable operational and financial footing.

The Council's Waste Management contract has gone out to procurement in 2022/23 and is due to conclude in the next few months. A competitive dialogue process will allow the Council to work with the market to secure the best solution from both a financial and environmental perspective and thus deliver best value for taxpayers. Dialogue sessions have commenced with bidders.

The Council continued to be an active partner to the South East Local Enterprise Partnership (SELEP), with the Council represented 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 funding from SELEP for which it is accountable.

In addition, the Council continued to act 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 (funded by SELEP) Business Essex Southend & Thurrock (BEST) Growth Hub and which
- the Construction Industry Training Board funded South Essex Construction Training Academy (SECTA).

Following an LGA Remote Peer Support of how the Council and partners can more effectively support 18–25-year-olds in the city (in October 2020), the Council revised the governance arrangements for Southend Adult Community College (SACC). A shadow internal board was established at the start of 2021 and went live in April 2021 when the Governing Body held its last meeting. An external Advisory Board was recruited and subsequently reviewed and disbanded. Updated governance arrangements have been put in place. The governance group meets monthly and will undertake regular reviews to check its effectiveness.

New developments for Ipeco, Costa, the Launchpad and Quad have been completed at the Airport Business Park Southend. The next phase of Ipeco development and new development for CAMA Assetstore will be on site in 2023. The Airport Business Park Southend Management Company manages the common parts of the estate, the service charge and reports into Shareholder Board.

The cross-party Shareholder Board, formed to oversee the governance of the Council's companies and joint ventures, chaired by the Leader and reporting to Cabinet, continued to meet. It received reports of all the Council's companies and joint ventures, including the accounts

and business plans of South Essex Homes; Southend-on-Sea Forum Management Ltd (a zero-profit joint venture between the University of Essex, the Council and South Essex College set up to manage the property of The Forum); PSP Southend LLP, a joint venture company for property development; Southend Care; Porters Place Southend LLP, joint venture formed to regenerate the Queensway estate; LHCS and Southend Travel Partnership Ltd (Vecteo); and, Airport Business Park Southend Management Company Ltd.

The past year has seen the Council deepen its involvement in regional activity and partnerships. This includes exploring opportunities for local government devolution (as described in the Government’s February 2022 Levelling Up white paper), as well as, continuing to support the Joint Committee and work programmes of the Association of South Essex Authorities (ASELA).

The latter has seen the Council support a resource review, including taking a leading role in the Digital workstream, as well as, performing the Committee’s secretariat and taking on the Accountable Body function. As a means of scrutiny, the Council will continue to submit the minutes of the Joint Committee to the People and Resources Scrutiny Committee.

Devolution conversations have seen Thurrock, Essex County and Southend-on-Sea City Councils working together to understand how devolution might benefit the region. An Expression of Interest was submitted to government in March 2023, outlining an ambitious package of policy aspirations across the Greater Essex area. Working alongside the two upper tier authorities, districts, and key partners (including the Police, Fire and Crime Commissioners office and Local Enterprise Partnership), Southend-on-Sea officers are leading activity to scope potential governance structures. Councillors have been engaged in cross party briefings and a working party to learn more about this work and understand the potential benefits and implications for Southend. Discussions and negotiations with government are expected to take place over the summer before key decisions are presented to the councils for a decision and public consultation.

Financial management

The Council undertook a self-assessment against the six core principles and 17 standards contained within **CIPFA’s Financial Management Code**. Officers reviewed the evidence of the Council’s current arrangements compared to the Code’s expectations and expressed their degree of confidence about how well these arrangements met the Code’s expectations, using the RAG rating:

Red	Not compliant
Amber	Compliant but with scope for further improvement
Green	Compliant

The findings, reported to Audit Committee in April 2022, and followed up in November 2022 and April 2023, reported that the Council is self-assessed as achieving overall compliance with the expectations of the FM Code. The Council meets the minimum expectations for all 17 standards, with good compliance for 14 standards and demonstrable compliance, but with recognised scope for further improvement, for the three remaining standards.

2022/23 has again been an incredibly challenging year, with the Council now having to deal with significant increases in service demand post the COVID-19 pandemic combined with unavoidable rapid increases in operating costs across almost every aspect of the organisation. This has had a

substantial impact on the Council's approved financial plans for 2022/23 and the challenge of delivering a balanced financial outturn for 2022/23 has been significant. Nearly all the financial pressures that the Council is now experiencing have been caused by external factors where the Council has no influence or control, and that have happened at great pace, since the Council's 2022/23 budget was approved in February 2022. Despite the financial challenges arising from the continuing national and local conditions, increasing cost and demand pressures, inflation and supply chain issues, the Council has managed its resources for 2022/23 within the approved budget with the use of some of its reserves that had been set aside for that purpose.

Significantly, the current financial landscape and operating environment for the Council remain extremely challenging and uncertain. While the Council remains financially resilient from the immediate range of local demand and spending pressures, the Council is currently predicting a cumulative budget gap of £29.8m to the end of 2027/28 (Council Budget Report February 2023) that must be addressed. Along with most local authorities, the Council continues to deal with the challenges of uncertainty, financial pressures, service demands and concerns for residents and local area. Coping with the aftermath of the pandemic has been exacerbated and made much more complex by the implications of the events in Ukraine and an unprecedented rise in energy and other prices. This has had a major financial impact on the Council's approved financial plans for 2022/23 and on its forecast for future years.

A new Transformational Blueprint was agreed as part of the Council's overall budget package which looks to provide a roadmap and framework for building a council that is fit for the future. The overall net cost reduction required to bridge the medium to long term deficit by 2027/28 requires a programme of work that not only supports the development of net cost reduction and transformation opportunities at a service level, but that also considers how these opportunities can be integrated into a renewed, sustainable, operating model. This will support the Council's future financial sustainability; help target resources and re-design plans to avoid a financial 'cliff edge' that would then need drastic action over a short time frame.

Other measures to support a drive towards financial sustainability and shape priority focus include: on-going budget reviews; 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.

The Council's 'Getting to Know Your Business' programme for service managers continued to be embedded in 2022/23 and will be essential in assessing the new operating environment, financial challenges, and value for money of services. The ambition is that all service managers in the Council will have a comprehensive understanding of their business areas in terms of their benchmarked operational and financial performance, key demand and cost drivers, income levels, commercial opportunities, value for money and customer insight.

This programme, together with a comprehensive 'strategic-fit' review against the Southend 2050 ambition, new Corporate Plan, administration priorities, economic recovery aspirations and delivering better outcomes and value for money for local residents influenced the development of the investments, savings, income generation proposals and level of council tax agreed for 2023/24.

External challenge/inspection

In October 2022, the Council invited LGA peers to conduct a Corporate Peer Challenge (CPC), to provide an external assessment of its progress, and an opportunity for improvement lead review of the key challenges faced by the Council. The CPC considered questions from 5 core components: Local priorities and outcomes, Organisational and place leadership, Governance and Culture, Financial planning and management, Capacity for improvement.

The peer challenge was not an inspection, but improvement focussed. The CPC was designed to complement and add value to the Council's own performance and improvement plans. The peer team used their experience and knowledge of local government to reflect on the information presented to them by the people they met, things they saw and material they read. Preparation for the Challenge included reviewing a range of documents to ensure the peers were familiar with the Council and the challenges it is facing. The team then spent four days at the Civic Centre, during which they: Gathered information and views from more than 51 meetings, in addition to further research and reading; Spoke to more than 160 people including a range of council staff together with councillors and external stakeholders; and Observed four council meetings (two in person and two on-line).

The feedback highlights a range of positive findings. The peers found that the Council was very self-aware, has huge potential and that there are many positive attributes and assets both within the Council and city, including the strong community ethos, ambitious regeneration projects and sound financial management. However, peers found that the approach to leadership, governance and decision making is impacting the council's capacity to progress. As a result, nine recommendations were made, many of which relate to the theme of governance and decision making. They are as follows:

- completing the review of the Council's Constitution,
- develop more effective councillor and officer working relationships,
- consider changing the election cycle,
- re-engage partners,
- align priorities to resources and capacity,
- better communicate difficult decisions,
- modernise operating systems,
- develop a plan to tackle spatial inequalities and disparities across the city,
- continue to engage in regional activity, such as Association of South Essex Local Authorities.

Cabinet accepted the peer's findings and recommendations and in response worked with the Senior Leadership Group to develop an Action Plan which begins to identify activity to enable the Council to take steps towards improving the issues identified. The Action Plan will be overseen by a cross party working party and further developed in collaboration with councillors. Key areas of activity are already in motion, and the LGA has endorsed their progression. These include continuing with the review of the constitution, continuing work to improve behaviours, reviewing the Council's operating model and ability to prioritise, and continuing to engage in region wide discussions. In line with their standard procedure, peers returned to the council on 7 December 2023 to review progress against the Action Plan and provide ongoing support for improvement.

The LGA's report acknowledges good progress across all the recommendations with particular emphasis on building a more engaging leadership style through strengthened communications and engagement alongside greater cross-party workings. The report outlines the financial environment and the work undertaken to address budget gaps. A strong and consistent message arising from the progress review is the need to maintain focus on the delivery of the required savings and medium-term financial resilience. The peers further highlighted the importance of transformation in achieving this.

Ofsted and the Care Quality Commission (CQC) visited the Council area to inspect the local arrangements for children and young people with special educational needs and disabilities (SEND) between 2nd and 10th March 2023.

Southend is the fourth area to be inspected under the new framework, which came into effect earlier this year, its intention is to provide an independent, external evaluation of the effectiveness of the local area partnership's arrangements for children and young people with SEND. There were five inspectors, including the lead inspector in the inspection team.

Under this new inspection framework, the team undertook deep dives into specific cases, meeting with the children and their parent / carers, looked at responses to three separate questionnaires; one for children and young people, one for parent / carers and one for practitioners; and looked at a range of documents and information requested and submitted in advance of the inspection. The findings have not yet been published.

Internal Audit

The annual risk-based Audit Plan was prepared in consultation with Directors, the Deputy Chief Executive, and the Chief Executive. It was developed by the Head of Internal Audit and approved by the Audit Committee. Terms of Reference and reports for specific audits are discussed with relevant Directors, Deputy Chief Executive, or the Chief Executive before being finalised, with the recommended actions required to mitigate risks summarised in an action plan.

Internal Audit revisits action plans where the report found either Partial or Minimal assurance. These actions are retested, and the result of this work is reported to management and the Audit Committee as part of the Quarterly Performance Report.

Draft Head of Internal Audit Opinion for the year ended 31 March 2023

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. Such arrangements can take many forms and still be effective. Assurance is then required that these processes are fit for purpose and being applied throughout the organisation.

During 2022/23 the Council continued to be challenged by the external environment that it operates within, particularly in respect of the wider economic situation, with the impact of inflation, including the cost of energy, creating additional financial pressures for the Council, residents, the supply chain, and other stakeholders, as well as the wider impacts of the fallout from the Covid-19 pandemic. Significant changes that have occurred to the operations of the Council are becoming embedded, including many staff working remotely and the changes implemented to enable that remote working. These changes enabled the Council to deliver what was required in response to the pandemic, and similar focus now needs to be applied to the financial challenges that the

Council is facing, so that the Council can address the medium-term budget gap that has arisen and bring the Council back into a financially sustainable position.

The Council continued to build on the work that had been undertaken to create the shared ambition for the borough, now City, and desired outcomes for its residents, visitors, students, and other stakeholders, through the adoption of a new Corporate Plan that aims to provide the necessary focus on the priorities for the Council, so that the Council's resources can be applied to the delivery of those priorities. Updates have been made to refresh the outcomes being sought and their delivery arrangements to ensure that these remain appropriate given the changed context and circumstances being encountered.

The Transformation Blueprint has been developed with external support to provide the focus that will be necessary to make the further changes that are required to transform the culture and the way that the Council operates, so that the Council shifts to a culture, a focus, a structure, and ways of working that are most appropriate, effective and financially sustainable to deliver the priority outcomes in the changed circumstances that the Council is now facing.

Management needs to continue to monitor both the actual and potential impact of these pressures, the progress against delivery of the Transformation Blueprint and programme to drive change that arises, as well as delivery of the Corporate Plan. Management and councillors need to be ready to adjust, if necessary, as the situation continues to evolve and the understanding of the impact on future needs and priorities becomes clearer.

There is much to do, and the Council is working to deliver and meet these multiple challenges. As a result, there continues to be updates made to way the Council is operating. The governance arrangements have been reworked during the year and need to become effective and embedded to provide the framework that will drive the delivery of what is required to address the multiple challenges faced. The Transformation Blueprint and change programme will review ways of working, and therefore there is a need for changes arising to have the opportunity to be established and embedded before assurance can be provided that they are working effectively as intended. Management continues to work in the context of ongoing change and challenges arising from the external environment, which makes it difficult to achieve a period of stability that would assist with implementing and embedding revised arrangements.

With regards to the assurance provided by audit work undertaken in these areas, the results of the work indicate that the design of the Council's risk management can be provided with satisfactory assurance, although the Risk Management Policy Statement and Strategy that has been reviewed and refreshed needs to be formally adopted, but partial assurance in respect of operation, as there is a need for further embedding of the arrangements within the services so that there is increased understanding of the need to capture the conversations about risk that are happening, to provide increased visibility, transparency and accountability for decision making around the risks below those on the corporate risk register. This has been partly addressed moving forward through the re-introduction of Service Plans for 2023/24.

The design and operation of internal control can be provided with satisfactory assurance, but issues have been highlighted in respect of the governance framework as operated for the year indicating that this requires the changes that have been introduced during the year to become effective and embedded before it can be considered to be satisfactory overall, therefore partial assurance is provided for the year. Work to further improve the governance framework and

arrangements is being undertaken, as reflected in the Annual Governance Statement action plan, and will be reported to Members later in the year.

The basis for forming this opinion is an assessment of:

- the design and operation of the underpinning governance and assurance framework
- the range of individual opinions arising from risk based and other audit assignments that have been reported during the year, taking into account the relative significance of these areas
- whether management properly implement actions arising from audit work completed, to mitigate identified control risks within reasonable timescales
- observations from advisory and support work undertaken
- changes to the Council's Ambition, management structure and use of technology
- assurance from other providers including independent regulators and peer reviews
- the quality and performance of the Internal Audit service and the extent of compliance with the Public Sector Internal Audit Standards.

The Head of Internal Audit has not reviewed all risks and assurances relating to the Council's activities in coming to this opinion.

Compliance with Professional Standards, Head of Internal Audit Opinion.

I can confirm that I have maintained an appropriate Quality and Improvement Programme (QAIP) during the year for the in-house team and work undertaken by contractors when being managed by the in-house team. As required by the Standards, this consisted of:

- on-going supervision and review of individual audit assignments completed by in-house staff or contractors working to in-house staff
- reporting on a limited set of performance targets to the Audit Committee (for all work done including that of external suppliers)
- reviewing the independent external assessment of compliance with the Standards which is required at least every five years and updating for the position for this year.

I have received assurance from external suppliers used that where they have undertaken work using their own audit approach, that are also compliant with the Standards.

Issues for the Annual Governance Statement

No issues have come to internal audit's attention this year, other than those already disclosed, that we believe need including in the Council's Annual Governance Statement.

External Inspections and Assessments

Assurance over the control environment is also obtained from external inspections and assessments of service areas. External assessments for 2022/23 included:

- **LGA Corporate Peer Challenge – October 2022** – as outlined above.
- **SEND Area Inspection – March 2022** – as outlined above.

- **Schools - There were 11 full Ofsted school inspections (plus 1 monitoring visit) completed during the financial year 2022/23. The overall position at April 2023 therefore was:**

- Primary schools: 5 outstanding, 26 good, 21 requires improvement, 1 Inadequate.
- Secondary Schools: 5 outstanding, 5 good, 2 inadequate.
- Special schools: 1 outstanding, 3 good, 1 requires improvement.
- Pupil Referral Unit/alternative provision: 1 good, 1 requires improvement.

This means that 88.46% of children were attending good or outstanding schools as of April 2023.

- **Adult Social care ratings:**

- Nursing homes: 2 outstanding, 8 good, 3 requires improvement and 1 inadequate.
- Residential homes: 2 outstanding, 51 good, 10 requires improvement, 2 inadequate.
- Domiciliary care agencies: 4 outstanding; 33 good; 6 requires improvement; 1 inadequate.

Conclusion

We have been advised on the result of the review of effectiveness of the governance framework by the Audit Committee and, although the arrangements fundamentally achieve their aims and meet the needs of the Council, it is recognised that there is scope for further development to ensure these are as effective as possible. Work is underway to make the necessary improvements.

Actions to be specifically addressed are outlined below.

Further Actions to strengthen the Council's Governance Arrangements for 2023/24

No.	Area	Action	Date of Implementation	Responsible Officer
1.	Governance and operating model	To progress the recommendations from the LGA CPC to continue with the review of constitution, consider changing to an all-out election cycle and modernise operating systems with particular focus on those that will support application of the governance framework.	March 2024	Director of Legal Services Director of Digital Enablement Executive Director Strategy & Change
2.	Risk management	To complete the implementation of the Risk Management Policy Statement and Strategy and then to build on and embed the risk management arrangements that support the delivery of the Council's Corporate Plan and Service Plans.	March 2024	Head of Internal Audit and Counter Fraud
3.	Transformation and financial sustainability	To proceed with the Transformation Blueprint and develop a programme of work that will revise the Council's operating model, structure and focus to deliver a modern and financially sustainable Council.	March 2024	Director of Transformation

Significant Governance Issues

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed on Behalf of the Council

**Colin Ansell
Chief Executive &
Town Clerk
24 April 2024**

**Councillor Tony Cox
Leader of the Council
24 April 2024**

Council Governance Actions – 2022/23 – Progress

	Governance Issue	Action	Responsible Officer	Comment on Progress
1.	Governance Framework	<p>To complete the review currently being undertaken to address the need to update and strengthen the governance arrangements and processes that underpin how the Council works.</p> <p>To engage with the LGA through the planned Corporate Peer Challenge and gain their insight into the planned work and how best to embed.</p>	Interim Executive Director - Strategy, Change and Governance - Stephen Meah-Sims	<p>The Centre for Governance and Scrutiny concluded their review into the Constitution and made several recommendations. A plan to address these is progressing with changing being implemented from April 2023.</p> <p>Officer governance processes saw a refresh of reports and guidance as well as the introduction of officer Boards.</p> <p>The LGA completed their Corporate Peer Challenge in October 2022 and made several recommendations. Cabinet accepted the LGA's findings and work is underway to implement improvements and learning.</p>
2.	Risk Management	To complete the review currently being undertaken of the Risk Management Policy Statement and Strategy and then to update and embed the risk management arrangements that support the delivery of the Council's ambition and outcomes.	Head of Internal Audit and Counter Fraud - Andrew Barnes	<p>An updated Risk Management and Policy Statement has been prepared, but still needs to be formally approved as part of an updated Local Code of Governance.</p> <p>Risk management training has been delivered to the Senior Leadership Group, and increased identification and recording of risks to meeting objectives has been undertaken and captured in the Service Plans for 2023/24.</p>

	Governance Issue	Action	Responsible Officer	Comment on Progress
3.	Contract Management	To enhance the Council's approach to contract management through development of a bespoke contract and relationship management system, providing updates and reminders, the returns of quarterly KPI data and a data repository and audit tool for contract management of our most strategic contracts.	Head of Procurement – Lee White	The Electronic Contract Management System (ECMS) has been in place since the autumn of 2022, with training commenced on the system for a number of Level 1 contract managers (those managing the most strategic contracts at SCC). The next stage will see all contract managers for Level 1 contracts actively using the system by the end of 2023 and a number of those who attended the initial training and development of the system are already using the ECMS and are finding it extremely beneficial. It provides a system for all the data, reminders and also a full audit trail of how the contracts have progressed, are being managed and sets reminders for suppliers to update annual requirements such as insurances, accounts and reports. Contract Managers have also been provided with a Contract Management Manual and suite of tools to support them in their day to day management of contracts. Free Contract Management (CM) training is also now available for free through the Council's partnership with central government (Foundation Certification and also access to the CM Pioneer Programme).

	Governance Issue	Action	Responsible Officer	Comment on Progress
4.	Project Management	To embed a new Programme Management Officer (PMO) operating model which will provide greater understanding of the capabilities required for strategy materialisation and project success. This will be achieved through greater coordination across priority areas including the governance and assurances processes required.	Interim Executive Director - Strategy, Change and Governance - Stephen Meah-Sims	PMO plans have been developed and presented to the Corporate Leadership Team. Principles underpinning the PMO include enhancing and cascading current skill capacity across the Council. The functions of the PMO will cover: Programme and Project Management, Standards & Guidance, Business Management & Learning & Development. This will be central to the wider change programme within the Council and will be in operational in summer 2023.

Title: KPMG: Draft Report to Audit Committee - External Audit Plan and Strategy for the year ending 31 March 2024

Meeting: Audit Committee

Date: 24 April 2024

Classification: Part 1

Key Decision: No

Report Authors: KPMG External Auditor

Executive Councillor: Not applicable

1. Executive Summary

- 1.1. This report outlines KPMG's risk assessment and planned audit approach for the 2023/24 financial year with regard to:
- the audit of the Statement of Accounts
 - the commentary on the Council's Value for Money arrangements conclusion.

2. Recommendations

- 2.1. The Committee accepts KPMG's External Audit Plan and Strategy for the year ending 31 March 2024.**

3. Background

- 3.1. A senior representative of KPMG (the appointed External Auditor to the Council from 2023/24) will present this report to the Audit Committee and respond to Members' questions.

4. Financial Implications

- 4.1. The fee for the audit work is set by Public Sector Audit Appointments Limited (PSAA) 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 additional fees in relation to the 2023/24 audit will be subject to the fees variation process as outlined by the 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.

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

- 9.2. None

10. Attachment: KPMG Draft report to Audit Committee: External Audit Plan and Strategy for the year ending 31 March 2024

Southend on Sea City Council

DRAFT - Report to the Audit
Committee

External Audit Plan & Strategy for the year ending
31 March 2024

April 2024

Introduction

To the Audit Committee
of Southend on Sea City Council

We are pleased to have the opportunity to meet with you on 24 April to discuss our audit of the consolidated financial statements of Southend on Sea City Council for the year ending 31 March 2024.

We have been appointed as your auditors by Public Sector Audit Appointments Ltd. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and in compliance with the NAO Code of Audit Practice. The NAO is consulting on a new Code of Audit Practice for 2023/24, therefore this plan will remain draft until the finalisation of that Code.

This report outlines our risk assessment and planned audit approach. Our planning activities are still ongoing and we will communicate any significant changes to the planned audit approach. We note that an audit opinion has not been expressed on the prior period, once the prior period audit opinion has been expressed we will communicate any significant changes to the planned approach. We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

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Overview of planned scope including materiality	3
Significant risks and Other audit risks	5
Audit Risks and our audit approach	6
Mandatory communications	14
Value for Money	16
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The engagement team

Emma Larcombe shall lead the engagement and is responsible for the audit opinion.

Other key members of the engagement team include Nathan Ackroyd (senior manager) with 10 years of experience.

Yours sincerely,

Emma Larcombe,

Director - KPMG LLP

(Date)

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner. The audit undertaken in the current year is dependent on the finalisation of the previous auditor's work over historical financial statements. We aim to complete all audit work no later than 2 days before audit signing. As you are aware, we will not issue our audit opinion until we have completed all relevant procedures, including audit documentation.

Overview of planned scope including materiality

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Our materiality levels

We determined materiality for the consolidated financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of expenditure which we consider to be appropriate given the sector in which the entity operates, its ownership and financing structure, and the focus of users.

We considered qualitative factors such as stability of legislation and lack of shareholders when determining materiality for the financial statements as a whole.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality 75% of materiality driven by our expectations of normal level of undetected or uncorrected misstatements in the period. We also adjust this level further downwards for items that may be of specific interest to users for qualitative reasons, such as officers' remuneration.

We will report misstatements to the audit committee including:

- Corrected and uncorrected audit misstatements above £0.49m.
- Errors and omissions in disclosure (Corrected and uncorrected) and the effect that they, individually in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item.

Control environment

The impact of the group control environment on our audit is reflected in our planned audit procedures. Our planned audit procedures reflect findings raised in the previous year and management's response to those findings.

- our reliance on group-wide controls will be limited to our review of the consolidation process

File review

We will undertake an appropriate prior year file review dependent on the final opinion issues by the previous auditors.

Group Materiality

Group	
Materiality for the consolidated financial statements as a whole	£9.8m (2.0% of expenditure)
Procedure designed to detect individual errors at this level	£7.3m
Misstatements reported to the Audit Committee	£0.49m

Entity Materiality
£9.6m

2.0% of entity expenditure £479m

Overview of planned scope including materiality (cont.)

Timing of our audit and communications

- We will maintain communication led by the engagement partner and senior manager throughout the audit. We set out below the form, timing and general content of our planned communications:
- Kick-off meeting with management in February 2024 where we discuss our draft audit plan outlining our audit approach and discuss management's progress in key areas;
- Audit Committee meeting in April, 2024 where we present our draft audit plan;
- Status meetings with management in August and September 2024 where we communicate progress on the audit plan, any misstatements, control deficiencies and significant issues;
- Closing meeting with management in September/October 2024 where we discuss the auditor's report and any outstanding deliverables;
- Audit Committee meeting in December 2024 where we communicate audit misstatements and significant control deficiencies; and
- Biannual private meetings can also be arranged with the Committee chair if there is interest.

Using the work of others and areas requiring specialised skill

We outline below where, in our planned audit response to audit risks, we expect to use the work of others such as Internal Audit or require specialised skill/knowledge to perform planned audit procedures and evaluate results.

Others	Extent of planned involvement or use of work
REVA	Our REVA property valuation specialists will be involved in the discussions with your valuers over the most complex of the assets held by the Council.
KPMG Pensions Centre of Excellence	Our Pensions Centre of Excellence will be involved in overseeing the audit of the involvement of the Council in the Essex Local Government Pension Scheme

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Significant risks and Other audit risks

Our risk assessment draws upon our understanding of the applicable financial reporting framework, knowledge of the business, the sector and the wider economic environment in which Southend on Sea City Council operates.

We also use our regular meetings with senior management to update our understanding and take input from sector and internal audit reports.

Due to the current levels of uncertainty there is an increased likelihood of significant risks emerging throughout the audit cycle that are not identified (or in existence) at the time we planned our audit. Where such items are identified we will amend our audit approach accordingly and communicate this to the Audit Committee.

Value for money

We are required to provide commentary on the arrangements in place for ensuring Value for Money is achieved at the Council and report on this via our Auditor's Annual Report. This will be published on the Council's website and include a commentary on our view of the appropriateness of the Council's arrangements against each of the three specified domains of Value for Money: financial sustainability; governance; and improving economy, efficiency and effectiveness.

We have outlined the result of our risk assessment procedures on page 16.

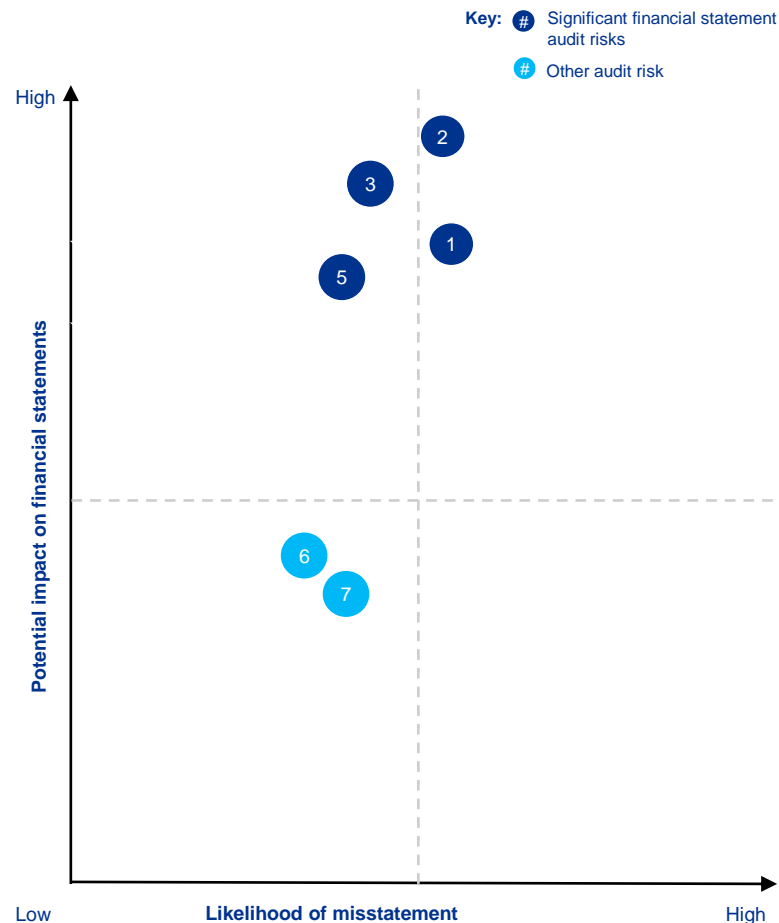
Significant risks

1. Inappropriate capitalisation of expenditure into fixed assets
2. Recognition of surplus on the net pension asset
3. Valuation of post retirement benefit obligations
4. Management override of controls*
5. Valuation of fixed assets - EUV

Other audit risks

6. Valuation of fixed assets - DRC
7. Valuation of investment properties - FV

* pervasive



Audit risks and our audit approach

1 Fraud risk from expenditure recognition

Additions to property, plant and equipment, infrastructure assets and heritage assets are recorded inappropriately when the expenditure is not eligible for capitalisation



Significant audit risk

Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered.

The Council has a statutory duty to balance their annual budget. Where a Council does not meet its budget this creates pressure on the Council's usable reserves and this in term provides a pressure on the following year's budget. This is not a desirable outcome for management.

Given the context of significant pressures on funding and demand faced by councils in the sector the size of the Council's capital programme provides an opportunity for inappropriate capitalisation of revenue expenditure.



Planned response

We will perform the following procedures in order to respond to the significant risk identified:

- We will evaluate the design and implementation of controls for classifying expenditure as capital;
- We will review the capital programme for schemes which indicate they are of a revenue nature; and
- We will test capital expenditure incurred by the Council to ensure it is correctly capitalised.

Audit risks and our audit approach (cont.)

2

Recognition of the surplus on the net pension asset

Management's assessment of the level of recognisable surplus may not be in line with requirements



Significant audit risk

Recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (As at the 31 March 2023 Southend on Sea City Council found their LGPS in a surplus of £122.5m up from a deficit of £118.6m at 31 March 2022).

The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.

The Council will need to assess the level of economic benefit it can derive from this surplus, as per the requirements of IFRIC14.

This assessment will be required each year, and the outcome may change as it will depend upon market conditions at the year end and any changes in the contributions committed to under the rates and adjustments certificate.



Planned response

We will perform the following procedures:

- Test the data and valuations provided by the actuary in their IAS 19 report for completeness and consistency with the other information provided by the Council.
- Consider, and if necessary challenge, the Council's estimate of the recognisable surplus.
- Consider the adequacy of the Council's disclosures in respect of the assumptions or judgements made in determining the level of recognisable surplus.

Audit risks and our audit approach (cont.)

3

Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation



Significant audit risk

The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council

The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.

We have identified this in relation to the following pension scheme memberships: Essex Local Government Pension Scheme



Planned response

We will perform the following procedures:

- Understand the processes the Council have in place to set the assumptions used in the valuation;
- Evaluate the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Perform inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agree the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluate the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenge, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirm that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;
- Consider the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions;
- Assess the impact of a new triennial valuation model and/or any special events, where applicable.

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Audit risks and our audit approach (cont.)

4

Management override of controls(a)

Fraud risk related to unpredictable way management override of controls may occur



Significant audit risk

Professional standards require us to communicate the fraud risk from management override of controls as significant.

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.

We have not identified any specific additional risks of management override relating to this audit.

Note: (a) Significant risk that professional standards require us to assess in all cases.



Planned response

Our audit methodology incorporates the risk of management override as a default significant risk.

- Assess accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- In line with our methodology, evaluate the design and implementation of controls over journal entries and post closing adjustments.
- Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual.
- We will analyse all journals through the year using data and analytics and focus our testing on those with a higher risk, such as unusual journals impacting expenditure recognition posted during the final close down.

Audit risks and our audit approach (cont.)

5

Valuation of land and buildings - EUV

The carrying amount of revalued Land & Buildings differs materially from the fair value



Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle including Council Dwellings (433m), other land and buildings excluding schools (233m)

This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value.

A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the engaged valuer.

We note that this risk does not apply to infrastructure assets due to the recent CIPFA guidance: "Update to the Code and Specifications for Future Codes for Infrastructure Assets" and Bulletin 12: "Accounting for Infrastructure Assets – Temporary Solution"



Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of Whybrow and Dodds, the valuers used in developing the valuation of the Council's properties at 31 March 2024;
- We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We will utilise our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Audit risks and our audit approach (cont.)

6

Valuation of land and buildings - DRC

The carrying amount of revalued Land & Buildings differs materially from the fair value



Other audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. We have identified this risk over Schools (51.5m).

This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value.

A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the engaged valuer.



Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of Whybrow and Dodds, the valuers used in developing the valuation of the Council's properties at 31 March 2024;
- We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;

Audit risks and our audit approach (cont.)

7

Valuation of investment property - FV

The carrying amount of revalued investment property differs materially from the fair value



[Significant
audit risk]

The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property. The Council holds investment properties that were valued at £38.1m at the 31 March 2023 (unaudited balance)

There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.



Planned
response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of Whybrow and Dodds, the valuers used in developing the valuation of the Council's investment property at 31 March 2024;
- We will inspect the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will challenge the appropriateness of the valuation; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;

Audit risks and our audit approach

Revenue – Rebuttal of Significant Risk

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. Due to the nature of the revenue within the sector we have rebutted this significant risk. We have set out the rationale for the rebuttal of key types of income in the table below.

Description of Income	Nature of Income	Rationale for Rebuttal
Council tax	This is the income received from local residents paid in accordance with an annual bill based on the banding of the property concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of properties in the area and the fixed price that is approved annually based on a band D property: it is highly unlikely for there to be a material error in the population.
Business rates	Revenue received from local businesses paid in accordance with an annual demand based on the rateable value of the business concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of businesses in the area and the fixed amount that is approved annually: it is highly unlikely for there to be a material error in the population.
Fees and charges	Revenue recognised from receipt of fixed fee services, in line with the fees and charges schedules agreed and approved annually.	The income stream represents high volume, low value sales, with simple recognition. Fees and charges values are agreed annually. We do not deem there to be any incentive or opportunity to manipulate the income.
Grant income	Predictable income receipted primarily from central government, including for housing benefits.	Grant income at a local authority typically involves a small number of high value items and an immaterial residual population. These high value items frequently have simple recognition criteria and can be traced easily to third party documentation, most often from central government source data. There is limited incentive or opportunity to manipulate these figures.
Interest and investment income	Predictable income receipted primarily from banks and fund managers	This revenue stream is not expected to be material and has not changed significantly in the year in quantum and qualitative factors

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Mandatory communications - additional reporting

Going concern

Under NAO guidance, including Practice Note 10 - A local authority's financial statements shall be prepared on a going concern basis; this is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganization) do not negate the presumption of going concern.

However, financial sustainability is a core area of focus for our Value for Money opinion.






Additional reporting

Your audit is undertaken to comply with the Local Audit and Accountability Act 2014 which gives the NAO the responsibility to prepare an Audit Code (the Code), which places responsibilities in addition to those derived from audit standards on us. We also have responsibilities which come specifically from acting as a component auditor to the NAO. In considering these matters at the planning stage we indicate whether:

Work is completed throughout our audit and we can confirm the matters are progressing satisfactorily 	We have identified issues that we may need to report 	Work is completed at a later stage of our audit so we have nothing to report 
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We have summarised the status of all these various requirements at the time of planning our audit below and will update you as our work progresses:

Type	Status	Response
Our declaration of independence		No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
Issue a report in the public interest		We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters to date.
Provide a statement to the NAO on your consolidation schedule		This "Whole of Government Accounts" requirement is fulfilled when we complete any work required of us by the NAO to assist their audit of the consolidated accounts of DLUHC.
Provide a summary of risks of significant weakness in arrangements to provide value for money		We are required to report significant weaknesses in arrangements. Work to be completed at a later stage.
Certify the audit as complete		We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.

Mandatory communications

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Type	Statements
Management’s responsibilities (and, where appropriate, those charged with governance)	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.</p>
Auditor’s responsibilities	<p>Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
Auditor’s responsibilities – Fraud	<p>This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.</p>
Auditor’s responsibilities – Other information	<p>Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.</p>
Independence	<p>Our independence confirmation at page 25 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm’s independence and the integrity and objectivity of the audit engagement partner and audit staff.</p>

Southend on Sea City Council

DRAFT - Value for money risk assessment

Our approach

Year ended 31 March 2024

April 2024

Value for money

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For 2023/24 our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.

Our responsibility to conclude on significant weaknesses in value for money arrangements is unchanged.

The main output remains a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following page.

Risk assessment processes

Our responsibility remains to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money. Our risk assessment will continue to consider whether there are any significant risks that the Council does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

Reporting

As with the prior year our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of previous recommendations.

The Council will be required to publish the commentary on its website at the same time as publishing its annual report online.

Financial sustainability

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

Governance

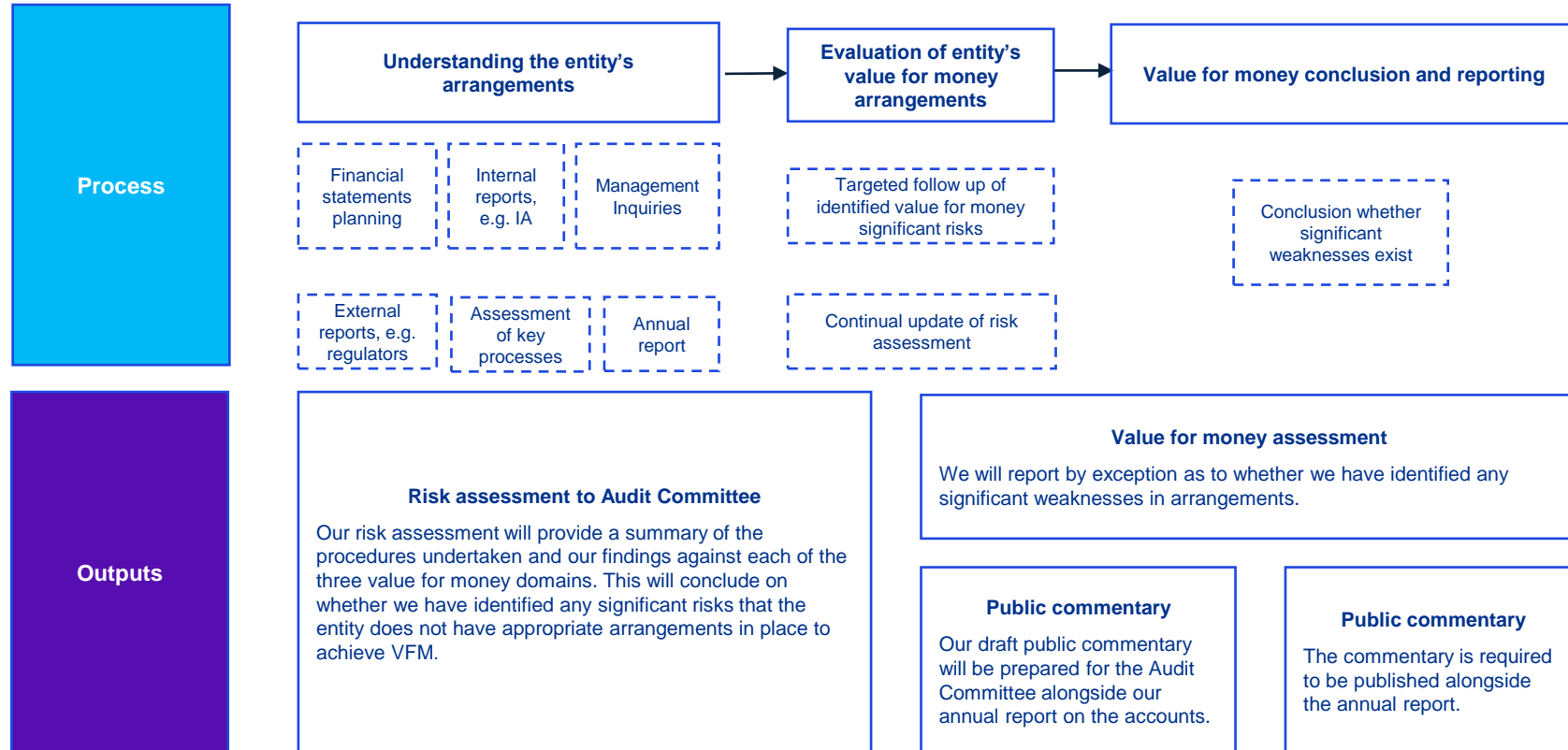
How the body ensures that it makes informed decisions and properly manages its risks.

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.

Value for money

Approach we take to completing our work to form and report our conclusion:



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Summary of risk assessment

Summary of risk assessment

We have not identified any risks of significant weaknesses from our initial work, however our risk assessment is continuing and we will provide our full risk assessment at the next Audit Committee.

Appendix

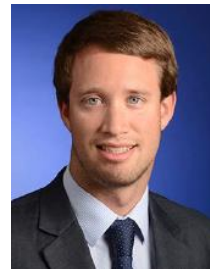
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Audit team and rotation

Your audit team has been drawn from our specialist local government audit department and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit partner and firm.



Emma Larcombe is the director responsible for our audit. They will lead our audit work, attend the Audit Committee and be responsible for the opinions that we issue.



Nathan Ackroyd is the senior manager responsible for our audit. They will co-ordinate our audit work, attend the Audit Committee and ensure we are co-ordinated across our accounts and value for money work.

To comply with professional standard we need to ensure that you appropriately rotate your external audit partner. There are no other members of your team which we will need to consider this requirement for:



This will be Emma's first year as your engagement lead. They are required to rotate every five years, extendable to seven with PSAA approval.

Audit cycle & timetable

Our schedule December 2023 – December 2024

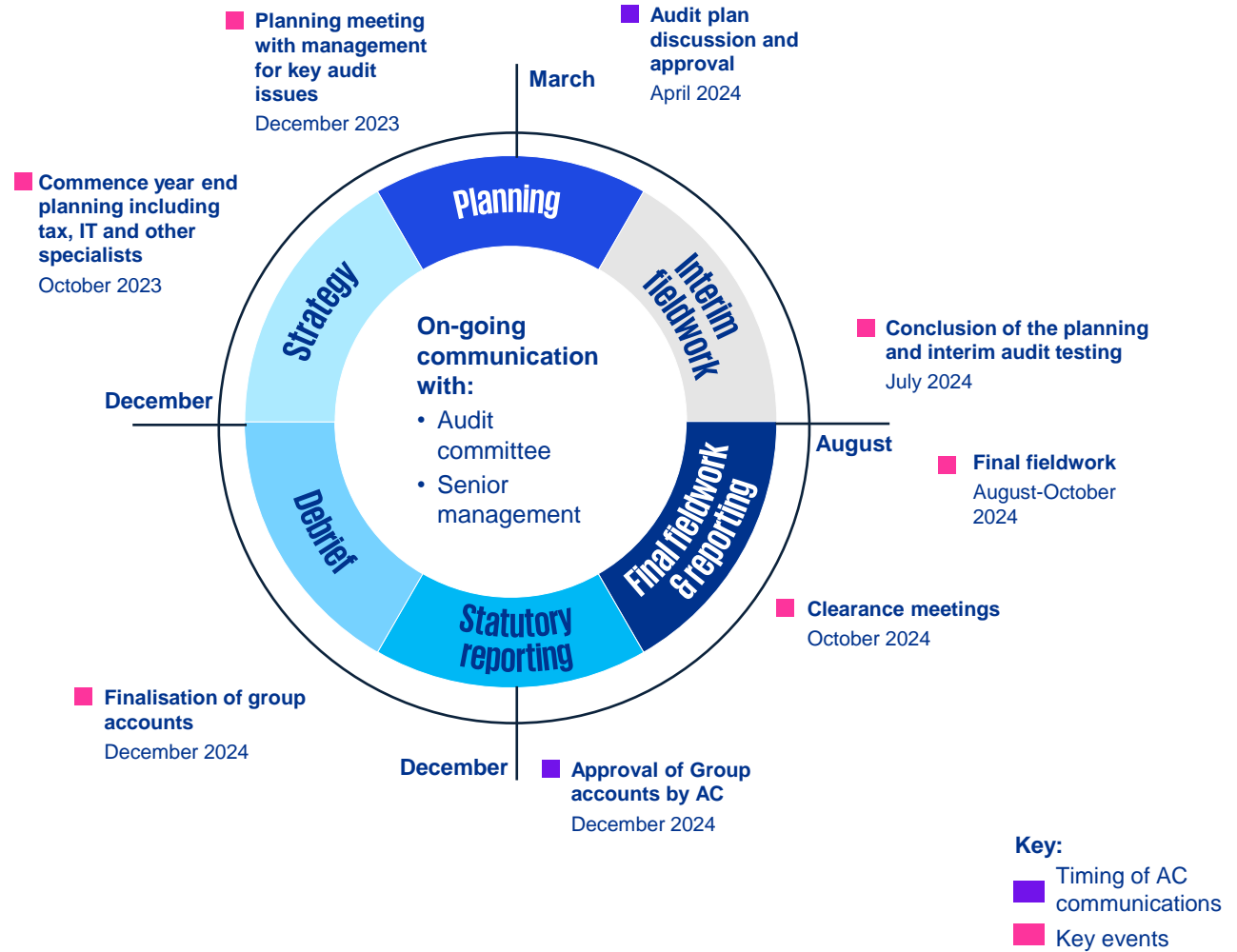
We have worked with management to generate our understanding of the processes and controls in place at the Council Group in its preparation of the Statement of Accounts.

We have agreed with management an audit cycle and timetable that reflects our aim to sign our audit report by November 2024.

This being the first year of KPMG as auditor we have undertaken greater activities to understand the Group at the planning stage. This level of input may not be required in future years and may change our audit timings.

Given the large amount of consultation happening in regard to the scope and timing of local government this audit **schedule may be subject to change.**

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Fees

Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2023/24 (£'000)	2022/23 (£'000)
Statutory audit	372	125*
ISA315r	TBC	-
ISA240	TBC	-
TOTAL	372	125

*fee charged by Deloitte - your predecessor auditor.

As per PSAA's Scale Fees Consultation, the fees do not include new requirements of ISA315 revised (risk of material misstatement); or ISA 240 (auditor's responsibilities relating to fraud. The fees also assume no significant risks are identified as part of the Value for Money risk assessment. Additional fees in relation to these areas will be subject to the fees variation process as outlined by the PSAA.

Billing arrangements

Fees will be billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

Basis of fee information

Our fees are subject to the following assumptions:

- The entity's audit evidence files are completed to an appropriate standard (we will liaise with you separately on this);
- Draft statutory accounts are presented to us for audit subject to audit and tax adjustments;
- Supporting schedules to figures in the accounts are supplied;
- The entity's audit evidence files are completed to an appropriate standard (we will liaise with management separately on this);
- A trial balance together with reconciled control accounts are presented to us;
- All deadlines agreed with us are met;
- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- Management will be available to us as necessary throughout the audit process; and
- There will be no changes in deadlines or reporting requirements.

We will provide a list of schedules to be prepared by management stating the due dates together with pro-formas as necessary.

Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

Any variations to the above plan will be subject to the PSAA fee variation process.

Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

To the Audit and Risk Committee members

Assessment of our objectivity and independence as auditor of Southend on Sea City Council

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity [except for those detailed below where additional safeguards are in place].

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out on the table below:

Description of scope of services	Principal Threats to independence	Safeguards applied	Basis of fee	Value of services delivered in the year ended 31/3/23
Pooling Housing Capital Receipts Return	Assumption of management responsibilities Self interest	Standard language on non-assumption of management responsibilities is included in our engagement letter. The level of fees is not considered to cause a significant self interest threat	Fixed	£22k

Confirmation of Independence (cont.)

Summary of fees

We have considered the fees charged by us to the Group and its affiliates for professional services provided by us during the reporting period.

Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0.06: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2023/24
	£'000
Statutory audit	372
Other Assurance Services	22
Total Fees	372

Application of the FRC Ethical Standard 2019

We communicated to you previously the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit and Risk Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Risk Committee of the Group and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

■ Commitment to continuous improvement

- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights

■ Association with the right entities

- Select entities within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists



ISA (UK) 315 Revised: Overview



Summary

In the prior period, ISA (UK) 315 Revised “Identifying and assessing the risks of material misstatement” was introduced and incorporated significant changes from the previous version of the ISA.

These were introduced to achieve a more rigorous risk identification and assessment process and thereby promote more specificity in the response to the identified risks. The revised ISA was effective for periods commencing on or after **15 December 2021**.

The revised standard expanded on concepts in the existing standards but also introduced new risk assessment process requirements – the changes had a significant impact on our audit methodology and therefore audit approach.

What impact did the revision have on audited entities?

With the changes in the environment, including financial reporting frameworks becoming more complex, technology being used to a greater extent and entities (and their governance structures) becoming more complicated, standard setters recognised that audits need to have a more robust and comprehensive risk identification and assessment mechanism.

The changes result in additional audit awareness and therefore clear and impactful communication to those charged with governance in relation to (i) promoting consistency in effective risk identification and assessment, (ii) modernising the standard by increasing the focus on IT, (iii) enhancing the standard’s scalability through a principle based approach, and (iv) focusing auditor attention on exercising professional scepticism throughout risk assessment procedures.

Implementing year 1 findings into the subsequent audit plan

Entering the second year of the standard, the auditors will have demonstrated, and communicated their enhanced insight into their understanding of your wider control environment, notably within the area of IT.

In year 2 the audit team will apply their enhanced learning and insight into providing a targeted audit approach reflective of the specific scenarios of each entity’s audit.

A key area of focus for the auditor will be understanding how the entity responded to the observations communicated to those charged with governance in the prior period.

Where an entity has responded to those observations a re-evaluation of the control environment will establish if the responses by entity management have been proportionate and successful in their implementation.

Where no response to the observations has been applied by entity, or the auditor deems the remediation has not been effective, the audit team will understand the context and respond with proportionate application of professional scepticism in planning and performance of the subsequent audit procedures.

What will this mean for our on-going audits?

To meet the on-going requirements of the standard, auditors will each year continue to focus on risk assessment process, including the detailed consideration of the IT environment.

Subsequent year auditor observations on whether entity actions to address any control observations are proportionate and have been successfully implemented will represent an on-going audit deliverable.

Each year the impact of the on-going standard on your audit will be dependent on a combination of prior period observations, changes in the entity control environment and developments during the period. This on-going focus is likely to result in the continuation of enhanced risk assessment procedures and appropriate involvement of technical specialists (particularly IT Audit professionals) in our audits which will, in turn, influence auditor remuneration.

ISA (UK) 240 Revised: changes embedded in our practices

Ongoing impact of the revisions to ISA (UK) 240

ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) The auditor’s responsibilities relating to fraud in an audit of financial statements included revisions introduced to clarify the auditor’s obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.

We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management’s process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

Area	Our approach following the revisions
Risk assessment procedures and related activities	<ol style="list-style-type: none"> 1) Increased focus on applying professional scepticism – the key areas affected are: <ul style="list-style-type: none"> • the need for auditors not to bias their approach towards obtaining evidence that is corroborative in nature or excluding contradictory evidence; • remaining alert for indications of inauthenticity in documents and records, and • investigating inconsistent or implausible responses to inquiries performed. 2) Requirements to perform inquiries with individuals at the entity are expanded to include, amongst others, those who deal with allegations of fraud. 3) We will determine whether to involve technical specialists (including forensics) to aid in identifying and responding to risks of material misstatement due to fraud.
Internal discussions and challenge	<p>We will have internal discussions among the audit team to identify and assess the risk of fraud in the audit, including determining the need for additional meetings to consider the findings from earlier stages of the audit and their impact on our assessment of the risk of fraud.</p>

FRC's areas of focus



The FRC released their [Annual Review of Corporate Reporting 2021/22](#) in October 2022, along with a [summary of key matters](#) for the coming year, primarily targeted at CEOs, CFOs and Audit Committee chairs. In addition, they released six thematic reviews during the year which should be considered when preparing financial reports.

The reports identify where the FRC believes companies should be improving their reporting. Below is a high level summary of the key topics. We encourage management and those charged with governance to read further on those areas which are significant to the group.



Reporting in uncertain times

Last year's Annual Review of Corporate Reporting from the FRC was prepared in the context of the current heightened economic and geopolitical uncertainty. The challenges of the Covid-19 pandemic, Russia's invasion of Ukraine and slowing of global economies has led to inflationary pressure worldwide and rising interest rates.

This makes meaningful disclosure more important than ever, and the FRC has stressed the need for companies to move beyond simply complying with the minimum requirements of the relevant accounting and reporting frameworks. They expect companies to provide high-quality, decision-useful information for investors, with companies continually assessing evolving risks and ensuring these are clearly explained in annual reports.

The potential effects of uncertainty on recognition, measurement and disclosure are numerous, and companies will need to think carefully about the impacts of uncertainty, in particular inflation, on their reporting. The Annual Review gives a number of examples including:

Strategic report: the impact of inflation on the business model, changes to principal risks and uncertainties, and the impact of inflation on stakeholders.

Discount rates: inputs need to follow a consistent approach in incorporating the effects of inflation.

Material assumptions: where inflation assumptions represent a source of significant estimation uncertainty, the FRC expects companies to provide explanation of how these have been calculated and sensitivity disclosures if appropriate.

Pension schemes: explain the effect of uncertainty on investment strategy and associated risks.



Climate-related reporting

Climate-related reporting has advanced significantly this year as premium listed entities are required by the Listing Rules to provide disclosures consistent with the Taskforce on Climate-Related Disclosures (TCFD) recommendations. This follows the expansion of the Streamlined Energy and Carbon Reporting (SECR) rules last year, which require quoted companies and large unquoted companies and LLPs to provide emissions reporting.

Climate has therefore been an area of ongoing focus for the FRC, with a thematic reviews in both 2021 and 2022 on aspects of climate reporting. From reviews of TCFD disclosures in the year, the FRC has highlighted five areas of improvement for companies to consider going forwards:

Granularity and specificity: disclosures should be granular and specific both to the company and the individual disclosure requirement, including a clear link to financial planning.

Balance: discussion of climate-related risks and opportunities should be balanced, and companies should consider any technological dependencies.

Interlinkage with other narrative disclosures: companies should ensure clear links between TCFD disclosures with other narrative disclosures in the annual report.

Materiality: companies should clearly articulate how they have considered materiality in the context of their TCFD disclosures.

Connectivity between TCFD and financial statements disclosures: the FRC may challenge those that disclose significant climate risks or net zero transition plans in narrative reporting, but do not explain how this is taken into account in the financial statements.

FRC's areas of focus (cont.)

Cash flow statements

This continues to be a particular area of concern as it is a recurring source of errors identified by the FRC, with 15 companies restating their cash flow statements in the review period as a result of the FRC's enquiries.

Companies are encouraged to consider the guidance in the 2020 thematic review on this topic, and to ensure that robust pre-issuance reviews of the financial statements have been undertaken.

Cash flows must be classified as operating, investing or reporting in line with the requirements of the standard, and amounts reported should be consistent with disclosures elsewhere in the report and accounts including the elimination of non-cash transactions.

Several errors identified by the FRC related to the parent company cash flow statement, and it should be ensured that this statement also complies with the requirements of the standard.

Financial Instruments

Companies should ensure that disclosure is sufficient to enable users to evaluate the nature and extent of risks arising from financial instruments and the approach taken to risk management.

These disclosures should include the approach and assumptions used in the measurement of expected credit losses, and details of concentrations of risk. In times of economic uncertainty, disclosure of methods used to measure exposure to risks, and details of hedging arrangements put in place for interest rates or inflation are all the more important.

In addition, accounting policies should be provided for all material financing and hedging arrangements and any changes in these arrangements. Where companies have banking covenants, information about these should be provided (unless the likelihood of a breach is considered remote).

Income taxes

Where material deferred tax assets are recognised by historically loss-making entities, disclosures should explain the nature of the evidence supporting their recognition. In addition, any connected significant accounting judgements or sources of estimation uncertainty will also need to be disclosed.

On tax more generally, the FRC expects companies to ensure that tax-related disclosures are consistent throughout the annual report and accounts, and material reconciling items in the effective tax rate reconciliation are adequately explained.

For groups operating in several jurisdictions, effective tax reconciliations may be more meaningful if they aggregate reconciliations prepared using the domestic rate in each individual jurisdiction, with a weighted average tax rate applied to accounting profit.

Strategic report and other Companies Act 2006 matters

The strategic report needs to articulate the effects of economic and other risks facing companies, including inflation, rising interest rates, supply chain issues and labour relations. Mitigation strategies should be explained, with links, where relevant, to information disclosed elsewhere in the annual report.

Business reviews should discuss significant movements in the balance sheet and cash flow statement, and should not be limited to just an explanation of financial performance in the period.

The FRC has also identified instances of companies not complying with legal requirements around distributions, and companies are reminded of the need to file interim accounts to support distributions in excess of the distributable profits shown in the relevant accounts.

Revenue

Accounting policies should be provided for all significant performance obligations and should address the timing of revenue recognition, the basis for over-time recognition, and the methodology applied.

Inflationary features in contracts with customers and suppliers and the accounting for such clauses are under increased focus this year.

Alternative performance measures ('APMs')

APMs should not be presented with more prominence, emphasis or authority than measures stemming directly from the financial statements, and should be reconciled to the relevant financial statements line item.

FRC's areas of focus (cont.)

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Provisions and contingencies

Companies should give clear and specific descriptions of the nature and uncertainties for material provisions or contingent liabilities, the expected timeframe and the basis for estimating the probable or possible outflow.

Inputs used in measuring provisions should be consistent in the approach to incorporating the effects of inflation, and details of related assumptions should be provided if material.

Presentation of financial statements and related disclosures

Material accounting policy information should be clearly disclosed, and additional company-specific disclosures should be provided when compliance with IFRS requirements is insufficient to adequately explain transactions.

Judgements and estimates

Economic uncertainty increases the likelihood of companies needing to make significant judgements when preparing financial statements. The FRC highlights two specific examples – going concern assessments and accounting for inflationary features in contracts – where disclosure is key.

More generally, the FRC highlights the need for disclosures to clearly distinguish between estimates with a significant risk of a material adjustment to the carrying amounts of assets/liabilities within the next year, and other sources of estimation uncertainty.

Significant estimates, and the associated disclosures should be updated at the balance sheet date. Sensitivity disclosures should be meaningful for readers, for example by sensitising the most relevant assumptions, and explaining any changes in assumption since the previous year.

Impairment of assets

Economic uncertainty may have a significant impact on impairment assessments, and this is an area where queries raised from the FRC could have been avoided by clearer disclosure.

Companies need to explain the sensitivity of recoverable amounts to changes in assumptions, especially where the range of possible outcomes has widened. This should include explanation of the effect of economic assumptions, such as reduction in customer demand and increased cost.

Inflation should be treated consistently in value in use calculations. Nominal cash flows are discounted at a nominal rate, and real cash flows are discounted at a real rate.

Lastly, the FRC stresses the importance of consistency between impairment reviews/disclosures and other disclosures in the annual report.

Thematic reviews

The FRC released six thematic reviews on corporate reporting last year, and companies are encouraged to consider the guidance in those reviews, where relevant, to enhance their financial reporting. The topics covered are:

- [TCFD disclosures and climate in the financial statements](#)
- [Judgements and estimates](#)
- [IFRS 3 Business Combinations](#)
- [Discount rates](#)
- [Deferred Tax Assets \(IAS 12\)](#)
- [Earnings per Share \(IAS 33\)](#)


2022/23 review priorities

The FRC has indicated that its 2022/23 reviews will focus on the extent to which companies' disclosures address risks and uncertainty in the challenging economic environment, including those relating to climate change. Companies need to clearly articulate the impact of these risks on their strategy, business model and viability. In particular, the FRC intends to prioritise reviews of companies operating in the following sectors:

 Travel, hospitality and leisure

 Construction materials

 Retail

 Gas, water and multi-utilities



kpmg.com/uk

Some or all of the services described herein may not be permissible for KPMG audited entities and their affiliates or related entities.

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Meeting: Audit Committee
Date: 24 April 2024
Classification: Part 1
Key Decision: No
Title of Report: Update concerning FOI, SAR and Complaints performance

Executive Director: Claire Shuter, Executive Director Strategy and Change
Report Author: Val Smith, Customer Support Manager, Information Governance, Complaints and Resolution
Executive Councillor: Councillor Cox, Leader of the Council

1. Executive Summary

- 1.1. Audit Committee asked for a written report concerning the progress being made in improving the timely completion of Freedom of Information (FOI) requests, Subject Access Requests (SAR) and complaints.
- 1.2. While considerable improvement has been made, further progress is needed to meet the required standards.

2. Recommendations

It is recommended that Audit Committee:

- 2.1. Note the progress made so far;
- 2.2. Note the actions continuing to be taken and the need for continued improvement.

3. Background

- 3.1. Audit committee has previously expressed concern that the service being provided with regard to FOI requests, SARs and Complaints was below the expected standard.
- 3.2. The Committee was also concerned that a Practice Recommendation had been issued by the Information Commissioner in December 2023 regarding FOI request performance, and there had been a notifiable data breach in late 2023 which was caused by information inadvertently supplied in a spreadsheet provided in response to a FOI request.

- 3.3. Performance for FOI / SAR and complaints is reported annually to the Committee. Given their concerns, the Committee required more regular updates so that they could be satisfied improvements were being made and service improving.
- 3.4. A verbal update was provided at the January Audit Committee meeting. Informal written monthly updates were provided in February and March with a formal report being required for this meeting of the Committee.
- 3.5. **Freedom of Information**
- 3.6. A Task and Finish group has been in operation since December 2023 focusing on Freedom of Information performance.
- 3.7. The number of outstanding and overdue FOI requests has improved from a worst point of 101 in July 2023 to there being no overdue cases at the time of writing.
- 3.8. The percentage of FOI requests responded to within deadline has improved from a worst point of 48.65% in September 2023 to 84.09% in March 2024. Although a considerable improvement, this is short of the 90% required by the ICO.
- 3.9. Many of the cases outside the deadline when responded to in March were only overdue by a small number of days, approximately 12 more of the cases being in time would have achieved the 90% requirement. Upcoming deadlines are now being monitored daily by the central FOI team and discussed with service areas to further boost compliance by reducing the 'near misses'.
- 3.10. Key actions taken to improve performance have included:
- Weekly monitoring of performance, weekly reporting of open cases, call in to Corporate Leadership Team to account for overdue cases.
 - A self-assessment of the Council's FOI position and identification of required actions for improvement.
 - Updated FOI policy and procedure, taking into account gaps identified in the self-assessment.
 - Recruitment to a vacancy in the FOI team.
 - On-line training procured and being included as mandatory, for completion by all staff by 30.6.24 alongside data protection and cyber security training. Compliance to be monitored.
 - Move of the central FOI support service to Legal Services to give a higher profile. A narrowed focus of the team to information governance matters only (FOI/EIR, Data Protection/SAR, Complaints).
 - Increased transparency through statistics and action plan published on the Council's website.
 - An analysis of 3699 past FOI requests between January 2021 to December 2023 to identify areas of future focus.

- A further Task and Finish group comprising web services, policy, information governance/FOI to enable the routine publication of policies and procedures and link them to the publication scheme on the Council's website. Will include and Equality Analysis to ensure those with accessibility needs are not disadvantaged.
- 3.11. The Information Commissioner has been satisfied with the approach being taken so far and the improvement to date. The Monitoring Officer is required to send a formal progress report to the Information Commissioner by 1 May 2024.
- 3.12. **Subject Access Requests**
- 3.13. The Task and Finish group has also focused on Subject Access Request performance.
- 3.14. Using additional funding provided for the purpose, specialist resource was engaged to assist with clearing urgently required requests. It was hoped this might be part of the longer term solution for SAR processing but has in practice proved more expensive than anticipated.
- 3.15. While the number of incoming cases is being exceeded by the number processed, the number of requests is rising and the backlog of requests relating to Children's social care remains static in the region of 44 cases on average.
- 3.16. The percentage of requests receiving a response in time has increased from a low point of 5% in May, to 55% in March. While this is a notable improvement, it is not an acceptable level of service and masks the backlog underlying it.
- 3.17. Now that the cost of specialist resource is known, all options will again be explored to identify the best way forward and the resourcing required to improve to the required standard within a reasonable timeframe.
- 3.18. These options will utilise part of the additional £100K which has been approved permanently as part of the 2024/25 Budget for Cyber Security, Data and SARs, £50K of which has been set aside to support responsiveness to Subject Access Requests.
- 3.19. It is most probable that given the high cost of specialist resource, funding will need to be prioritised within the Council's budget to provide additional funding will be used to provide additional staffing to work on the backlog of Children's Services requests.

3.20. Complaints

- 3.21. The new Complaint Handling Code introduced by the Local Government and Social Care Ombudsman will now become mandatory from April 2026 rather than 2024. Councils are encouraged to adopt the new Code as soon as they are able and the opportunity for the Council to do so will be explored over the coming year. The Code does not apply to statutory complaints.
- 3.22. The Task and Finish group has focused on complaint performance, both for statutory and general complaints.
- 3.23. The number of outstanding and overdue general complaints has improved from a worst point of 131 in September 2023 to there being 10 overdue cases at the time of writing.
- 3.24. The percentage of general complaints responded to within deadline has improved from a worst point of 34.92% in January 2024 to 72.73% in March 2024. Although a considerable improvement, further progress will need to be made. The reduction in overdue cases is making it easier to monitor cases which have or are becoming overdue.
- 3.25. The number of outstanding and overdue statutory complaints has improved from a worst point of 15 cases at the beginning of the Task and Finish Group to there being 1 overdue case at the time of writing.
- 3.26. There remains considerable challenge in completing statutory complaints in time, with 55.56% of Children's and 36.36% of Adult's statutory complaints being completed in time in March.

4. Reasons for Decisions

- 4.1. The Audit committee has requested evidence that appropriate action is being taken to improve performance with regard to Freedom of Information requests, Subject Access Requests and complaints. This report provides that assurance and information concerning the continuing action to provide further improvement.

5. Other Options

- 5.1. This report is for update purposes only and options are not explored within it.

6. Financial Implications

- 6.1. There is likely to be a need to prioritise Council funding to improve Subject Access Request performance, but this is not explored in detail in this update. Failing to comply with FOI/SAR and complaints can have financial consequences through financial penalties from the ICO or remedial payments required by the LGSCO.

7. Legal Implications

7.1. Failing to comply FOI and SAR legislation can have legal consequences through the ICO or through legal action taken by requesters.

8. Policy Context

8.1 FOI and SAR policies and Complaints guidance underpin this paper.

9. Carbon Impact

9.1. None

10. Equalities

10.1. None in relation to the performance aspects of FOI/SAR/complaints.

11. Consultation

11.1. None

12. Appendices

12.1. **None**

13. Report Authorisation

This report has been approved for publication by:		
	Name:	Date:
S151 Officer	Joe Chesterton	16.4.24
Monitoring Officer	Susan Zeich	16.4.24
Executive Director(s)	Claire Shuter	16.4.24
Relevant Cabinet Member(s)	Councillor Cox	16.4.24

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Title:	CIPFA's Financial Management Code Self-Assessment Update
Meeting:	Audit Committee
Date:	24 April 2024
Classification:	Part 1
Key Decision:	No
Report Authors:	Pete Bates, Director of Financial Services, Caroline Fozzard, Senior Finance Lead (Strategy, Sustainability and Governance), Andrew Barnes, Head of Internal Audit
Executive Councillor:	Councillor Cox, Leader (Cabinet Member for Special Educational Needs & Disability)

1. Executive Summary

- 1.1 To update the Audit Committee on the Council's annual self-assessment outcome against the expectations of CIPFA's Financial Management Code.

2. Recommendations

- 2.1 **The Audit Committee notes the Council's annual review against the expectations of CIPFA's Financial Management Code, takes assurance that the Council's arrangements have been self-assessed as compliant, and endorses the action plan to deliver further improvements.**
- 2.2 **The Audit Committee agrees to keep the Council's compliance status against CIPFA's Financial Management Code under review by endorsing the requirement for an annual self-assessment to continue to be reported to the Audit Committee every April, with a six-monthly update on any resulting action plan between each-self assessment.**

3. Background

- 3.1 In October 2019 CIPFA published the Financial Management Code (FM Code) which is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. It essentially sets the standards of financial management arrangements for local authorities.
- 3.2 It is based on a series of principles which are supported by specific standards which are considered necessary to provide the strong foundation to:
- Financially manage the short, medium and long-term finances of a local authority.
 - Manage financial resilience to cope with volatility caused by unpredictable changes in the demands and costs of local services.
 - Manage unexpected shocks in their financial circumstances.
- 3.3 The FM Code has six core principles and within those it has 17 minimum standards (A-Q) that came into effect from 1st April 2020, with the first full year of compliance being the 2021/22 financial year.
- 3.4 The importance and significance for all local authorities to understand and seek compliance with the FM Code has been highlighted by the significant financial challenges facing the country and local government generally. The Council is now dealing with the combination of huge increases in service demand post the pandemic and cost of living impacts on our local residents, together with significantly higher operating costs across almost every aspect of the organisation, linked to high levels of inflation over a sustained period.
- 3.5 The financial year 2023/24 has been incredibly challenging for a lot of people and most local authorities have highlighted some real concerns around their financial resilience and future sustainability. The current operating environment, unavoidable cost pressures and complexity of local service demand across local government has never been more challenging, particularly for upper tier local authorities. Numerous Councils have announced or have given warnings of financial distress.
- 3.6 This operating environment has clearly had a significant impact on the Council's approved financial plans for 2023/24. The details have been reported within the Finance and Corporate Performance Report 2023/24 – Period 4¹, Finance and Corporate Performance Report 2023/24 – Period 6² and Finance Performance Report 2023/24 – Period 8³ to September 2023, November 2023 and January 2024 Cabinet meetings respectively.

¹<https://democracy.southend.gov.uk/documents/s58913/Report%20of%20Deputy%20Chief%20Executive%20Executive%20Director%20Finance%20and%20Resources.pdf>

²<https://democracy.southend.gov.uk/documents/s59751/Report%20of%20Exec%20Director%20Finance%20and%20Resources.pdf>

³<https://democracy.southend.gov.uk/documents/s60218/Report%20of%20Exec%20Director%20Finance%20and%20Resources.pdf>

- 3.7 The challenge of delivering a balanced financial outturn for 2023/24 has been significant. Nearly all the financial pressures that the Council is now experiencing have been caused by external factors where the Council has had no direct influence or control, and all have happened at great pace, since the Council's 2023/24 budget was approved in February 2023. This means that some very difficult choices, prioritisation and reductions of previously approved spending plans for both capital and revenue during 2023/24 had to be considered and implemented. The final outturn position for 2023/24 will be presented to the June 2024 Cabinet meeting.
- 3.8 Continuing to remain a financially resilient and sustainable local authority is a significant challenge now and in future years. Medium term financial and business planning has been made more difficult by the likelihood that current Government departmental spending plans will be affected by the impending general election. Given the unprecedented series of events over the last few years Central Government have continued to provide the Local Government sector with only single year financial settlements. It is hoped that following the conclusion of the next general election that the Government will return to developing 3-year Comprehensive Spending Reviews for government departments. However challenging this may be, it would at least provide greater certainty to the sector. Depending on the timing of the election, this approach may not occur until the 2026/27 budget round.

4. Self-assessment

- 4.1 The Council has committed to review and refresh the self-assessment against each of the 17 standards contained within the FM Code. Officers in finance and audit have reviewed the Council's current practices, and the evidence of their utilisation, to complete that self-assessment. Officers have reviewed the evidence of the Council's current arrangements compared to the FM Code's standards and expressed their degree of confidence about how well these arrangements met the FM Code's expectations.
- 4.2 This resulted in a RAG rating that is being used to report the status of compliance against each standard:

Red	Not compliant
Amber	Compliant but with scope for further improvement
Green	Compliant

- 4.3 The results of this updated review undertaken by officers is represented by the diagram shown at Appendix 1. This illustrates that the Council is self-assessed as achieving overall compliance with the expectations of the FM Code. The Council meets the minimum expectations for all 17 standards, with good compliance for 15 standards and demonstrable compliance, but with recognised scope for further improvement for the remaining 2 standards.

- 4.4 These 2 standards were also recognised as having scope for further improvement in last year's self-assessment. Despite it being a challenging year, progress has been made but it was felt that further strengthening particularly around enhanced awareness and consistent embedding across the Council's wide range of service is still required. In addition, there are new considerations that have now been introduced including the requirement to develop and submit Local Productivity Plans to Central Government and locally the need to evaluate the impact of the Council's new governance arrangements for Transformation and Performance.
- 4.5 Sufficient improvements have been made for one standard which was previously recognised as having scope for further improvement and it is now assessed as green. However, it has been determined that some additional work is still required to ensure consistency and embedding of compliance against 'Standard I' as highlighted in the following section.
- 4.6 In addition to the improvements recommended for the 2 standards rated as amber that are reported within the action plan at Appendix 2, additional work to ensure consistency and embedding of arrangements throughout the Council is also proposed to enhance the already compliant arrangements in respect of the following 5 standards:
- C: The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.
 - I: The authority has a rolling multi-year medium term financial plan consistent with sustainable service plans. [Levels of resilience testing have been enhanced to assess the potential impact of changes in the type and cost of demand on the overall medium-term financial plan.]
 - L: The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget. [It is difficult to engage with stakeholders when the Council does not currently have any certainty over the Government's future departmental spending plans and have only received a one-year settlement (see paragraph 3.8).]
 - M: The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decision.
 - N: The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.
- 4.7 This FM Code self-assessment should be viewed in the context of the prevailing conditions that the Council has been forced to work within over the last couple of financial years. There has been significant media coverage around the huge challenges that have been faced by local authorities as a direct consequence of international, national and local economic factors and conditions. The contributory factors include the uncertainty around the financial impact of potential future national policy changes, increasing cost and local demand pressures, high levels of inflation and supply chain issues.

- 4.8 Despite these multitude of financial pressures and challenges, the Council remains in a relatively more financially resilient position than many other local authorities. It must be noted however that the Council must reduce its overall cost base (net operating costs) in the medium term in order to ensure that it continues to remain financially sustainable. This is a challenge that nearly every local authority is facing and the overall financial management arrangements within the Council must continue to remain robust and fit for purpose.
- 4.9 In October 2022, the Local Government Association and a team of peers visited the council to conduct a Corporate Peer Challenge. The report following that review found that “Over the past 2 years (2020/21 and 2021/22) the council’s financial management has been strong.” It also found that “The council has a structured approach to developing its financial strategy which includes a 10-year Financial Sustainability Strategy, a 5-year Medium Term Financial Strategy and a Capital Investment Strategy aligned to the Southend 2050 outcomes.” The report also referenced that “the finance team are respected and capable and that the council has demonstrated a sound approach to the management of its finances over the past 10 years”. We have continued to build on the strength of these arrangements, but the 2022/23 and 2023/24 financial years have been unprecedented in the scale of financial challenge.
- 4.10 In line with their standard procedures, the original peer team returned to the Council in December 2023 to review progress and to provide ongoing support and advice for improvement. Their report outlined the financial environment and the work undertaken to address future forecasted budget gaps. A strong and consistent message arising from the progress review was the need to maintain focus on the delivery of identified savings plans and medium-term financial resilience. The peer team further highlighted the importance of future local service re-design and transformation to deliver this ambition.
- 4.11 The Government effectively only issued a one-year funding settlement for 2024/25, which given the commitment to financial reform, has increased the risk and uncertainty around the potential impact of levels of funding in future years. The overall level of net cost reduction required by the Council to bridge a medium to long term deficit by 2028/29 requires a programme of work that not only supports the development of net cost reduction and transformation opportunities at a service level, but that also considers how these opportunities can be integrated into a renewed, sustainable, operating model.
- 4.12 A refreshed Corporate Plan for 2023 to 2027 has been approved and published which will be underpinned by our commitment to future financial sustainability. Integrated service plans have been strengthened and continued for 2024/25. These include key objectives, service performance indicators, approved budget levels, approved savings/income generation initiatives, risk assessments and service commitments which combined will illustrate contributions to the delivery of the objectives contained within the Corporate Plan.

- 4.13 Whilst demonstrating best practice in all areas would always be ideal it is acknowledged that with the finite level of resources available, sensible judgements need to be made. The Council needs to have confidence in its arrangements and compliance with the Code, but also to ensure that arrangements are proportionate and represent a good use of limited available resources. The proposals in this report will be kept under review but it is considered that this fine balance has been achieved, and no extra costs will be incurred as a result of this assessment and recommended way forward.
- 4.14 Discussions have previously been held with the Corporate Leadership Team and will be ongoing, to support the:
- results of the self-assessment
 - areas where we should focus our resources to deliver improvements
 - commitment to continue to create the right conditions to embed good financial management, with clear ownership and accountability for delivering better outcomes
 - need to further embed the importance of securing value for money across all areas of the Council via the Knowing Your Business programme.
 - development of a clear strategy, proportionate governance, and prioritisation of a programme of service design and transformation will continue to evolve and the already identified changes to target operating models will be implemented.
- 4.15 The findings of the self-assessment have resulted in the proposed action plan, included at Appendix 2. This plan outlines the steps that the Council will take to deliver further improvements to existing arrangements to ensure enhanced compliance with the expectations of the FM code while also supporting the delivery of the Corporate Plan. This work will also be included as part of taking forward the Council's transformation programme which could result in new ways of working in the future and as our commitment to improving efficiency and productivity to enhance our financial sustainability.
- 4.16 The Council is required to apply the CIPFA/SOLACE Delivering Good Governance in Local Government framework. The 2023/24 Annual Governance Statement will be organised by the SOLACE principles and will go beyond describing what has been achieved to set out how effective those measures have been. We are also learning from councils which have face finance and governance challenges so that we can make appropriate improvements to the contents of the Annual Governance Statement and associated actions plans to ensure it is a more meaningful document.
- 4.17 It should be noted that in February 2024 Public Sector Audit Appointments published its latest update on the number of audits outstanding. It showed that, as at 31 December 2023, for the 2022/23 financial year only 10% of Local Government bodies had received audit opinions. Once the Council's 2022/23 Statement of Accounts are adopted, signed and published, we will have caught up with the backlog of unaudited accounts in time for the closedown and publication of the 2023/24 Statement of Accounts and their subsequent audit with our newly appointed external auditors KPMG. The report for adoption of the 2022/23 Statement of Accounts is included elsewhere on this agenda.

- 4.18 It should also be noted that the NAO's Code of Audit Practice 2020 for external audit of local government that came into force from the audit of the 2020/21 financial year onwards. This outlined an updated approach that external auditors have taken to delivering their review of the Council's Value for Money (VFM) arrangements. The Council's findings from the self-assessment against the FM Code has formed part of the evidence provided to the external auditors to inform their review each year. The results of this review for 2022/23 will be included within our external auditor's Annual Report as part of the completion of their independent audit of 2022/23.

5. Reasons for Decisions

- 5.1 One of the purposes of the Audit Committee is to provide independent assurance on the adequacy of the internal control framework, therefore understanding the Council's compliance with the expectations of CIPFA (the sectors' standard setter) in respect of financial management assists the Committee to achieve this purpose.

6. Other Options

- 6.1 Other improvements could be recommended but the ones in this report balance the need to have confidence in the Council's arrangements whilst ensuring that they are proportionate and represent a good use of limited resources.

7. Financial Implications

- 7.1 Any financial implications arising from effectively managing the Council's financial position will be considered through the normal financial management processes. Proactively managing the Council's finances results in improved utilisation of limited resources, better VFM including reduced costs and where possible, improved outcomes for local residents.

8. Legal Implications

- 8.1 The Accounts and Audit Regulations 2015 require the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions.

9. Carbon Impact

- 9.1 Any carbon impact arising from managing the Council's finances will be considered through the Council's normal business management processes.

10. Equalities

- 10.1 Corporate equalities considerations have been considered in the drafting of the financial management arrangements and any specific equality related risks have been identified for the Council.

11. Consultation

11.1 Consultation has taken place with key stakeholders where appropriate.

Background Papers

- CIPFA's Financial Management Code 2019
- CIPFA's Financial Management Code Guidance Notes 2020

12. Appendices

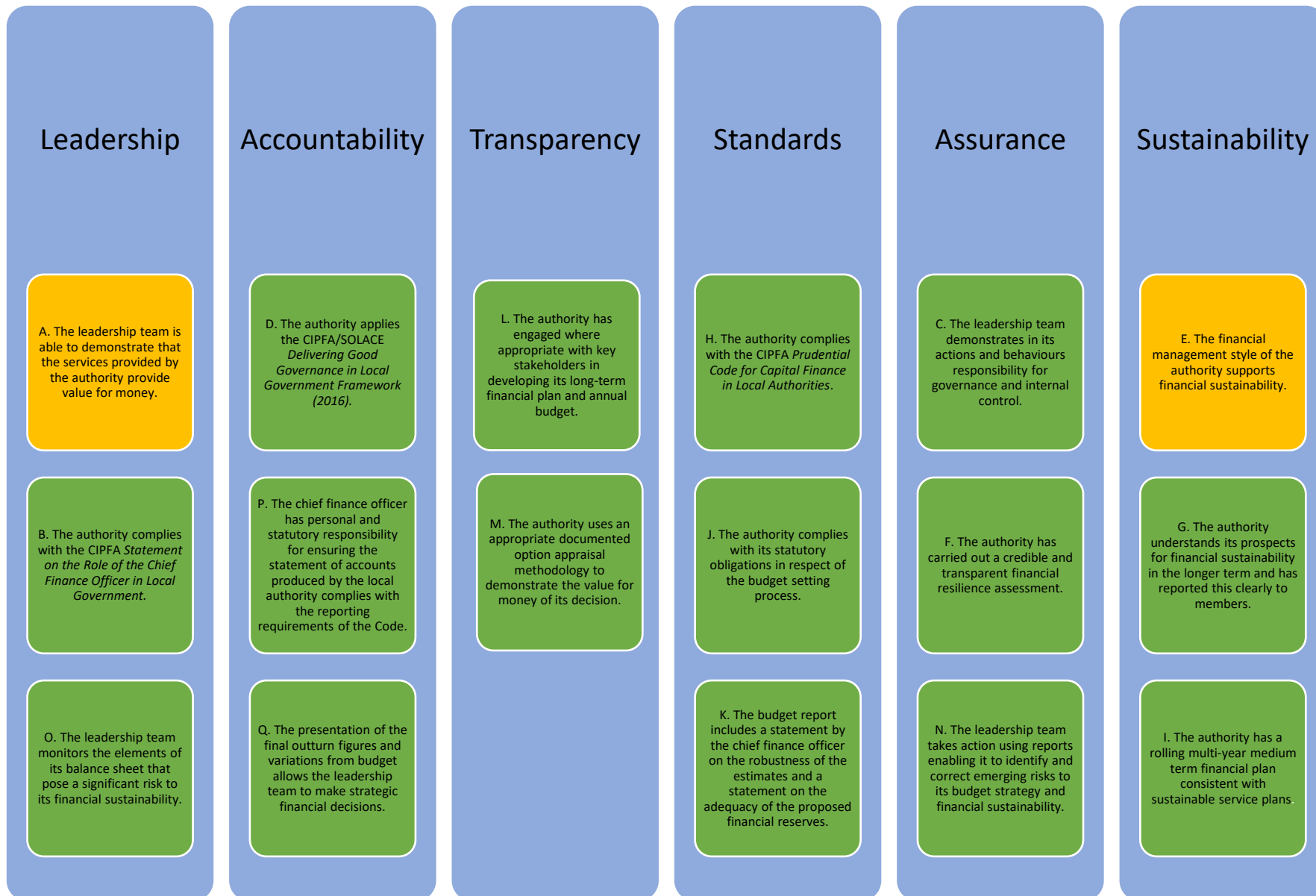
- Appendix 1 – Illustration of Self-Assessment Findings
- Appendix 2 – Financial Management Code Action plan

Report Authorisation

This report has been approved for publication by:

This report has been approved for publication by:		
	Name:	Date:
S151 Officer	Joe Chesterton	16/04/2024
Monitoring Officer	Susan Zeiss	16/04/2024
Executive Director	Joe Chesterton	16/04/2024
Relevant Cabinet Member	Councillor Cox	16/04/2024

Financial Management Code – Illustration of Self-Assessment Findings



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FINANCIAL MANAGEMENT CODE – SELF ASSESSMENT UNDERTAKEN IN APRIL 2024

ACTION PLAN FOR STANDARDS WHERE SOME IMPROVEMENTS ARE PROPOSED

	Financial Management Standard	RAG rating	Actions needed	Ownership	End date
315	A The leadership team is able to demonstrate that the services provided by the authority provide value for money (VFM)	Amber	<p>To strengthen awareness of the importance of Value for Money (VFM) and further increase understanding within the Council of what represents VFM in a local context, so that continued prominence and consideration can be given to evidencing its delivery in all reports, discussions and operational arrangements.</p> <p>To further embed the Knowing Your Business (KYB) Programme to aid understanding of the key cost and income drivers and their impact on securing economy, efficiency and effectiveness from all Council's resources.</p> <p>To assess and evaluate performance by service leads against the delivery of the savings and income generation, planned overspend reductions and cost avoidance targets agreed as part of the approved budget plans for 2024/25.</p> <p>To support the development and submission to Government of Local Productivity Plans which set out how the Council will improve the efficiency of service performance and ensure the best use is made of taxpayers' money.</p> <p>To evaluate the impact of the Council's new governance arrangements for Transformation and Performance reporting and delivery, ensuring all service leads are accountable for achieving enhanced evidence of VFM across all aspects of their delivery arrangements in 2024/25.</p>	Corporate Leadership Team	March 2025

	Financial Management Standard	RAG rating	Actions needed	Ownership	End date
E	The financial management style of the authority supports financial sustainability	Amber	<p>To further embed the Knowing Your Business (KYB) Programme to increase the effectiveness of the framework of financial accountability.</p> <p>To assess and evaluate the delivery of the financial aspects of service plans in accordance with the framework of financial accountability.</p> <p>To challenge services' current target operating models and support the development of a clear strategy, proportionate governance and prioritisation of a programme of service redesign and transformation.</p>	Corporate Leadership Team	March 2025

Meeting: Audit Committee
Date: 24 April 2024
Classification: Part 1
Key Decision: No
Title of Report: Counter Fraud & Investigation Team: Quarterly performance report

Executive Director: Joe Chesterton: Executive Director (Finance and 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). The team protects 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 The recruitment to the team's investigator vacancy has again faltered and, as a result, we have decided to take a different approach. We are in a different situation to when the post became vacant and our apprentice will be qualifying in June. She has proved to be a capable and committed investigator and, if she passes the apprenticeship, we intend to provide her with the opportunity to progress into the role.

- 4.2 CFIT continues to operate in a challenging environment, needing to address a high volume of internal investigations while maintaining a good service to our key stakeholders and protecting the Public Purse. We have received 26 referrals concerning allegations of criminal misconduct by Council Officers since April 2023 and have 14 live investigations, some of which involve more than one officer.
- 4.3 To address the team's challenges, including a substantial backlog of cases, we are preparing a business case for the expansion of the team by one investigator.
- 4.4 However, the internal investigations are beginning to produce results with three ex-officers currently being prosecuted and a further five officers being either dismissed or resigning while under investigation. It is expected that this will provide a deterrent to others that may be considering inappropriate activity.
- 4.5 During this quarter, the team have contributed to improvements made to the Council's website to enable easier reporting of fraud online, and South Essex Homes now have a webpage to report fraud which mirrors the Council's.
- 4.6 CFIT have also contributed through:
- improving the declaration of interest procedure for officers accessing the Revenues and Benefits systems
 - auditing the cash operations at the Focal Point Gallery making recommendations to enhance policy and procedure
 - auditing the cash operations at the Council Nursery making recommendations to enhance policy and procedure
 - recommendations relating to the hiring of agency staff and to ensure that these staff complete mandatory training and declarations of interest
 - recommendations relating to improvements in the procedure for leasing Council property to ensure that tenants are fit and proper persons to work with the Council
 - identification of an issue with the Council's parking app that was causing substantial problems with local hotels but has since been rectified.
- 4.7 Steps have now been taken to make the *Fighting Fraud in Local Government* and *Anti Money Laundering* courses mandatory for all staff.
- 4.8 CFIT conducted a tenancy fraud detection and deterrence exercise in February and the results of this are being assessed but it has already resulted in six investigations, mainly concerning Council Tax offences. A further exercise has been conducted at the end of March.

- 4.9 This completes the team's programme of proactive exercises for 2023/24, albeit it with one blue badge exercise cancelled due to the team's workload and the success of the APCOA Civil Enforcement Officer training initiative.
- 4.10 The Counter Fraud Work Plan for 2023/24 can be found at **Appendix 1**.
- 4.11 A long-running procurement investigation which commenced in 2013, with the prosecution launched in 2017, has resulted in a guilty plea from the main defendant. The sentencing hearing will take place in May.
- 4.12 CFIT continues to report to the management of our key stakeholders monthly.
- 4.13 CFIT continues to issue the monthly fraud newsletter to Council staff and residents.
- 4.14 Lastly, it is worth noting that the team's conviction of a blue badge fraudster in March made front page headline news in the local newspaper.

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 combined¹.

However, the police have only 2% of their resources dedicated to fraud investigation, despite it making up more than 40% of all crime². A 2019 inspection of the police's response to fraud found that these offences are generally not considered to be a priority³.

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.

- 5.2 An indication of the increasing threat to the Council is demonstrated by a 2013 estimate⁴ suggesting that fraud may be costing UK local authorities £2.1bn a year. This compares to a 2017 estimate⁵ that the total annual loss to local authorities from fraud may be as high as £7.8bn.

This is a rise of £1.4bn a year: although the increase is unlikely to be exponential, using this figure extrapolates to a potential **£14.8bn** in UK local authority loss from fraud in 2022.

¹ Victims Commissioner, 2021

² House of Commons Justice Committee, 2022

³ Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services, 2019

⁴ National Fraud Office 2013

⁵ Centre for Counter Fraud Studies, University of Portsmouth, 2017

5.3 The national fraud guidance for local authorities⁶ is placing an increased emphasis on proactive fraud prevention initiatives and the team's Work Plans are guided by this.

6. Investigations

6.1 Since 1 April 2023, CFIT have dealt with, or are investigating, 478 cases (107 of these cases started prior to that date).

6.2 Since the last report to the Committee⁷, we have received 97 new cases.

6.3 Of the total 478 investigations:

- 372 have been concluded
- 106 are active:
 - 43 are currently being investigated
 - 10 are being prosecuted
 - 53 are waiting for assignment to an investigator

A summary breakdown of these investigations can be found at **Appendix 2**.

6.4 Our current prosecutions relate to:

- 2 concerning procurement fraud (due to be sentenced in May)
- 1 concerning covid grant fraud (due to go to trial in September)
- 3 concerning ex-employees for fraud offences
- 3 concerning blue badge offences (including theft and forgery offences)
- 1 concerning an essential living fund fraud.

6.5 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.

6.6 Results this period⁸ include:

- Report and evidence provided to support the recovery of 2 social properties, saving £65,000⁹
- Five Council officers either dismissed or resigned while under investigation
- A successful conviction for blue badge fraud resulting in a £60 fine and an order to pay £800 towards the Council's costs, with a projected saving of £575 in parking revenue
- £5,630.43 in recovered Single Person Discount and Council Tax Reduction

⁶ *Fighting Fraud and Corruption Locally: A strategy for the 2020s*, Local Government Association, 2020

⁷ 12/12/2023

⁸ 12/12/2023 to 19/03/2024

⁹ Using local and national guideline valuations, a property recovered as the result of fraud is £42,000 and a property recovered (non-fraud) is £23,000.

- A total benefit to the Council from the NFI of £239,445.46 (see below)
- 9 blue badge misuse warnings issued
- 6 referrals to the DWP
- 7 Right to Buy applications assessed
- 27 Data Protection Act requests answered

6.7 The total benefit to the Council from CFIT's activities for this quarter is **£311,450.46**. While this can be considered a good result, the Revenues savings and property recoveries are below what we would expect and this reflects the impact of an investigator vacancy and of the resource focussed on internal investigations; so the benefit must be balanced against this work.

However, this brings the total benefit to the Council from CFIT's activities since 1 April 2023 to **£562,891.82**.

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, attempted 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, will be mandatory for all staff.

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.

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 aspects of the Council's business. We issued three of these this quarter.

7.6 CFIT has information exchange agreements with Essex Police and HMRC and these channels are regularly 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 noted above a blue badge conviction achieved by the team this period was published on the front page of the local press.

7.9 As also noted above, CFIT are actively involved in the amendment and development of Council policies and procedures 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 dependents who have turned 18 with households in receipt of Council Tax Single Person Discount (SPD) (the 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 The current NFI cycle is now complete. The results are reported in three categories:

- Savings from Council Tax Single Person Discount = **£60,661.22**
- Savings from all other matches¹⁰ = **£133,298.64**
- Cabinet Office projection of future savings¹¹ = **£106,146.82**

8.5 Therefore, the total realised savings from this NFI cycle is £193,959.86. £60,661.22 of this was reported in the team's 2022/23 Annual Report so the total savings from the NFI for 2023/24 is **£133,298.64** and the total benefit to the Council, including the projected savings, is **£239,445.46**.

8.6 Also, the NFI generated 45 investigations, the results of which are within the rest of the case results data.

8.7 These are the best results the Council have had from the NFI and they have shown a steady progression since the current team revitalised the Council's engagement with the initiative.

8.8 While CFIT report these results and can claim that they would not have been achieved without our management, coordination, training, and advice, it should be noted that they would also not have been achieved without the dedication and hard work of officers across the Council in many areas. These officers were responsible for preparing data sets for CFIT to upload, and reviewing and actioning the returned results. These results would not have been achieved without the efforts and hard work of these officers.

¹⁰ Such as blue badges, concessionary bus passes, Council Tax Reduction etc.

¹¹ These projections consider, for example, that an incorrect Single Person Discount removed this year will save the Council money next year compared to if it wasn't detected.

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. Policy context

- 12.1 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

13. Consultation

- 13.1 Consultation has not been required.

14. Contribution to the Council's aims and objectives

- 14.1 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.
- 14.2 It does this by protecting and recovering the assets and funds that the council holds.
- 14.3 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.
- 14.4 Such proactive counter fraud work can result in reduced costs to the Council by protecting it against potential loss and civil or insurance claims.

15. Legal implications

15.1 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.”*

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

15.3 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.

16. Carbon impact

16.1 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.

16.2 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.

17. Equalities

- 17.1 The Counter Fraud & Investigation Team are committed to treating everyone equally and with respect.
- 17.2 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.

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. Such a culture should be led and supported by the Senior Management 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 more effectively.

19. Value for money

- 19.1 An effective Counter Fraud and Investigation Team should save the Council 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 alternate 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	12/4/2024
Monitoring Officer	Susan Zeiss	10/4/2024
Executive Director	Joe Chesterton	12/4/2024
Relevant Cabinet Member	Leader – Cllr Tony Cox	16/4/2024

Appendices

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

20.2 **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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Appendix 1 – Counter Fraud Work Plan 2023/24

KEY:

Denotes proactive activities
Denotes prevention/protection activities
Denotes development activities

327

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 was arranged but did not take place due to unforeseen	1	Shaun DUTTON	DEFERRED

Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
		November 2023	circumstances that CLT needed to address. The team has been introduced to the new Chief Executive as part of his orientation. 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	Shaun DUTTON	10/02/2024
		March 2024		6	James COUSEN	23/03/2024
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 effect 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	2-5	Shaun DUTTON	ONGOING

Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
			that would provide a greater protection from fraud where appropriate.			
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	2-4	Shaun DUTTON	ONGOING

Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
			best use of the data the Council holds.			
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 March 2024¹

Category	New cases since the last report (12/12/2023)	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.)	14	94	11	99
Schools (including Early Years)	3	4	1	3
Council Tax²	28	112	41	109
Business Rates	2	6	4	8
Covid-19 related grants	0	0	1	3
DWP	4	15	0	15
Grant Fund fraud	0	5	1	6
Housing (unlawful subletting, Right to Buy fraud etc.) ³	33	69	23	61
Money Laundering	0	0	2	0
Procurement	0	0	2	0
Social Care (Direct Payment fraud etc.)	1	3	4	5
Employee	4	26	14	40
Miscellaneous (immigration, fraudulent cheques, mischievous referrals etc.)	8	21	2	23
TOTALS	97	355	106	372

¹ Figures are correct as of 19/03/2024.

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: 24 April 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 8th April.

4.2 **Appendices 2a, 2b & 2c** set out the results of the work completed since the last progress report to the Audit Committee in January.

- 4.3 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 January, with the addition of the piece of work on the Waste Collection contract procurement.
- 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 refreshing the Council's internal governance arrangements
 - Updates to draft policies to enhance effectiveness and prepare for refreshed governance arrangements
 - Support to the Digital Governance Group
 - 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 - 31 March 2024 the team have had an average of 13 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 49 jobs now included in the audit plan:
- 38% of audits are complete with finalised reports issued
 - 14% of audits are complete with draft reports being prepared or discussed with the service
 - 22% of audits are in progress
 - 4% of audits are being scoped with the service
 - 4% of audits have been deferred into 2024/25
 - 18% of audits have been 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 January there have been no further change to the staffing of the team, although we have determined to recruit a new Audit Apprentice with a view to the successful candidate beginning to work for the Council in September.
- 5.6 As a result the team currently has four 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 Castle Point Borough Council sites, therefore some travel is necessary. This is usually performed in private vehicles due to the requirement to visit multiple sites over a geographic area 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	12/4/2024
Monitoring Officer	Susan Zeiss	11/4/2024
Executive Director	Joe Chesterton	12/4/2024
Relevant Cabinet Member	Leader – Cllr Tony Cox	16/4/2024

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
 - **Appendix 2a:** Opinions and Themes – Audits Revisited
 - **Appendix 2b:** Opinions and Themes – Other Audits and Grants
 - **Appendix 2c:** Opinion and Themes – Partial Assurance

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Appendix 1: Internal Audit Plan 2023/24

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 8 th April 2024
Managing the Business			
All (AB)	Risk Management To support the council to embed robust assessment of risk and opportunity into decision making that encourages creativity, learning and improved outcomes.	No	Work for 2023/24 completed
F&R (PB)	Financial sustainability 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.	No	Work in progress
S&C (SN)	LGA Peer Review To assess the robustness of the arrangements to deliver the programme of work required to address the issues arising from the LGA Peer Review.	No	Work deferred due to follow up visit by the LGA in December 2023
ALL (LW)	Contract Management system To assess the robustness and effectiveness of the contract management system to support the delivery of effective contract management.	Yes	Completed March 2024
S&C (CT)	Cyber Security – awareness and training 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.	Yes	Work in progress
S&C (CT)	IT Asset Management To assess the adequacy of arrangements to manage both the software and hardware assets within the IT estate, including the extent of Shadow IT.	Yes	Work in progress

Appendix 1: Internal Audit Plan 2023/24

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 8 th April 2024
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	Planning in progress
All (KS)	<p>Appointments and Disciplinary Committee</p> <p>To assess the robustness of governance arrangements.</p>	No	Completed 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	Draft report with the Head of Internal Audit for review
<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	Work in progress

Appendix 1: Internal Audit Plan 2023/24

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 8 th April 2024
A City with a good quality of life			
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: completed March 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>	Yes	Completed March 2024
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	Completed March 2024
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	Work scope amended and deferred until 2024/25 following the focussed OFSTED visit and improvement plan arising from that visit

Appendix 1: Internal Audit Plan 2023/24

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 8 th April 2024
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	Completed November 2023
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	Completed November 2023
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	Work in progress
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	Work completed September 2023
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	Work in progress
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

Appendix 1: Internal Audit Plan 2023/24

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 8 th April 2024
C&PH (LMM)	Foster Carers To assess the robustness of arrangements to attract, retain and manage foster carers to ensure these are delivering the required outcomes for vulnerable citizens.	Yes	Work in progress
A&C	Focal Point Gallery Arts Council Sound Grant To certify that, in all significant respects, the conditions attached to the grant have been complied with.	Yes	Completed February 2024
<i>Implementing Action Plans</i>			
	None planned		
A City rising to the climate change challenge			
E&P (JG)	Green City Action Plan To assess the robustness of arrangements to ensure delivery of the strategy and the progress of that delivery.	No	Removed from the audit plan due to limited resource within the Climate service area to progress the Green City Action Plan.
E&P (NH)	Parking implementation plan To assess the robustness of arrangements to ensure delivery of the plan and the progress of that delivery.	Yes	Audit removed from the plan. The plan will be considered as part of the Letting of the Parking Contract work included in the 2024/25 audit plan.
E&P (JG)	Waste Collection Contract procurement To provide an update on the progress of the procurement of the new waste collection contract and clarity about the oversight role of Cabinet up to now and for the remainder of the process.	Yes	Work completed March 2024 and reported in full to the Place Scrutiny Committee 11th March, Cabinet 14th March and Council 21st March.
E&P (KW)	Biodiversity Net Gain Grant ((No. 31/6499) To certify that, in all significant respects, the conditions attached to the grant have been complied with.	Yes	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 8 th April 2024
<i>Implementing Action Plans</i>			
<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	Draft report being produced by the contractor
E&P (EL)	Better Queensway Focus to be determined pending decisions to be taken about the future direction of the scheme.	No	Audit closed, will be added onto the 2024/25 risk watch list and considered for audit as and when developments with the scheme are made.
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	Completed March 2024
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 being discussed with 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	Completed April 2024

Appendix 1: Internal Audit Plan 2023/24

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 8 th April 2024
<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	Terms of reference being discussed with business
<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	Deferred to 2024/25
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 8 th April 2024
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
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	Draft report with the Head of Internal Audit
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	Deferred to 2024/25
<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 8 th April 2024
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	Completed April 2024
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
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>	Yes	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 8 th April 2024
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	Removed from 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 complete for 2023/24 – feedback provided to initial Transformation Board. Further work to be completed as part of the 2024/25 audit plan
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>	Yes	Work in progress

Appendix 1: Internal Audit Plan 2023/24

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 8 th April 2024
S&C (CT)	Business World Enterprise Resource Planning Programme of Work 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.	Yes	Work in progress

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

Appendix 2a: Audits Revisited

Purpose of these audits

To assess whether the actions agreed in the original audit have been implemented and are now effectively embedded into the day-to-day operation of the service.

Management of the SEH partnership agreement

Original Objective

To assess the effectiveness of the arrangements for managing the delivery of services contained within the Partnership Agreement between South Essex Homes (SEH) and Southend Council (the Council).

Summary findings: High assurance

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Closed
13	0	0	0	1

The Council has a clear overall plan in place for arrangements to manage the Partnership Agreement with South Essex Homes (SEH). The plan is based on a Strategic Board, composed of officers from the Council and SEH. There are five subgroups sitting under the Strategic Board which focus on management of specific areas of the agreement, such as 'Operations' and 'Sustainability'. These subgroups report to the Strategic Board on significant issues in their areas, and Key Performance Indicators (KPIs) are also reported to the Strategic Board on a quarterly basis.

The audit found that the Council's planned approach was in line with the principles of effective contract management.

- A Partnership Plan has been produced and endorsed by the SEH Board and the Strategic Board. The Plan is reviewed annually, the latest review taking place in April 2023.
- Terms of Reference for each subgroup have been finalised, approved and include an annual review date.
- A Housing Client Relationship Manager has been recruited to support the administrative management of the Partnership Agreement.
- A formal process has been introduced for the production, checking and validation of KPI data.
- Meetings attended by the Director of Regeneration & Housing, the Head of Housing Supply and the Housing Client Relationship Manager, are held after each Strategic Board meeting, approximately every six weeks.
- The IT subgroup has not been set up, as ICT do not have the capacity or resources to support the group. The Strategic Board have agreed that ICT issues should be resolved through the normal ICT client relationship, which has worked satisfactorily to date.
- Risk registers and issue logs are in place for each subgroup. The risk registers include details of the risks, the likelihood, impact and actions required to mitigate the risk. Issue logs track matters that have arisen, including actions taken to resolve the issue.

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Appendix 2b: Other Audits and Grant Claims

Disabled Facilities Grant

Purpose of Funding

To support those in non-council properties with required adaptations to their homes based on their assessed needs. Types of works undertaken include installations of:

- level access showers
- ramped access to properties
- stair lifts.

Themes

Work undertaken confirmed that grant spend complied with the terms and conditions of the grant.

During the audit, opportunities were identified to strengthen DFG processes. These have been fed back to the service and are being addressed.

Opinion: Unqualified

Multiply Funding

Purpose of Funding

To deliver targeted numeracy provision to adults aged 19 years and above, up to and including Level 2, boosting people's ability to use maths in their daily life at home and work – and enabling them to achieve a formal qualification that can open doors for them.

Themes

Work undertaken enabled confirmation of actual spend for the Year 1 claim to funders, following agreed adjustments arising from the audit.

Opportunities to improve financial controls and monitoring across SCC and Southend Adult Community College as deliverer of the scheme were identified. These have been fed back to the service and are being addressed.

Opinion: Unqualified (Financial Claim)

Appendix 2b: Other Audits and Grant Claims

Focal Point Gallery Arts Council Sound Grant

Purpose of Funding

To deliver a year-long digital commissioning programme for artists and creative practitioners to deliver:

- 15 high-quality, innovative audio works, including spoken word, music, prose, field recordings and experimental sound. The commissions will be accompanied by 'Things You Never Get Taught'
- Two events with industry professionals, intended to demystify careers in sound production, with a particular focus on entry routes for women.
- Digifest, an annual artist-led festival of digital arts, featuring workshops, talks and screenings.

Themes

Work undertaken enabled confirmation of the total expenditure and income for the purposes of the final claim to funders.

Opinion: Unqualified (Financial Claim)

Local Transport Capital Block Funding - Integrated Transport

Purpose of Funding

To assist in delivering small scale improvements to local transport networks, which can include:

- road markings and re-surfacing
- upgrades to traffic signals
- bridge strengthening
- installation / replacement of sign lights and street lights
- upgrades to electronic bus information screens.

Conclusion

It was confirmed that spend was compliant in that it:

- fell within the definition of "capital" for accounting purposes
- work undertaken related to the areas outlined above.

Opinion: Unqualified

Appendix 2b: Other Audits and Grant Claims

Local Transport Capital Block Funding - Highways Maintenance

Purpose of Funding

To assist in delivering highway infrastructure asset management and road maintenance improvements to local transport networks.

Conclusion

It was confirmed that spend was compliant in that it:

- fell within the definition of "capital" for accounting purposes
- work undertaken related to the areas outlined above.

Opinion: Unqualified

Local Transport Capital Block Funding - Pothole Fund

Purpose of Funding

Funding was provided to assist with plans to repair potholes across the city.

Conclusion

It was confirmed that spend was compliant in that:

- it fell within the definition of "capital" for accounting purposes
- work undertaken related to pothole repairs in the city.

Opinion: Unqualified

Supporting Families Programme - April 2023 to March 2024

Objective

To assess compliance with the terms and conditions of the Department for Levelling Up, Housing and Communities relating to the claims for year April 2023 to March 2024 with the Supporting Families Programme Guidance 2022 to 2025.

Background

Up to 31 July 2023 Payments By Results (PBR) claims could be made on the six headline outcomes framework. Effective from 1 April 2023, a new outcomes framework has been implemented that includes ten headline outcomes enabling more detailed reporting on the problems families are facing, clarifying what looks good for these outcomes and what levels of evidence would be expected when measuring these outcomes.

Appendix 2b: Other Audits and Grant Claims

The Department for Levelling Up, Housing and Communities outline that this next phase of the programme aims to see vulnerable families thrive, building their resilience by:

- providing effective, whole family support to help prevent escalation into statutory services;
- driving system change locally and nationally, working with local authorities and their partners to create joined up local services;
- identifying families in need, providing the right support at the right time, and tracking their outcomes in the long term.

The Council has agreed to achieve measurable outcomes with a minimum of 322 families assisted by March 2024 under this Programme.

Internal Audit are required to review a minimum of 10% of claims to ensure there is suitable evidence to support the payment by results claim.

Summary and Conclusion of work

From April to September 2023, 55 of the PBR final claims for phase 2 of the programme were presented to audit, prior to submission to the DLUHC.

From October to December 2023, 70 supporting families claims were presented on the new outcomes in phase 3 of the programme, prior to submission to the DLUHC.

From January to March 2024, 99 supporting families claims were presented on the new outcomes in phase 3 of the programme, prior to submission to the DLUHC.

Internal Audit reviewed a sample of 10% of all cases, providing a representative sample of the claims outlined above. For all claims suitable evidence was available to support a claim for:

- entry into the programme; and
- a claim for significant and sustained progress against all problems identified at the point of engagement and during intervention.

Opinion: Unqualified

Risk Management

Objective

To support the council to embed robust assessment of risk and opportunity into decision making that encourages creativity, learning and improved outcomes.

Themes

The Council's Corporate Risk Register (CRR) sets out the key risks to the successful delivery of the Council's priorities and objectives and outlines the key management arrangements in place to mitigate and reduce the likelihood of the risks crystallising or maximise the likelihood of the opportunities being achieved.

Appendix 2b: Other Audits and Grant Claims

During 2023/24, Internal Audit supported the Corporate Leadership Team (CLT) to review and update the format of the CRR to ensure that the information provided supported the informed decision making required to deliver successful services and transformational change.

Internal Audit facilitated a strategic risk identification workshop with CLT. This identified and assessed 11 strategic risks to the achievement of the Council's priorities.

The Risk Management Policy Statement and Strategy is being updated with the aim of ensuring that risk awareness and horizon scanning is business as usual.

Service plans were developed and included service area risk registers, identifying the key things that could happen that would have an impact on the delivery of the service's objectives. The service risk registers have been further developed during the 2024/25 service planning process.

Zurich, the Council's insurers, have made support for risk management arrangements available to SCC. It has been agreed that during 2024/25, Zurich will support the Council by providing:

- Enterprise Risk Management Health Check.
- Critical Friend / Framework Assessment.
- Risk Management Training and workshops.
- Training for Senior Officers and Elected members.

Appendix 2b: Other Audits and Grant Claims

Southend Care Ltd

Objective

To provide an independent and objective analysis of the veracity of the Southend Care Limited (SCL) 2023/24 cost model and any financing gap to the Southend City Council (SCC) 2023/24 budget settlement proposal.

To compare the 2023/24 starting operating model to the company inception operating model and fair cost of care model(s) to aid understanding and validity of the contractual efficiency incentivisation mechanism and the steps to financial sustainability.

Themes

A number of areas for consideration were identified through the work undertaken, and included:

- the need to agree an early provisional settlement for 2023/24 in order to help cash flow to SCL and service delivery to the specified mix / standard
- SCC to undertake a review of the future type and depth of services required from SCL, to enable suitable delivery to the community
- Redesigning SCL's target operation model to ensure effectiveness and efficiency of service delivery
- The introduction of zero-based budgeting for SCL to help ensure the efficiency of budgets and achievement of value for money
- Adjust the contract between SCL and SCC to include clauses dealing with inflation and better reflect the specification of services to be delivered
- Introduction of a performance monitoring, reporting and management framework.

Appendix 2c: Audit Opinion and Themes

Assurance



Contract Management System

Objective

To assess the implementation and embedding of the contract management system, including key stakeholder engagement throughout the project, the system's contribution to, and development of, the control framework surrounding contract management and system utilisation for oversight and onward reporting.

Themes

The Proactis Source to Contract Electronic Contract Management System became operational in March 2023. We noted areas where controls appeared to be operating effectively. The Council (SCC) has a process for onboarding new contract managers with supporting training to use the electronic contract management system (ECMS). Additionally, within the ECMS, there is built-in functionality to alert SCC to situations of potential financial risk.

We observed that the ECMS has functionality that could create a stronger control environment but needs accompanying processes and controls to require staff engagement in respect of overdue contract management activities and contract renewal tasks. These are currently at the discretion of the contract manager to both set and complete. The ECMS includes a set of system tasks, which the Contract managers should update with applicable dates and responsible officer(s). If the pre-applied tasks are not applicable to a contract the contract manager should add new tasks to manage the lifecycle of the contract. An automated alert can be set up to notify users when a task has been completed.

Contracts are 'pushed' from the e-tendering portal to the ECMS and the contract manager receives ECMS training. At the time of the audit all level one and some level two contracts were being managed using the ECMS. Once the remaining level two contracts have been onboarded the ECMS system based contracts will account for around 80% of the Council's contract spend.

Number of actions agreed: 6

Appendix 2c: Audit Opinion and Themes

Assurance



Rough Sleepers

Objective

To review the robustness of arrangements and assess whether effective support is given to vulnerable people to achieve the outcomes within the Housing, Homelessness and Rough Sleeping Strategy while achieving value for money.

Themes

The Council relies on skilled and experienced staff who have an in-depth understanding of rough sleeping, but do not have clearly documented formal procedures that outline the processes that should be followed.

There is a lack of a control framework concerning the management of rough sleepers at the Council. We noted areas for improvement in respect of the design of the Housing Service Plan, as it only provides a view of issues at a point in time rather than acting as an action tracker that allows for ongoing performance monitoring.

We also noted gaps in the process of identifying rough sleepers. Alongside this, we noted that the roles and responsibilities of the Council, Homeless Action Review Project (HARP), and other partners are not formally stated. HARP is a charitable partner procured via a contract to deliver the front-line management of Rough Sleepers; they are the leading Southend charity helping local people overcome homelessness.

Finally, there is no formal performance reporting within the Council nor clear operational performance reporting.

Number of actions agreed: 5

Appendix 2c: Audit Opinion and Themes

Assurance



Corporate Asset Management

Objective

To assess the adequacy of Corporate Asset Management arrangements in place to ensure that the commercial and operational estate assets continue to deliver value and meet stakeholder needs, while supporting organisational objectives.

Themes

Effective and strategic management of the Council's commercial and operating portfolios is crucial to meeting the Council's ongoing business objectives and supporting the Council's Corporate Plan.

In this audit, we assessed: the governance arrangements to monitor, review and assess the existing Corporate Asset Management Strategy (CAMS); a sample of commercial initiatives run for both portfolios to confirm whether the commercial team has effectively applied the rent and lease uplifts as expected and, when applicable, the initiatives were supported by a completion statement of work; the reviews of both the commercial and operational portfolio performance and finances; processes to identify and understand resourcing needs; and management information (MI).

We noted a number of areas of good practice in relation to the adequacy of the most recent CAMS, which is fit for purpose and provides a clear link to the Corporate Plan. Additionally, in relation to the commercial assets, we noted that the initiatives run in the year are adequately recorded and regularly reviewed by the Team Lead for Corporate Property and Asset Management. We also noted that the approval process is robust, as all the approvals were in line with the Council Constitution and sufficient evidence of approvals was retained.

However, we have identified a lack of adequate controls in a number of areas, particularly in relation to the timely collection, reporting and strategic use of MI for both portfolios, and the lack of regular review of the wider estate portfolio performance and finances for the operational portfolio.

We acknowledge that the Council is aware of the current gaps and has future plans to collect MI in relation to overall costs and carbon emissions. This data will then be used to rationalise the wider portfolio and inform strategic decision making around the development, commercialisation, property acquisitions and disposals of assets. Our meetings with the Executive Director (Growth & Housing) confirmed that the project has begun with the first being the categorisation of the assets through a cost analysis exercise.

Number of actions agreed: 7

Appendix 2c: Audit Opinion and Themes

Assurance



Housing Allocations

Objective

To assess the robustness of the arrangements that ensure available housing is allocated appropriately following Council Policies.

Themes

The Council has a ten-year Housing, Homelessness and Rough Sleeping Strategy in place covering the period 2018-2028. It considers the future challenges and requirements of residents and the stock required to meet housing needs. Included within the Strategy are a number of commitments, which had not been updated since adopting the Strategy. There is no formal monitoring framework to report the progress being made on the delivery of the commitments.

The audit identified outstanding appeals dating back to July 2022, with approximately 57 outstanding appeals as of December 2022. The audit also identified that appeals had been incorrectly indexed, therefore, a true reflection of appeals completed could not be provided. Testing identified that for some appeals the review response exceeded the eight-week response time stated in the Allocations Policy.

The audit identified 16 Registered Providers with over 20 properties operating within Southend's boundaries, but SCC currently have nomination agreements with four of them. A review of the four nomination agreements identified that all were signed and dated at the point of creation. In all cases, the information contained within the agreements had not been updated in line with the stated review procedures.

Reporting of allocations performance information had not been completed prior to November 2022. Additional KPI reporting would improve the provision of key allocation information to the Performance Board and Councillors.

Some areas relating to counter-fraud controls were noted as requiring improvement, including the need to complete a counter-fraud risk assessment, to utilise the information provided on potential fraud cases via the National Fraud Initiative and the formalisation of procedures surrounding applicant declarations of interests, staff declarations of interest and suspected fraudulent applications.

Number of actions agreed: 11

Meeting: Audit Committee
Date: 24 April 2024
Classification: Part 1
Key Decision: No
Title of Report: **Internal Audit: Charter, Strategy and Plan 2024/25**

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 present to the Audit Committee, the Internal Audit Charter with the supporting Strategy and Audit Plan for 2024/25.

2. Recommendations

2.1 **The Audit Committee approves the Charter, Strategy and Audit Plan for 2024/25.**

3. Background

3.1 The Accounts and Audit Regulations 2015 (Regulations) make it a requirement for internal audit to take into account public sector internal auditing standards or guidance in delivering the service.

3.2 The UK Public Sector Internal Audit Standards (the Standards) require the service to produce a:

- Charter
- a risk based plan that:
 - takes into account the:
 - requirement to produce an annual internal audit opinion
 - Council's assurance framework.
 - incorporates or is linked to a strategic or high level statement of how:
 - the service will be delivered and developed in accordance with the Charter

- it links to the Council's Corporate Plan.

3.3 New International Standards for Internal Auditing are being introduced during this year and will be in place for the 2025/26 financial year. CIPFA are currently determining what impact this will have on the UK Public Sector Internal Audit Standards.

4. Charter, Strategy and Audit Plan

4.1 In order to comply with the current Standards, the approach proposed for delivering the service, is set out in the:

- Charter, that defines the purpose, authority and responsibility of the service
- Strategy, that outlines how the service will be delivered in line with the Charter and includes the:
 - Internal Audit Plan for 2024/25
 - statement showing how audit work completed during the year will provide assurance regarding the mitigation of the Council's strategic risks
 - How We Will Work With You Statement.

4.2 The following paragraphs explain key amendments to the documents which were last presented to the Audit Committee in April 2023. These are also highlighted in **bold** within the documents themselves for ease of reference.

5. Charter (Appendix 1)

5.1 The minor amendments made to the Charter this year relate to:

- The new Global Internal Audit Standards that will be implemented from January 2025
- changes in officer roles
- changes to Council officer group names.

6. Strategy (Appendix 2)

6.1 The Strategy sets out:

- the ethical framework audit staff are expected to comply with
- the basis for the audit opinion and the audit approach to be adopted
- the approach to assessing risk and assurance as part of the audit planning process
- the Audit Plan, resource assessment and performance indicators
- how the service will work with key staff, members and groups within the Council
- how the team will operate on a day to day basis

- how it will assess its compliance with relevant professional standards and report upon this.
- 6.2 A few very minor amendments have been made to the Strategy this year. These are cosmetic and don't change the manner in which the audit service provided is delivered under the Collaborative Working Agreement. The Strategy also sets out the team's performance indicators for the year.
- 6.3 As outlined in the Strategy, activities are only considered for inclusion in the Audit Plan if:
- they are assessed as being significant enough to require periodic independent review
 - this independent assurance is not being provided elsewhere (eg. from Ofsted).
- 6.4 The coverage provided within the proposed Audit Plan for 2024/25 (Appendix 2a) is based upon the audit approach outlined in the Strategy which complies with the requirements of the Standards.
- 6.5 The Audit Plan looks to provide some assurance regarding the delivery of the Council's Corporate Plan and as many Corporate Risks as possible. Other factors that influence what is in this year's Audit Plan include, for example:
- when activities were last reviewed and the results of that work
 - whether there are any significant changes involving an activity eg. new IT software, loss of key staff etc.
 - the level of spend and corporate profile of the activity
 - emerging risks highlighted by senior management or other sources.
- 6.6 The ongoing challenges regarding the Council's financial sustainability and transformation work being undertaken to review the Council's operating model that will impact on the arrangements to deliver Council services moving forward, mean that it should be recognised that there will be a need for flexibility in both the things that internal audit focusses upon and the way that it undertakes it's work. Therefore the proposed plan will be kept under review and amendments made as necessary.
- 6.7 In addition the external auditors will be delivering their work on the 2024/25 financial year under the National Audit Office - Code of Audit Practice, that governs the work of external auditors of local public bodies under the Local Audit and Accountability Act 2014. The revised Code specifies the following value for money arrangements reporting criteria:
- financial sustainability
 - governance
 - improving economy, efficiency and effectiveness.

- 6.8 New external auditors have been appointed by Public Sector Audit Appointments (PSAA) for the 2023/24 financial year, and their work is beginning in earnest following the end of that year. Internal audit will liaise with the new external auditors from KPMG in respect of the work that they will be undertaking to meet the requirements of the Code of Audit Practice and seek to deliver internal audit work that supports those requirements.
- 6.9 As a result, the Audit Plan will be kept under review so that it can reflect any further changes in circumstances, risks and challenges that the Council is facing that may impact on the way the Council works, to re-assess whether there are any changes to the risk profile and therefore, the work planned for later in the year. As is usual practice, any proposed future amendments to the Audit Plan will be reported to the Audit Committee for approval.
- 6.10 Appendix 2b identifies where audit reviews contribute assurance regarding the management of the Council's corporate risks.
- 6.11 The How We Will Work With You Statement (Appendix 2c) outlines the consultation and engagement that internal audit undertakes with management for the different elements of internal audit work.

7. Reason for decision

- 7.1 **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.**

8. Other options

- 8.1 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.

9. Financial implications

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

10. Legal implications

- 10.1 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.

10.2 The Standards require:

- the Audit Committee to approve (but not direct) the annual internal Audit Plan and this report discharges that duty
- the Audit Committee to then receive regular updates on its delivery, as provided by the quarterly performance report
- the Head of Internal Audit to provide an annual audit opinion on the Council's risk management, control and governance arrangements and report on this to the Audit Committee, which is usually delivered to its July meeting in line with the completion of the external audit.

11. Policy context

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

- UK Public Sector Internal Audit Standards
- Internal Audit Charter and Strategy
- Risk Management Policy Statement and Strategy
- Counter fraud and corruption policy and strategy
- Whistleblowing policy and procedure.

12. Carbon impact

12.1 The Internal Audit Team operates across all Council sites, as well as Castle Point Borough 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.

12.2 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.

13. Equalities

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

13.2 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.

14. Consultation

- 14.1 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.

15. Contribution to the Council's aims and objectives

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

16. Risk assessment

- 16.1 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.

- 16.2 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.

17. Value for money

- 17.1 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.

18. Report Authorisation

This report has been approved for publication by:		
	Name:	Date:
S151 Officer	Joe Chesterton	12/4/2024
Monitoring Officer	Susan Zeiss	10/4/2024
Executive Director	Joe Chesterton	12/4/2024
Relevant Cabinet Member	Leader – Cllr Tony Cox	16/4/2024

19. Background papers

- 19.1
- The Accounts and Audit Regulations 2015
 - UK Public Sector Internal Audit Standards
 - CIPFA Local Governance Application Note for the UK Public Sector Internal Audit Standards
 - CIPFA: The Role of the Head of Internal Audit in Public Service Organisations 2019
 - CIPFA: Audit Committee Practical Guidance for Local Authorities and A Toolkit for Local Authority Audit Committees.

20. Appendices

- Appendix 1: Internal Audit Charter
- Appendix 2: Internal Audit Strategy:
 - Appendix 2a: Internal Audit Plan for 2024/25
 - Appendix 2b Audit assurance linked to the Council's corporate risks
 - Appendix 2c: How We Will Work With You Statement

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Internal Audit Charter

Reviewed annually by the Head of Internal Audit
Reported to the Audit Committee: April 2024

Appendix 1: Internal Audit Charter

Introduction

This Charter sets out the purpose, authority and responsibility of the Council's Internal Audit function, in accordance with the UK Public Sector Internal Audit Standards (the Standards) and the CIPFA Local Government Application Note.

The Charter will be reviewed annually and presented to the Audit Committee for approval.

Purpose

The key purpose for Internal Audit is to complete sufficient work in order to enable it to provide an independent and objective annual opinion on the adequacy and effectiveness of the Council's governance processes, risk management and internal controls established to enable it to achieve its planned outcomes.

This includes the Council's working arrangements with partners, contractors and third parties.

In doing this, Internal Audit aims to:

- deliver a high quality, cost effective service in line with best practice and professional standards
- work constructively with management to support new developments and major change programmes
- be pragmatic and proportionate with its recommendations, having regard not just to risk, but also the cost of controls
- be flexible and responsive to the needs of the organisation in all its work
- help promote an anti-fraud and corruption culture within the organisation.

Responsibilities

Internal Audit is '*an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve effectiveness of risk management, control and governance processes*'¹.

In a local authority, internal audit:

- provides independent and objective assurance to the organisation, its Members and the Corporate Leadership Team regarding the design and operation of its risk management, control and governance processes
- assists the Executive Director (Finance and Resources) in discharging his responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

¹ Institute of Internal Auditors

Appendix 1: Internal Audit Charter

It is management's responsibility to:

- establish and maintain appropriate governance arrangements and internal control systems
- ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

Statutory Role

Internal Audit is a statutory service in the context of the Local Audit and Accountability Act 2014 and its supporting Accounts and Audit Regulations 2015, which state in Part 2, Internal Control, Section 5, that:

“A relevant authority must 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.

Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit:

- *make available such documents and records*
- *supply such information and explanation*

as are considered necessary by those conducting the internal audit.”

This is reinforced by the Standards (1000 Purpose, Authority and Responsibility) which require that Internal Audit be provided with *access to records, personnel and physical properties relevant to the performance of engagements.*

Internal Audit operates under the Chief Financial Officer's statutory authority to visit any Council land or premises should this be required.

This statutory framework is supported by the Council's Financial Regulations.

The Head of Internal Audit delivers the role of the Chief Audit Executive.

Independence and Accountability

Internal Auditors must conform to the Standards, Code of Ethics as well as those relating to any professional body they are members of. The Code of Ethics includes two essential components:

- principles that are relevant to the profession and practices of internal auditing
- rules of Conduct that describe behaviour norms expected of internal auditors.

These are defined in more detail in the Strategy but cover Integrity, Objectivity, Confidentiality and Competency.

Appendix 1: Internal Audit Charter

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations. Internal auditors should have no operational responsibilities. Where the Head of Internal Audit is responsible for other services, arrangements and safeguards are in place to ensure that any:

- internal audit work in these areas, is subject to appropriate independent review
- conflicts of interest are avoided.

Internal Audit determines its priorities in consultation with 'Those Charged with Governance'. The Head of Internal Audit has direct access to and freedom to report in his own name and without fear or favour to, all officers and Members and particularly 'Those Charged with Governance', the Chief Executive and Chair of the Audit Committee. This independence is further safeguarded by ensuring that the Head of Internal Audit's annual appraisal / performance review is not inappropriately influenced by those subject to audit. The Head of Internal Audit must confirm to the Audit Committee, at least annually, on the organisational independence of the service.

Internal Audit may also provide advisory and related client service activities, the nature and scope of which are agreed with the Council. They are intended to add value and improve an organisation's risk management, control and governance processes, examples of which include counselling, advice, facilitation and training. In such circumstances, appropriate arrangements will be put in place to safeguard the independence of Internal Audit.

Accountability for the response to the advice and recommendations of Internal Audit lies with management, who either accept and implement the advice or formally reject it.

All Internal Audit staff are required to make an annual declaration of interest to ensure that auditors' objectivity is not impaired and that any potential conflicts of interest are appropriately managed.

When co-ordinating activities internal audit may seek to rely on the work of other assurance and consulting service providers. A consistent approach is adopted for the basis of reliance and internal audit will consider the competence, objectivity and due professional care of the assurance and consulting service providers. Due regard will be given to understanding of the scope, objectives and results of the work provided by other providers of assurance and consulting services. Where reliance is placed upon the work of others, internal audit remains responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

Internal Audit Scope

The scope of Internal Audit includes the entire control environment and therefore all of the Council's operations, resources, services and responsibilities in relation to other bodies. In order to identify audit coverage, activities are prioritised based on risk, using a combination of Internal Audit and management risk assessments (including those set out within Council's risk registers). Extensive consultation also takes place with key stakeholders.

Appendix 1: Internal Audit Charter

The framework used for evaluating the Council's governance, risk management and control arrangements (as required by the Standards) is set out in the supporting Strategy.

If circumstances arise whereby assurances are to be provided to parties outside the Council, the nature of and approach to be adopted to providing them will be discussed with relevant senior management.

The Head of Internal Audit can consider accepting proposed consulting engagements (should resources allow), based on their potential to improve the management of risks, add value and improve the Council's operations. Accepted engagements must also be included in the Audit Plan.

Reporting Lines and Relationships

Responsibility for ensuring that statutory internal audit arrangements are in place has been delegated to the Executive Director (Finance & Resources) (Section 151 Officer) who is a member of the Corporate Leadership Team. These arrangements form a key element of the Council's corporate governance framework.

Therefore the Executive Director (Finance & Resources) discharges the administrative responsibilities for managing the internal audit service, whilst it reports functionally to the Audit Committee. Details of the functional role of the Audit Committee in this respect are set out in its Terms of Reference (including its annual work programme).

In discharging this function role, the Audit Committee receives reports that cover the results of internal audit activity and details of Internal Audit performance, including progress on delivering the Audit Plan.

In addition, Internal Audit provides an annual report and opinion to senior management and the Audit Committee on the adequacy and effectiveness of the Council's system of internal control including its risk management, control and governance arrangements.

The Head of Internal Audit also:

- has regular briefings individually with the Chief Executive, Executive Directors and other Directors and Heads of Service
- **supports and participates in the Council's governance arrangements structures as appropriate and necessary.**

Further details of how internal audit works with key officers, management and Members are set out in the Strategy, (Appendix 2) and the How We Will Work With You Statement (Appendix 2c).

No information or reports concerning audit work undertaken on behalf of the Council will be released to anyone not working for the Council, without its permission.

Appendix 1: Internal Audit Charter

Internal Audit Standards

There is a statutory requirement for Internal Audit to work in accordance with 'proper audit practices'. These 'proper audit practices' are currently the 'UK Public Sector Internal Audit Standards' (the Standards) as defined by the Institute of Internal Auditors (IIA) in conjunction with the Chartered Institute of Public Finance and Accountancy (CIPFA), which are based upon the International Professional Practices Framework (IPPF). These Standards have been adopted by the Council's Internal Audit Service. **In January 2024 the IIA issued new Global Internal Audit Standards that will take effect from January 2025. As a result CIPFA is currently working on a new set of UK Public Sector Internal Audit Standards.**

Therefore its Mission (as currently set out in the IPPF) is *'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'*. In delivering this, the service commits to operating in accordance with the IPPF's core principles, which requires that it:

- demonstrates integrity
- demonstrates competence and due professional care
- is objective and free from undue influence (independent)
- aligns with the strategies, objectives and risks of the organisation
- is appropriately positioned and adequately resourced
- demonstrates quality and continuous improvement
- communicates effectively
- provides risk-based assurance
- is insightful, proactive and future-focused
- promotes organisational improvement.

With regard to the application of these Standards only, the Council's Audit Committee takes the role of the 'Board' and Corporate Leadership Team, that of 'senior management'.

In accordance with the Standards, Internal Audit is subject to a quality assurance and improvement regime. This consists of an annual self assessment of the service against the Standards, on-going performance monitoring of individual reviews and an external assessment at least every five years by a suitably qualified, independent assessor. The results of all of this activity are reported to the Corporate Leadership Team and the Audit Committee, along with details of any instances of non-conformance. Where non-conformance is considered significant, this will also be included within the Council's Annual Governance Statement.

Appendix 1: Internal Audit Charter

The Accounts and Audit Regulations 2015 require local authorities to produce an Annual Governance Statement in accordance with proper practices. CIPFA's Delivering Good Governance guidance has been given 'proper practice' status by the Department for Levelling Up, Housing and Communities for this purpose. Therefore, the Head of Internal Audit aims to comply with the CIPFA Statement on The Role of the Head of Internal Audit in Public Service Organisations 2019, wherever possible, as required by the Delivering Good Governance guidance.

Internal Audit Resources

It is a requirement that Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to professional standards. Internal Auditors need to be properly trained to fulfil their responsibilities and maintain their professional competence through an appropriate on-going development programme.

The Head of Internal Audit is responsible for appointing the staff of the Internal Audit Service and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills.

In addition to in-house audit staff, the Head of Internal Audit may engage the use of external resources where it is considered appropriate, including the use of specialist providers.

The Head of Internal Audit is responsible for ensuring that the resources of the Internal Audit Service are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby he concluded that resources were insufficient, he must formally report this to the Executive Director (Finance & Resources) and, if the position is not resolved, to the Audit Committee.

The Internal Audit budget is reported to Cabinet and Full Council for approval annually as part of the overall Council budget.

Fraud and Corruption

Managing the risk of fraud and corruption is the responsibility of management, not Internal Audit. Internal Audit will, however, be alert in all its work to risks and exposures that could allow fraud or corruption to occur.

The Council's Counter Fraud & Investigation Team (the Team) will investigate allegations of fraud and corruption in line with the Council's Counter Fraud, Bribery and Corruption Policy and Strategy. The Head of Internal Audit is managing the Team and will ensure that the Internal Audit Service work collaboratively with the Team where necessary, to ensure system or process weaknesses identified during investigations are addressed.

The Head of Internal Audit must also be informed of all suspected or detected cases of fraud, corruption, bribery or impropriety in order to consider the adequacy of the relevant controls, and evaluate the implication of fraud and corruption for the annual opinion on the control environment.

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Internal Audit Strategy

Annually reviewed by the Head of Internal Audit
Reported to the Audit Committee: April 2024

Appendix 2: Internal Audit Strategy

Introduction

The Internal Audit Charter sets out the service objective for Internal Audit, which is to provide an annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control processes, designed to deliver its Corporate Plan.

This Strategy sets out how the service will be delivered and developed in accordance with the Charter and how it links to the delivery of the Council's Corporate Plan.

Code of Ethics

All internal auditors working for the Council will comply with:

- the Code of Ethics contained within the UK Public Sector Internal Audit Standards (the Standards) which define:
 - principles that are relevant to the profession and practice of internal auditing
 - rules of conduct that describe behaviour norms expected of internal auditors.
- the ethical standards of any professional body they are members of
- the Nolan Committee's *Seven Principles of Public Life* as reported in the Constitution.

The four key principles the Code of Ethics adopts are as follows:

- The **integrity** of internal auditors establishes trust and this provides the basis for reliance on their judgement.
- Internal auditors:
 - exhibit the highest level of professional **objectivity** in gathering, evaluating and communicating information about the activity or process being examined
 - make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.
- Internal auditors respect the value and ownership of information they receive and do not disclose information (**confidentiality**) without appropriate authority unless there is a legal or professional obligation to do so.
- Internal auditors apply the knowledge, skills and experience (**competency**) needed in the performance of internal auditing services.

Inappropriate disclosure of information or breaches of the Code of Ethics by internal auditors could be a disciplinary offence.

All staff working on the Council's audits will be required to sign an Ethical Governance Statement. In-house staff will be required to declare any interests prior to starting an audit and to formally update their statement as part of their regular appraisal meetings.

Appendix 2: Internal Audit Strategy

Basis for Annual Audit Opinion

In summary, the audit opinion will be based upon an assessment of:

- the design and operation of the key processes operated by the Council to manage its business (eg. governance arrangements)
- the range of individual opinions arising from risk-based and other audit assignments delivered during the year (eg. service activities and financial systems)
- an assessment of how robustly actions agreed are implemented and whether this is achieved in a timely manner
- the outcome of any other relevant work undertaken (whether internally or externally) where independent assurance is provided about the operation or performance of a service / system.

Audit Approach

The audit approach is designed to provide the Council with assurance that its governance, risk management, and control processes are robust enough to ensure its Corporate Plan will be delivered.

It also takes into account, where applicable, the need for the Council to gain assurance that any partnership or other agreement to which it is party, is also operating successfully to achieve this end.

The framework used for evaluating the Council's risk management, control and governance arrangements (as required by the Standards) is set out below.

Governance

Over a suitable period, an assessment will be made of the adequacy of governance processes in accomplishing the following objectives:

- promoting appropriate ethics and values within the Council
- ensuring effective organisational performance management and accountability
- communicating risk and control information to appropriate areas of the Council
- co-ordinating the activities of, and communicating information among, the Audit Committee, external and internal auditors and management.

In doing this, Internal Audit will:

- evaluate the design, implementation and effectiveness of ethics-related objectives, programme and activities
- assess whether the information technology governance supports the delivery of the Council's Corporate Plan.

Appendix 2: Internal Audit Strategy

Risk Management

In determining how effective risk management arrangements are, assessments will be made of whether:

- the Council's Corporate Plan supports and align with its Ambition
- significant risks are identified and assessed
- appropriate risk responses are selected that align risks with the Council's risk appetite
- relevant risk information is captured and communicated in a timely manner across the Council, enabling staff, management, Members and the Audit Committee to carry out their responsibilities.

This information will be gathered from many sources including audit assignments undertaken each year.

Risk exposures relating to governance, operations and information systems will also be evaluated regarding the:

- achievement of the Council's Corporate Plan
- reliability and integrity of financial and operational information
- effectiveness and efficiency of operations and programmes
- safeguarding of assets
- compliance with laws, regulations, policies, procedures and contracts.

Internal Audit will also evaluate the potential for the occurrence of fraud, corruption, bribery, theft or financial irregularities and how the Council manages these risks.

Control

An evaluation will be made of the adequacy, effectiveness and efficiency of controls in responding to risks within the Council's governance, operations and information systems (taking into account the same areas outlined in the bullet points in the risk exposures paragraph above).

Types of Assurance Provided

Audit assignments will apply one or a combination of approaches which include assessing:

- the adequacy of system design
- whether:
 - key controls within a system, process or service are operating effectively
 - outcomes from systems, processes or services are in line with expectations.

Internal Audit will make recommendations for improving any services, systems or processes audited with a view to promoting continuous improvement.

Appendix 2: Internal Audit Strategy

Any knowledge gained from consultancy engagements will be incorporated into the evaluation of the Council's, governance, risk management and control processes.

Limitations

Internal Audit will not:

- assume management responsibilities
- control the risks of the Council
- establish and maintain any systems of internal control
- determine operational policies or procedures
- necessarily detect fraud, corruption, bribery, theft or financial irregularities as part of its work, as management is responsible for mitigating these risks.

Risk Assessment

A risk based approach will be used to identify areas for review, which takes into account the risk maturity of the Council. The risk assessment will be based upon professional judgement but be informed by:

- key corporate and service level documents (eg. plans and risk registers)
- regular discussions with the Chief Executive, Executive Directors and other Directors
- at least annual discussions with all Directors and periodic discussions with Group and Service Managers as required
- the work of the **Council's governance boards**
- the audit risk assessment
- horizon scanning to establish potential new risks that may materialise during the year
- outcomes from other relevant, independent audits, inspections or work undertaken.

An audit risk assessment will be maintained which includes all service activities as well as key financial systems and business management processes. This helps identify activities that:

- are 'higher risk' because, for example, they are inherently complex, material or susceptible to fraud but well controlled
- will not be audited unless a specific, one off risk arises or their general risk profiles increases.

It is more important for higher risk activities, that management obtain periodic, independent evidence that the controls remain appropriate and are consistently applied. A significant control failure in these areas could have a serious impact on the Council's ability to deliver its services, Corporate Plan and Ambition.

Appendix 2: Internal Audit Strategy

In assessing the level of assurance required and therefore the priority attached to each Council service, account will be taken of:

- financial risk
- outward facing risks (including reputational risk)
- operational risks (including those relating to partnerships)
- legal and political risks
- people and property risks (including health & safety and safeguarding)
- inherent risk (including that of fraud).

The audit risk assessment will be discussed at least annually with the Chief Executive, Executive Directors and other Directors. An annual assessment will be made with the Executive Director (Finance & Resources) as to whether any assurance is required regarding key financial systems to support the production of the Statement of Accounts.

Internal Audit will decide which action plans to revisit on a risk basis. Where it is determined that further work is required to ensure agreed actions have been properly implemented, this will involve re-testing to ensure:

- the agreed action has been properly implemented
- the strengthened control arrangements are firmly established in the day to day running of the service.

Assurance Framework

Before producing the Audit Plan, an assessment will be made of the evidence already available regarding the:

- operation of individual services (from management or external sources)
- management of corporate, strategic or operational risks
- effectiveness of the Council's governance arrangements.

This evidence will be recorded as part of the audit risk assessment documentation. As part of planning the audit, the value of this evidence will be evaluated by assessing:

- what risks and controls such assurance covers
- at what stage in the process it takes effect (see Three Lines of Defence model outlined below) and therefore how quickly it would mitigate the risk
- how reliable it is, which is likely to include some re-performance work to confirm the validity of the findings before it is relied upon for audit purposes.

Appendix 2: Internal Audit Strategy

Coordinating the Three Lines of Defence

First Line of Defence	Second Line of Defence	Third Line of Defence
Risk Owners / Managers	Risk Control and Compliance	Risk Assurance
Operational management	Corporate management type functions	Internal Audit
Delivers the service	Limited independence	Greater independence
Reports through the normal line management structure	Reports primarily to management	Reports to the Audit Committee

Audit Plan

As at April 2024, the service still has a number of vacant posts, but has regained an Audit Manager following a period of maternity leave. Therefore, the service will remain reliant on external contractors during the year, which will reduce the number of days that can be delivered from the Council's internal audit budget.

In the interim, a staff resource needs assessment will be maintained for the in-house resource to calculate the capacity of this element of the service. A view will then be taken about external resources required to:

- cover vacancies
- deliver audits that require specialist skills.

A programme of audits has been agreed with senior management based on the assessment of risk outlined above. The Audit Plan will:

- mainly focus on:
 - the Council's arrangements for managing its business
 - risk based reviews that assess how well services are being delivered
 - revisiting previous audits to ensure that agreed action plans have been properly implemented, so the controls are fully embedded in the day to day operations of the service or process.
- include time for:
 - audit planning, managing audit plan delivery, which includes managing contractors, and reporting
 - some work on:
 - key financial systems and grant claims
 - providing advice and support.

The schools will only be audited at the Council's request, should there be concerns about their performance, or if requested by the school itself.

Appendix 2: Internal Audit Strategy

Therefore the Audit Plan, attached at Appendix 2a, reflects the results of the risk assessment and the information gathered about the Council's assurance framework. The return of the Audit Manager from maternity leave has meant that the planning procedures have been performed using a slightly different approach this year, with more of the work undertaken by her, as part of her re-orientation and catching up with what has happened at the Council while she has been on maternity leave.

The Audit Plan shows how the audit work will provide evidence that risks relating to the delivery of the Council's Corporate Plan and Ambition are being managed effectively. Appendix 2b maps the planned audit work against corporate risks.

There is little contingency budget within the Audit Plan. Therefore, any risks that arise during the year will be considered against the risk profile of the work already planned before determining whether:

- additional work can be undertaken within the available resource
- a review is deleted and replaced by a new audit
- additional audit resource is purchased by the Council.

Consultancy engagements, if accepted in year, will also be included in the Audit Plan.

Changes to the Audit Plan will be reported to senior management for review and the Audit Committee for approval.

Fraud and corruption risks will be considered when determining the focus of each relevant audit. Any investigations into fraud, corruption, bribery, theft or financial irregularities that arise will be undertaken by the Counter Fraud and Investigation Team (the Team) under the management of the Head of Internal Audit. The Internal Audit team will work closely with the Team to ensure an effective and integrated service is provided.

Resources

Southend-on-Sea City Council and Castle Point Borough Council participate in an Internal Audit Collaborative Working Agreement to use their combined internal audit resources to provide a service to both Councils. The core team is then supplemented as required, by resources obtained via framework contracts with external suppliers. This service is managed by a jointly appointed Head of Internal Audit, who is also the Chief Audit Executive for both Councils.

The strategy will be to continue with this mixed economy approach to resourcing the service as long as costs remain competitive, productivity is high and quality standards are met, as measured by delivery of the agreed performance indicators.

Work will be allocated to staff with the appropriate skills, experience and competence to complete it. Where the Head of Internal Audit is responsible for an area being audited, arrangements will be made for the work to be supervised and reviewed by an appropriately qualified person from outside the service.

Up to date job profiles will be maintained reflecting modern professional requirements.

Appendix 2: Internal Audit Strategy

Staff will not be allowed to audit the same area for more than three consecutive years thus preventing over-familiarity and complacency that could influence objectivity.

Training and Development

Staff development needs will be continually assessed and fed into the service's training plan to ensure that appropriate skills are available to deliver the Strategy. Consideration will also be given to the need for staff to meet mandatory continued professional development requirements.

Staff will maintain individual training logs that satisfy relevant professional standards. These will be reviewed by line managers regularly as part of the corporate performance appraisal process.

Opportunities to purchase tailored training with other organisations will continue to be explored with the Workforce Development team.

Service Performance Indicators

When the service is more fully resourced and settled, the suite of indicators that will be used to measure performance will cover economy, staff productivity, efficiency and effectiveness and consist of:

- delivering 100% of the Audit Plan by the July Audit Committee
- issuing draft reports to the service within 15 days of the final meeting to discuss the findings from the fieldwork
- utilising 75% of total available staff days on delivering the Audit Plan
- losing less than five days per full time equivalent due to sickness absence
- operating in the manner set out in the Standards at team and individual audit level as evidenced by:
 - the annual internal review completed by the Head of Internal Audit
 - five yearly independent, external performance assessments.
- completing a representative sample of stakeholder surveys that assess compliance with element of the Standards:
 - reporting the results regularly to the Audit Committee, with actions to be taken to improve performance, where required
 - reflecting the results in the annual performance assessment reported upon in the Head of Internal Audit Annual Report.
- discharging the duties set out in the CIPFA Statement on the Head of Internal Audit role, wherever possible
- demonstrating periodically that the cost of the service is competitive.

For 2024/25, performance targets will consist of:

- delivering 100% of the Audit Plan by the July Audit Committee
- those relating to sickness and stakeholder surveys.

Performance against targets set will be reported to senior management and the Audit Committee each quarter.

Appendix 2: Internal Audit Strategy

Delivering Audit Assignments

An audit manual will be maintained that guides staff in the performance of their duties. It will be reviewed regularly to reflect changes in working practices and standards. This will ensure that auditors obtain and record sufficient evidence to support their conclusions, professional judgements and recommendations.

The standard of files will be such that an experienced auditor, with no previous connection with the audit, will be able to ascertain what work was performed, re-perform it if necessary and support the conclusions reached.

The service will adhere to the Council's clear desk policy with regard to client information and audit files.

Audit files will be retained in accordance with the Council's file retention and disposal policy and comply with the Data Protection requirements.

Generally audit files and records are confidential. They will only be shared with the service being audited and external audit. If wider distribution is required, permission must first be obtained from the Head of Internal Audit.

How We Will Work With You

Appendix 2c sets out how the service will work with key officers, management and Members within the Council, which includes details of who will receive key documents and reports.

Internal Audit will liaise with senior management regarding the timing of individual assignments wherever possible.

Terms of Reference and Draft Reports will be discussed and agreed to be factually correct with Group and Service Managers and Directors before being finalised with Executive Directors, as appropriate.

Distribution lists are contained on the front of each report and are agreed in principle, with senior management.

Internal Audit reports contain a disclosure stating they should not be shared with anyone else without the permission of the Head of Internal Audit.

Audit reports will generally be designed to:

- give an opinion on the risk and controls in the area under review
- set out the issues arising, detail the action management is going to take to address them, identify who is accountable for each action and note appropriate delivery dates.

Those weaknesses giving rise to significant risks for which the proposed management action is not agreed will be brought to the attention of senior management and, if necessary, the Audit Committee.

Appendix 2: Internal Audit Strategy

The Head of Internal Audit Annual Report will include:

- an annual opinion on the adequacy and effectiveness of the Council's risk management, internal control and governance processes
- a summary of work completed
- a statement of conformance with the Standards and the results of the Quality Assurance and Improvement Programme
- a comparison of actual work completed compared to what was planned as well as performance against its targets
- issues relevant to the preparation of the Annual Governance Statement
- progress in dealing with issues arising from any external performance assessment.

Audit Committee

To support the work of the Audit Committee, Internal Audit will:

- develop agendas and attend meetings
- facilitate the Committee's review of its own remit and effectiveness, if required
- help identify any training needs and work with others to ensure that these are met.

External Audit

Internal Audit will maintain an appropriate working relationship with the Council's external auditors, sharing documentation and reports as required to support the audit of the Statement of Accounts and any other work undertaken.

Partners

Internal Audit will continue to explore opportunities to work effectively with internal audit services of partner organisations where this is beneficial. It will continue to look to make best use of joint audit resources as well as provide opportunities to share learning and good practice.

Quality Assurance and Improvement Programme

The service will maintain a quality assurance and improvement programme that covers all aspects of internal audit activity. The internal assessment will reflect feedback obtained from:

- ongoing supervision and review of individual assignments
- stakeholder surveys
- regular monitoring of service delivery via agreed performance targets
- an annual self assessment of compliance with the Standards
- a periodic assessment of compliance with the CIPFA statement on the Role of the Head of Internal Audit in Local Government.

Appendix 2: Internal Audit Strategy

Opportunities for peer reviews or independent challenge of the self-assessment will continue to be proactively explored.

The combined Internal Audit Service is required to have an external assessment of its compliance with the Standards, at least every five years by a qualified, independent assessor from outside the organisation. This was undertaken by the Institute of Internal Auditors in October 2017.

The next assessment is now due, however due to the staff resourcing constraints currently being faced by the service this has been deferred until both Audit Manager roles are filled and the team has the capacity to prepare for and respond to the assessment. Now that both Audit Manager roles are filled the team has begun to make preparations for next assessment. In advance of the assessment being undertaken the Head of Internal Audit must discuss and agree with the Audit Committee the:

- form of external assessment (eg. full external assessment or self-assessment with independent validation)
- qualification and independence of the external assessor including any potential conflict of interest risks
- person who will act as the internal sponsor for this process.

It is intended for the assessment to be undertaken later in 2024, and the results of the quality assurance programme will be reported upon in the Head of Internal Audit's Annual Report. Progress made against any improvement plans will be reported to senior management and the Audit Committee.

Appendices

- **Appendix 2a: Internal Audit Plan for 2024/25**
- **Appendix 2b: Audit assurance linked to corporate risks**
- **Appendix 2c: How We Will Work With You Statement**

Appendix 2a: Internal Audit Plan 2024/25

ED	Service Activity	Fraud risk	Focus of Audit Work
Managing the Business			
All Objectives			
S&C	Freedom of Information Requests	No	To assess the adequacy of the processes in place to ensure responses to FOI's are robust, appropriate and timely, while ensuring sensitive / personal data remains secure. <i>Planned for Q1</i>
S&C	Complaints	Yes	To assess the robustness of arrangements to ensure complaints are dealt with effectively, within relevant timeframes and in line with the required policies, procedures and / or codes. <i>Planned for Q2</i>
S&C	LGA Peer Review	No	To assess the robustness of the arrangements to deliver the programme of work required to address the issues arising from the LGA Peer Review. <i>Planned for Q2</i>
All	Performance Management	Yes	To assess the adequacy of arrangements in place to monitor and manage the effective delivery of services, objectives, targets and outcomes at service level through to corporate priorities. <i>Planned for Q4</i>
S&C	Transformation Programme	No	To assess the effectiveness of arrangements to oversee the Transformation Programme and ensure it delivers the defined benefits within the desired timeframes. <i>Planned for Q2</i>
S&C	Health and Safety	Yes	To assess the suitability of arrangements in place to manage H&S risks within the organisation and related to service delivery, to an acceptable level. <i>Planned for Q4</i>
S&C	Governance Arrangements for Council Companies	Yes	To assess the robustness of the governance arrangements in place to gain assurance over performance and delivery of the Council's companies and joint ventures. <i>Planned for Q4</i>

Appendix 2a: Internal Audit Plan 2024/25

ED	Service Activity	Fraud risk	Focus of Audit Work
<i>Implementing Action Plans</i>			
S&C	IT Strategy	Yes	To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service. <i>Planned for Q1</i>
S&C	IT Disaster Recovery	Yes	
Managing Service Delivery Risks			
A Growing City with a Strong and Prosperous Community			
E&P	The Local Plan	Yes	To assess the adequacy of arrangements in place to ensure the successful delivery of the Local Plan in accordance with the anticipated timetable. <i>Planned for Q4</i>
A&C	Pier and Foreshore	Yes	To assess the suitability of arrangements to deliver effective management of the Pier and foreshore. <i>Planned for Q4</i>
E&P	Private Sector Housing, Selective Licensing	Yes	To assess the adequacy of arrangements to ensure Selective Licensing is suitably and consistently applied and income received, while achieving its objectives of reducing ASB, crime and deprivation while improving property conditions of rented accommodation. <i>Planned for Q4</i>
<i>Implementing Action Plans</i>			
F&R	Corporate Asset Management	Yes	To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service. <i>Planned for Q4</i>
A Safe City with a Good Quality of Life			
A&C	Disabled Facilities Grant (No. 31/5515)	Yes	To certify that, in all significant respects, the conditions attached to the grant have been complied with. <i>Planned for Q2</i>

Appendix 2a: Internal Audit Plan 2024/25

ED	Service Activity	Fraud risk	Focus of Audit Work
C&PH	Supporting Families Programme	Yes	<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 as required by Department for Levelling Up, Housing & Communities.</i></p>
A&C	Southend Treatment and Recovery Service, Contract Management	Yes	<p>To assess the robustness of arrangements in place to ensure that the contract is delivering the planned outcomes and benefits in compliance with the specified performance, quality standards and legislative requirements, at the correct cost.</p> <p><i>Planned for Q2</i></p>
A&C	Approved Mental Health Practitioner (AMHP) Service	No	<p>To assess the suitability of arrangements to provide an effective and efficient AMHP provision in line with the requirements outlined in the Mental Health Act 1993.</p> <p><i>Planned for Q3</i></p>
A&C	Commissioning Quality and Improvement Team	Yes	<p>To assess the adequacy of arrangements to monitor the quality of care provision delivered to service users and provide support and / or intervention as required.</p> <p><i>Planned for Q3</i></p>
A&C	Children's Residential Placements	Yes	<p>To assess the adequacy of arrangements in place to obtain value for money and quality of provision for residential care placements made with Children's providers.</p> <p><i>Planned for Q1</i></p>
A&C	Domestic Abuse	No	<p>To assess the suitability of arrangements to deliver the Southend Domestic Abuse Strategy 2023-26, including fulfilling the authority's statutory duties as per the Domestic Abuse Act 2021.</p> <p><i>Planned for Q2</i></p>
C&PH	SEND Quality Assurance	No	<p>To assess the effectiveness of the multi-agency quality assurance process in ensuring Education, Health and Care Plans are high quality and person centred, identifying the young persons full range of needs.</p> <p><i>Planned Q3</i></p>

Appendix 2a: Internal Audit Plan 2024/25

ED	Service Activity	Fraud risk	Focus of Audit Work
C&PH	Early Years Placement Provision	Yes	To assess the adequacy of arrangements implemented to meet the expanded childcare requirements in April 2024, and how lessons learned from this are feeding into support readiness of the service for further expansion in September 2024. <i>Planned for Q1</i>
C&PH	Independent Reviewing Service	No	To assess the effectiveness of Independent Reviewing Service in ensuring children's needs are met and their outcomes improved through the support and services that they receive, enabling them to reach their full potential. <i>Planned for Q1</i>
A&C	Unallocated Case Waiting List	No	To assess the arrangements in place to ensure unallocated Adult Social Care cases have suitable oversight to ensure associated risks are understood and suitably managed, with cases being escalated for action appropriately. <i>Planned for Q3</i>
A&C	Carers	Yes	To assess the suitability of arrangements to ensure Carers legal rights to assessments and support in line with the Care Act are being met, with carers being given the same recognition, respect and parity as those they support. <i>Planned for Q1</i>
E&P	Temporary Accommodation	Yes	To assess the arrangements in place to ensure there is sufficient availability of Temporary Accommodation to meet local need, whilst achieving quality of service and value for money. <i>Planned for Q3</i>
<i>Implementing Action Plans</i>			
E&P	Rough Sleepers	Yes	To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service. <i>Planned for Q3</i>
E&P	Housing Allocations	Yes	

Appendix 2a: Internal Audit Plan 2024/25

ED	Service Activity	Fraud risk	Focus of Audit Work
A Clean City with a Resilient Environment			
E&P	Identification and Completion of Highways Works	Yes	To assess the robustness of the end-to-end process for undertaking highways works, from identification and ordering, through to payment and the registration of works in the relevant IT systems. <i>Planned for Q3</i>
E&P	Highways Contract Management	Yes	To assess the robustness of arrangements in place to ensure that the contract is delivering the planned outcomes and benefits in compliance with the specified performance, quality standards and legislative requirements, at the correct cost. Where areas for improvement are found, seek assurance these are being considered in the letting of the new contract. <i>Planned for Q2</i>
E&P	Fleet Management	Yes	To assess the adequacy of arrangements to ensure the Council's vehicle fleet meets service need and is appropriately maintained, with robust policies and procedures in place to govern its access and use. <i>Planned for Q2</i>
E&P	Asset Inspection and Maintenance	Yes	To assess the suitability of processes within the Infrastructure and Environment Directorate to identify, inspect and maintain assets within the public realm, ensuring the health and safety of residents and visitors. <i>Planned for Q4</i>
G&P	Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance Blocks): No.31/6681	Yes	To certify that, in all significant respects, the conditions attached to the grants have been complied with. <i>Planned for Q2</i>
G&P	Local Transport Capital Block Funding (Pothole Fund): No.31/6680	Yes	
G&P	Safer Roads Fund: No.31/6572	Yes	To certify that, in all significant respects, the conditions attached to the grant have been complied with. <i>Planned for Q4</i>

Appendix 2a: Internal Audit Plan 2024/25

ED	Service Activity	Fraud risk	Focus of Audit Work
Implementing Action Plans			
<i>None planned</i>			
A Transforming Council Delivering Efficient, Cost-Effective Services			
F&R	Adult Social Care Financial Assessments & Charging	Yes	To assess the robustness of the financial assessment process to ensure it is timely, being applied consistently and administered in line with the necessary legislation and policies. <i>Planned for Q3</i>
S&C	IT Cloud Governance	Yes	To assess the adequacy of IT cloud governance arrangements to ensure the security of data, integration of systems and alignment with organisational objectives. <i>Planned for Q2</i>
S&C	IT Project Management and Change Control	Yes	To assess the effectiveness of arrangements to ensure IT projects are appropriately identified, developed, progressed and managed through to delivery. <i>Planned for Q3</i>
S&C	Utilisation of Business World	Yes	To assess the robustness of arrangements in place to ensure the Council maximises the in-built functionality and associated benefits of the Business World ERP system. <i>Planned for Q3</i>
S&C	Front Door Redesign Project Management	Yes	To assess the effectiveness of arrangements to ensure the front door redesign project is delivered on time and within budget, while achieving the identified benefits. <i>Planned for Q1</i>
Implementing Action Plans			
S&C	Staff Pay	Yes	To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service. <i>Planned for Q3</i>

Appendix 2a: Internal Audit Plan 2024/25

ED	Service Activity	Fraud risk	Focus of Audit Work
Key Financial Systems			
All Objectives			
F&R	Treasury Management	Yes	To assess the robustness of arrangements and processes for ensuring secure and effective treasury management of the Council's financial resources. <i>Planned for Q4</i>
S&C	Payroll	Yes	To assess the robustness of arrangements which ensure staff are paid the correct amount at the right time in line with Council policies and legislative requirements. <i>Planned for Q3</i>
Implementing Action Plans			
<i>None planned.</i>			
Advice and Support			
A Growing City with a Strong and Prosperous Community			
E&P	Letting of the Leisure Services Contract	Yes	To provide timely, independent assurance that the re-procurement of the Leisure Contract is being effectively managed to ensure the procurement process complies with, where relevant, regulations, policies and procedures and is administered fairly, in order to identify the most economically advantageous and effective solution. <i>Planned for Q1 onwards</i>
E&P	Fossetts Farm	Yes	Focus of work TBD based on progression of the project. <i>Planned for Q1 onwards</i>

Appendix 2a: Internal Audit Plan 2024/25

ED	Service Activity	Fraud risk	Focus of Audit Work
A Clean City with a Resilient Environment			
E&P	Letting of the Parking Contract	Yes	To provide timely, independent assurance that the re-procurement of the Parking contract is being effectively managed to ensure the procurement process complies with, where relevant, regulations, policies and procedures and is administered fairly, in order to identify the most economically advantageous and effective solution. <i>Planned for Q1 onwards</i>
A Transforming Council Delivering Efficient, Cost-Effective Services			
S&C	HR Policy & Process Reviews	Yes	To provide advice, support and challenge to the HR and Transformation teams as key staff policies are reviewed, updated and implemented. <i>Timing to be driven by the service</i>

Managing Delivery of the Audit Service

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.

Appendix 2a: Internal Audit Plan 2024/25

Audit Activities	Resource allocation
Managing the Business	21%
Managing Service Delivery Risks	47%
Key Financial Systems	5%
Grant Claims	5%
Advice and Support	7%
Follow Ups	8%
Managing Delivery of the Audit Plan	7%
Total	100%
Total Council Audit Plan Days	
	817

Analysis Over Executive Director Responsibilities		
E&P	Environment and Place	32%
S&C	Strategy and Change	32%
F&R	Finance and Resources	7%
C&PH	Children and Public Health	9%
A&C	Adults and Communities	21%
	Total	100%

Analysis over the 4 Southend Corporate Plan objectives		
1.	A growing city with a strong and prosperous community	13%
2.	A safe city with a good quality of life	36%
3.	A clean city with a resilient environment	16%
4.	A transforming Council delivering efficient, cost-effective services	34%
	Total	100%

Appendix 2a: Internal Audit Plan 2024/25

Risk Watch List	
A&C	Sexual Health 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
All	Environmental, Social & Governance (ESG)
All	South Essex Councils (previously ASELA)
All	Social Media
A&C	Integrated Care System
A&C	Southend Care Ltd Partnership Agreement 2022-2031
F&R	Social Value - Implementation of Strategy / Policy
F&R	Corporate Procurement Strategy 2022- 2027
E&P	New Highway Enforcement Policies
G&H	Building Safety Bill
F&R	Financial Sustainability
E&P	Better Queensway
A&C	Children to Adults Transition of Services
A&C	Safeguarding Adults Board
E&P	Economic Delivery Strategy
All	Service Delivery Cost Recovery
All	Sickness Absence Management
F&R	Business World, Project Benefit Realisation
A&C	South East Essex Alliance
A&C	Libraries
E&P	Housing Development
E&P	Climate Change
E&P	Parks Service Delivery
E&P	Private Sector Housing: Damp, Mould and Condensation

Appendix 2a: Internal Audit Plan 2024/25

F&R	Adult Social Care Debt Collection
C&PH	Southend Adult Community College
E&P	Licensing
S&C	MySouthend Phase 2
All	ICO Action Implementation following the Data Breach
E&P	Waste Contract, Mobilisation and Contract Management
E&P	Highways Contract Letting

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Appendix 2b: Audit assurance linked to the council's corporate risks

CRR	Corporate Risks as at March 2024	Audit work providing assurance in 2024/25
1	Financial sustainability - The Council's expenditure continues to exceed the available resources	Financial Sustainability audit undertaken in 2023/24 Letting of the Parking & Leisure Contracts Highways Contract Management Southend Treatment and Recovery Contract Management Fleet Management Children's Residential Placements ASC Financial Assessments and Charging Treasury Management Payroll Front Door Redesign Project Management Transformation Programme Staff Pay Follow Up Governance Arrangements for Council Companies Utilisation of Business World Public Sector Housing, Selective Licensing Temporary Accommodation
2	Loss of information assets and / or loss of data systems	Freedom of Information Requests IT Cloud Governance IT Disaster Recovery Follow Up Utilisation of Business World
3	Collapse of the Adult Social Care market	Commissioning Quality Team

Appendix 2b: Audit assurance linked to the council's corporate risks

CRR	Corporate Risks as at March 2024	Audit work providing assurance in 2024/25
4	Lack of suitable placements for children in care	Children's Residential Placements Early years placement provision Foster Carers audit undertaken in 2023/24
5	Failure of statutory safeguarding duty - adults	Approved Mental Health Practitioner Service Commissioning Quality Team Domestic Abuse Unallocated Case Waiting Carers
6 406	Failure of statutory safeguarding duty - children	Children's Residential Placements Domestic Abuse SEND Quality Assurance Independent Reviewing Officers Early years placement provision
7	Increasing levels of homelessness	Rough Sleepers Follow Up Allocations Follow Up Temporary Accommodation
8	Lack of preparedness for an emergency event	IT Disaster Recovery Follow Up
9	Failure to achieve the commitment to net zero by 2030	No audits planned but Climate Change is on the risk watch list

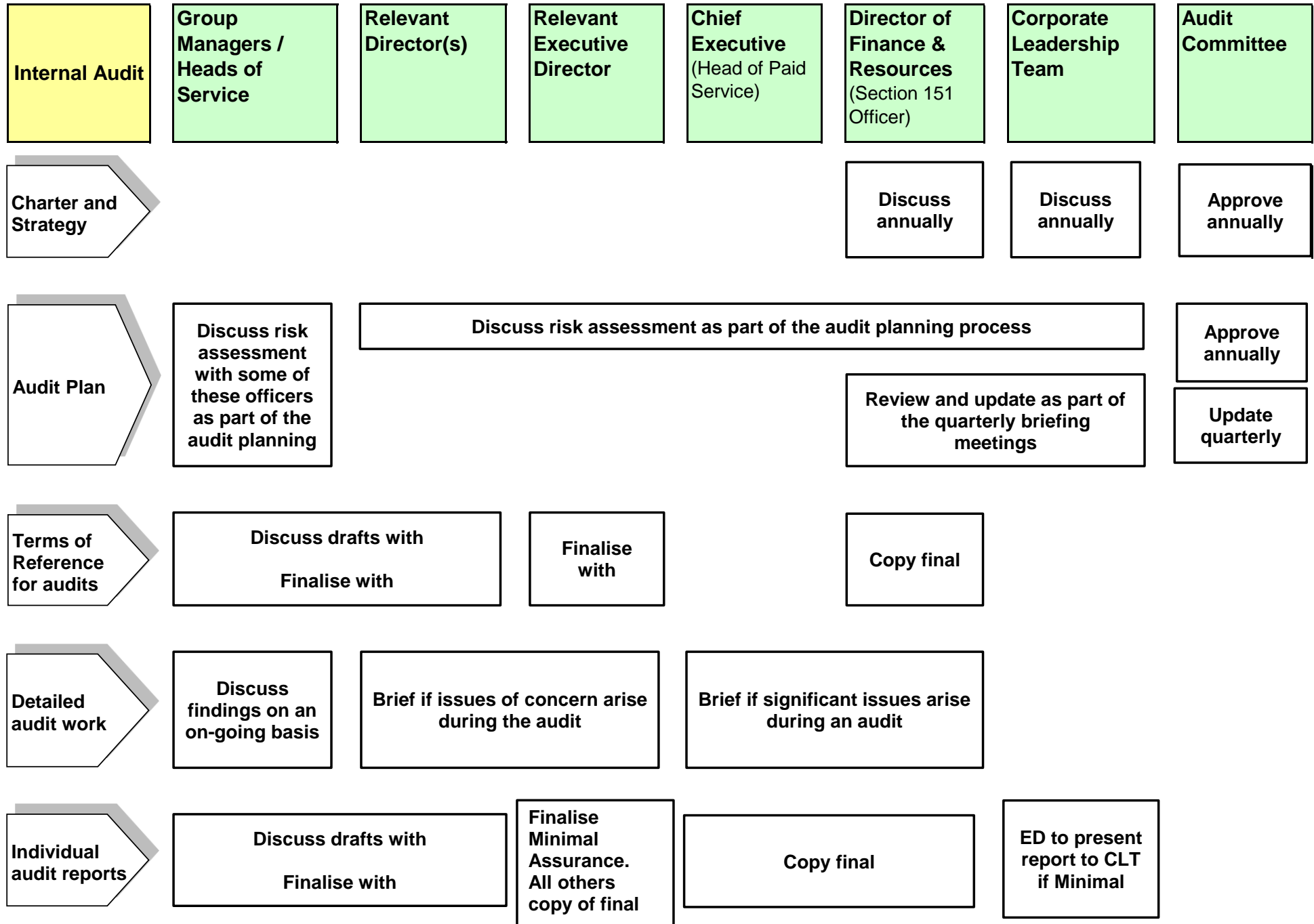
Appendix 2b: Audit assurance linked to the council's corporate risks

CRR	Corporate Risks as at March 2024	Audit work providing assurance in 2024/25
10	Transformation programme fails to deliver required outcomes	Transformation Programme Front Door Redesign Project Management Performance Management
11	Governance Failures	Freedom of Information Requests Complaints LGA Peer Review Performance Management Governance Arrangements for Council Companies IT Cloud Governance Transformation Programme

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How We Will Work With You Statement



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How We Will Work With You Statement

