



**Rochford District  
Council**

**COMMITTEE TITLE:        Audit Committee**

**DATE:                        3 September 2024**

<b>REPORT TITLE:</b>	External Audit Value for Money Interim Report, 2021-22 and 2022-23
<b>REPORT OF:</b>	Tim Willis, Interim Resources Director

## **REPORT SUMMARY**

External audit comprises two elements: the audit of financial statements and a review of “Value for Money” (VFM). The auditor, EY, has informed the Council that they plan to disclaim the audit of the financial statements in respect of 2021-22 and 2022-23 accounts. But they have still concluded an interim VFM report. The attached report will be presented by Debbie Hanson, EY’s Audit Partner.

## **RECOMMENDATIONS**

That the Committee notes the report.

### **1.0 COMMENTARY**

1.1 EY have no issues to report in relation to 2021-22. For 2022-23, there were no significant weaknesses identified in respect of financial sustainability or economy, efficiency and effectiveness. However, there was a significant weakness identified in respect of governance. Detailed conclusions are set out in EY’s report, which include recommendations as follows:

- The Council should review its procedures and controls to ensure appropriate due diligence is undertaken on any compensation payments and that evidence of such processes is retained.

- The Council should ensure the recommendations from the review of the contract award to GB Partnerships reported in October 2023 are implemented.

1.2 The S151 Officer supports these recommendations.

## **2.0 OTHER OPTIONS CONSIDERED**

None.

## **3.0 RELEVANT RISKS**

As set out in the report.

## **4.0 ENGAGEMENT/CONSULTATION**

None.

## **5.0 FINANCIAL IMPLICATIONS**

As set out in the report.

## **6.0 LEGAL IMPLICATIONS**

None.

## **7.0 ECONOMIC IMPLICATIONS**

None.

## **8.0 EQUALITY & HEALTH IMPLICATIONS**

None.

## **9.0 ENVIRONMENTAL & CLIMATE IMPLICATIONS**

None.

<b>REPORT AUTHOR:</b>	<b>Name:</b>	<b>Tim Willis</b>
	<b>Title:</b>	<b>Interim Resources Director and S151 Officer</b>
	<b>Phone:</b>	<b>01277 312500</b>
	<b>Email:</b>	<b>tim.willis@brentwood.rochford.gov.uk</b>



# Rochford District Council

## Value for Money Interim Report

Years ended 31 March 2022 and 2023

9 August 2024

9 August 2024



Rochford District Council  
South Street  
Rochford  
SS4 1BW

Dear Audit Committee Members

2021 /22 and 2022/23 Interim Value for Money Report

We are pleased to attach our interim commentary on the Value for Money (VFM) arrangements for Rochford District Council. This commentary explains the work we have undertaken during the years 2021/22 and 2022/23 and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit years 2021/22 and 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. The National Audit Office (NAO) issued a consultation on 8 February 2024 seeking views on changes to the Code of Audit Practice (the Code) to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements. The consultation proposes to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. At this stage, we are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code.

This report is intended solely for the information and use of the Audit Committee and management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 3 September 2024.

Yours faithfully

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

Encl

# Contents

01 Executive Summary



02 Value for Money Commentary



03 Appendices



Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/auditquality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation and covers matters of practice and procedure which are of a recurring nature. This report is made solely to Audit Committee and management of Rochford District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Rochford District Council those matters we are required to state to them in this 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 Audit Committee and management of Rochford District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary



# Executive Summary

## Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this interim commentary is to explain the work we have undertaken during the period 1 April 2021 to 31 March 2023 and highlight any significant weaknesses identified along with recommendations for improvement.

In our Audit Plan issued in November 2023 we noted that we had yet to complete our detailed VFM planning. We noted however, that one area of focus would be on the Council's governance arrangements to ensure that it makes informed decisions and properly manages its risks in relation to the appointment of the Council's Asset Development Plan (ADP) partner and subsequent decisions made in relation to the ADP and the financial impact of these.

Having completed our risk assessment, we conclude that this represented a risk of significant weakness in arrangements. Having completed our work in response to this risk, we have concluded that there were significant weaknesses in the Council's arrangements in 2022/23. This report also includes our recommendations to address these weaknesses.

The commentary covers our interim findings for audit years 2021/22 and 2022/23. The NAO has confirmed that where VFM reporting is outstanding for more than one year, the auditor can issue one report covering all years.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report once the audit reports have been issued for 2021/22 and 2022/23.



# Executive Summary (continued)

## Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with the management;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council's management and the finance team.

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements.

As a result, we have a significant weakness in governance arrangement to report by exception in 2022/23. We have no issues to report in relation to 2021/22.



# Executive Summary (continued)

## Reporting

Our interim commentary for 2021/22 and 2022/23 is set out over pages 10 to 15. The interim commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2022/23. We include within the VFM commentary below the associated recommendations we have agreed with the Council.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Auditor's Annual Report and have been updated for 2022/23.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
<b>Financial sustainability:</b> How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
<b>Governance:</b> How the Council ensures that it makes informed decisions and properly manages its risks	Risks of significant weakness identified in relation to the governance arrangements related to the Council's Asset Development Programme, potentially impacting on 2021/22 and 2022/23	Significant weakness identified in relation to Governance in 2022/23
<b>Improving economy, efficiency and effectiveness:</b> How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified



# Executive Summary (continued)

## Independence

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

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## EY Transparency Report 2023

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)



02

## Value for Money Commentary

# Value for Money Commentary

**Financial Sustainability:** How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements, and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code, the focus of our work should be on the arrangements that the audited body is expected to have in place during the years ended 31 March 2022 and 2023.

Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability.

The medium-term financial strategy (MTFS) and budget is presented to Council annually in February. The MTFS approved in February 2022 provides a financial forecast of revenue budgets and capital programme over a rolling five-year timeframe from 2022/23 to 2026/27. The MTFS for the period 2022/23 to 2026/27 is based on the principle that a minimum level of General Fund balance will be retained, as noted below. It also assumes that Members will set the maximum level of capital expenditure that can be incurred each year, recognising that any expenditure over and above that which can be funded from revenue contribution to capital, specific capital grants, designated reserves or capital receipts, would need to be financed through borrowing. Other factors and assumptions used to inform the MTFS are demographic pressures, inflation, capital financing costs, council tax support and baseline, new homes bonus, business rates and revenue support grant.

Budget pressures of £0.882 million have been identified for 2022/23. These have been partly offset by new savings and efficiencies (including income generation of £0.646 million, leaving a budget gap of £0.236 million. The Council holds reserves and contingencies to help mitigate against risks and uncertainties, as well as to support specific projects and grant funded work. Any pressures that cannot be met through grant funding or in-year cost reductions need to be met from reserves. After funding changes and proposed transfers to and from reserves for 2022/23, a residual gap of £0.162 million remained, which was bridged through an increase in council tax of 2.06%.

The medium-term gap to 2026/2027, as reported in the February 2022 MTFS, was forecast to be £0.5 million. The February 2023 MTFS, which covers the period to 2025/26 rather than 2026/27, reports a balanced budget over the period but notes that this requires the use of reserves set aside in 2023/24 to support future budgets.

The minimum General Fund balance which the Council aims to maintain as a contingency for unexpected or emergency costs is set at 10% of net expenditure. The General Fund balance was £1.807 million at the end of 2021/22 and £1.837 at the end of 2022/23 and is above the minimum recommended level. The February 2023 MTFS however projects this balance to reduce to £1.241 million by the end of 2025/26 which is below the minimum level of £1.311 million. The Council also holds a number of earmarked reserves for specific projects or pressures. The level of these reserves was £14.338 million at the end of 2021/22 and £13.350 million at the end of 2022/23. The February 2023 MTFS projects reductions in the level of earmarked reserves to £3.4 million by the end of 2025/26. This forecast was however based on earmarked reserves reducing to £8.4 million at the end of 2022/23, compared to the actual level reported in the unaudited accounts of £13.35 million.

The Council regularly reviews reserves as part of the budget setting and closure of accounts processes. The financial climate reinforces the need for on-going robust financial management, strict budgetary control and on-going monitoring of both savings and investment delivery plans. The Council is required by law to set a balanced budget and maintain adequate levels of reserves. With the forecast reductions in reserves, it is vital that the overall budget is sustainable without further reliance on reserves.

**Conclusion:** Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

# Value for Money Commentary (continued)

**Governance: How the Council ensures that it makes informed decisions and properly manages its risks**

## Significant weakness identified

The Council is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the audited body is expected to have in place during the year ended 31 March 2023.

Our risk assessment identified a risk of significant weakness in arrangements relating to Governance of the Asset Delivery Programme which potentially impacted both 2021/22 and 2022/23. Having completed our work in response to this risk, we have concluded that there were significant weaknesses in the Council's arrangements in 2022/23. This report also includes our recommendations to address these weaknesses.

### The Asset Development Programme (ADP)

The Council has had an Asset Development Plan in place since 2019 and in September 2020 GB Partnerships was appointed as the Council's partner. At this point, a number of assets were included in the ADP including Mill Hall and its surrounding site. Following public consultation between March and April 2021 regarding the plans for development of the Hall and Site by GB Partnership, the Council made the decision to remove the Hall and site from the ADP in July 2022 and to seek expressions of community interest in the site. This was following the submission of revised plans for the site by GB Partnership in response to the consultation. The main objections to the plans from the consultation were related to the proposal for housing development and reduced public parking on the site.

As a result of the removal of Mill Hall from the plan, the Council was liable for GP Partnership's abortive costs and made a payment of £622k in relation to this in September 2022.

Although not within an open year of audit and therefore not within the scope of our current value for money assessment, we would note that the failure to have undertaken public consultation in advance of the procurement of a partner for the ADP has ultimately resulted in additional spend and a material financial loss for the Council. We therefore recommend that the Council ensures that appropriate consultations are undertaken where relevant in advance of any future contract awards.

Members received a number of reports in advance of making the decision to remove the asset, with the main ones being in November 2021 and July 2022. These reports, and the exempt appendices, noted that there would be financial implications from the decision to remove Mill Hall from the ADP, and that these would include:

- Loss of some or all of the capital receipt which would be paid by GB Partnership.
- Abortive costs payable to GB Partnership.
- Capital costs for any new proposed scheme for the Mill Arts & Events Centre site (this may include construction/refurbishment/remodelling) resulting from a separate Outline Business Case, including construction cost inflation.
- Additional borrowing costs if further financing is required for the capital works for the centre.
- Continued revenue costs in relation to the Mill Arts & Events site until a decision is made on the future operating model, eroding the cost avoidance set out in the Final Business Case and assumed within the Council's MTFS position.
- Additional programme costs for technical, legal and financial advice.

# Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

## Significant weakness identified

The two reports included details of the projected additional costs, which totalled some £200k in 2022/23 to bring the asset back into use, along with £622k compensation costs to GB Partnership and loss of an expected capital receipt of £1.5 million.

Although the full financial implications of the decision could have been more clearly summarised, we are however satisfied that members were provided with all relevant information within these two reports before they made their decision to remove Mill Hall from the ADP.

Ultimately the Council paid compensation to GB Partnerships of £622k in September 2022. This sum was noted as to be calculated on an open book basis, but the Council has not been able to provide us with details of the due diligence undertaken to confirm this amount. We have therefore identified the failure to be able to evidence that this was undertaken as a significant weakness in governance arrangements as the Council is not able to confirm that appropriate due diligence was undertaken before this payment was made.

We also note that, following a number of variations to the Council's contract with Fusion for the management and maintenance of a number of the Council's assets, including Mill Hall, the Council removed Mill Hall from the contract with Fusion in March 2023. At this time, the future capital costs of required works between 2023-28 for Mill Hall were estimated to be £1.25 million. It is not clear from the reports we have been provided with why the Council made the decision to remove Mill Hall from the Fusion contract as well as the ADP but note that under the Fusion contract the Council would still have been liable for the capital costs relating to the asset.

We also note that the November 2021 report to members recommended that a separate risk register be put in place in relation to the ADP, but the Council has not been able to provide a copy of this.

Finally, we note that the 'Health Check' of the ADP undertaken in by Local Partnerships and reported in October 2022, which made a number of 'critical' and 'essential' recommendations. One of these was that the Council should *'take all reasonable steps to secure "embedded institutional knowledge" relating to key elements of the ADP before it is lost when key personnel leave and appoint to key project roles as soon as possible ensuring time for a meaningful handover.'* During the course of our vfm work it has become clear that this was not done and information to support key decisions has not been able to be located. This was also reported by the independent investigator engaged by the Council following concerns raised by an elected member regarding the initial appointment of GB Partnerships in September 2020. The report on this, which was reported to the Audit Committee in September 2023 concluded that the decision to award the development partner contract to GB Partnerships was fundamentally sound and that an appropriate procurement process was followed but identified a number of areas for improvement and made a number of recommendations. The report also noted that the review was hampered by inadequate document retention and that *'In the absence of some information, it is difficult to draw firm conclusions in respect of what processes were or were not followed.'*

***As a result of the above issues, we have identified a significant governance weakness in 2022/23 in relation to the criteria of 'How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.'***

# Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified

## Overall governance arrangements

The Council produces an Annual Governance Statement (AGS) each year and this includes an annual review of the effectiveness of the system of internal controls included in the Council's published Statement of Accounts. The preparation and publication of the Annual Governance Statement in accordance with 'CIFPA/SOLACE Delivering Good Governance in Local Government Framework (2016)' fulfils the statutory requirement for the annual review of the effectiveness of systems of internal control and also meets the requirement for 'preparation in accordance with proper practice'.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems and governance arrangements. Internal audit plays a vital role in providing independent risk-based and objective assurance and insight on how these arrangements are working. Internal Audit forms part of the Council's assurance framework. Whilst the work of Internal Audit is a key element in informing the AGS, there are also several other sources within the Council from which the Section 151 Officer and Members should gain assurance, for example, service assurance statements and reviews by external bodies including external audit.

The Chief Audit Executive (CAE) opinion for the work carried out in 2022/23 is based upon the design and operation of the underpinning assurance framework and supporting processes, including reliance on other assurance providers where appropriate, the range of individual opinions arising from our risk-based audit assignments contained within the internal audit risk-based plan that has been reported throughout the year and the relative materiality of the areas reviewed and management's progress in respect of addressing control weaknesses identified. The CAE is satisfied that sufficient work has been undertaken to draw a reasonable conclusion on the adequacy and effectiveness of the council's arrangements. Based on the work performed during 2022/23 and other sources of assurance, the CAE is of the opinion that adequate assurance can be taken that the Council's risk management, internal control and governance processes, in operation during the year to 31 March 2023, generally accord with proper practice and are fundamentally sound, although there are opportunities to improve arrangements to enhance the Council's governance framework.

The operation and effectiveness of the Audit Committee is a key element to the Council's effective systems of audit and review. Audit committees are also a fundamental cornerstone of an authority's corporate governance framework. CIPFA have recently issued a new position statement on Audit Committees in Local Government. It suggests the committee should report annually on how it has discharged its responsibilities and include an assessment of its performance. This is an area for future development for the Council and forms part of the Annual Governance Statement Action Plan.

There has been a significant change in personnel at the Council, since the creation of a formal strategic partnership between Brentwood Borough Council and Rochford District Council. During 2022/23, the Corporate Leadership Team included a number of interim managers that occupied statutory officers' roles, steps have since been taken to reduce the number of interim managers. A lack of effective corporate leadership, including an over-reliance on interim statutory officers, could indicate that a local authority may be experiencing serious governance issues. It is important that the strategic partnership gains some stability within the Leadership team and in particular the statutory positions. This point forms part of the Council's Annual Governance Statement.

# Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks (continued)

Significant weakness identified

## Financial statement procedures:

The Council published their draft 2021/22 financial statements for audit on the xx and advertised and held an inspection period for members of the public in line with Audit and Accounts regulations. Although as part of the reset to clear the local audit backlog we are not planning to complete the 2021/22 audit and intend to issue a disclaimed opinion we have undertaken work on the 2022/23 draft financial statements and have confirmed they are arithmetically correct, agreed to the data in the general ledger, and prepared in line with the content required by the CIPFA Code. The Council has also carried out bank reconciliations during the year and the work we have completed has not identified any significant issues with the financial statements. We are therefore satisfied that appropriate arrangements for financial reporting were in place during 2021/22.

The Council published their draft 2022/23 financial statements for audit on the 15 June 2023 and advertised and held an inspection period for members of the public in line with Audit and Accounts regulations. We have undertaken a high-level review of the 2022/23 draft financial statements and have confirmed they are arithmetically correct, agreed to the data in the general ledger, and prepared in line with the content required by the CIPFA Code. The Council has carried out bank reconciliations during the year. We are therefore satisfied that appropriate arrangements for financial reporting were in place during 2022/23.

**Conclusion:** Based on the work performed, the Council had proper arrangements in place in 2021/22 to make informed decisions and properly manage its risks. We have however identified significant weakness in governance arrangements in 2022/23 in relation to 'how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency' as a result of the lack of evidence of due diligence in relation to the payment to GB Partnerships of £622k in September 2022.

## Recommendations:

The Council should review its procedures and controls to ensure appropriate due diligence is undertaken on any compensation payments and that evidence of such processes is retained.

The Council should ensure the recommendations from the review of the contract award to GB Partnerships reported in October 2023 are implemented.



# Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the audited body is expected to have in place during the year ended 31 March 2023.

Our risk assessment did not identify any risk of significant weakness in arrangements in place to ensure economy, efficiency and effectiveness.

The Council has a Business Plan which sets out the overarching priorities for the Council, the outcomes it is working to achieve and the actions that are currently planned to until 2024. It is used to ensure officer and financial resources are allocated appropriately to achieve the actions and objectives detailed within it. The Business Plan vision and priorities are key to articulating the strategic direction for the Council and the services it delivers for the district. To ensure continuing alignment with the Council's financial planning process and key projects, Business Planning has been undertaken in parallel with the preparation of the MTFs. The Corporate priorities underpinning the Business Plan are 'being financially sustainable', 'maximise our assets', 'early intervention', and 'enable communities'.

The Council is active across many partnerships and stakeholders at the local, regional and wider levels. A strategic partnership between the Council and Brentwood Borough Council has also been created and approved in January 2022 Council meeting. A joint savings ambition for the Partnership has been estimated, however the apportionment of these savings between the councils will need to be agreed following further review of the respective current structures. The Council also has contract with GB Partnerships to deliver the proposed schemes for the Council's key strategic sites set out in the Council's Asset Strategy. The Council is also a key part in the Association of South Essex Local Authorities (ASELA), a partnership of neighbouring councils that have come together to deliver growth and prosperity in the region. The anchor programmes for ASELA are infrastructure and housing, South Essex estuary park, full fibre digital connectivity, the Technical University, and Thames Freeport.

## Other matters:

The Council has a Code of Conduct, which governs the standards of behaviour expected of elected members and a Code of Ethics and Standards for staff which applies to officers. The Council also has procurement policies and procedures and provides training for all officers. Compliance is regularly reported at the Leadership Teams' quarterly Business Reporting meetings.

A key aspect of performance assessment is the findings of external assessors which review the organisation. The Council was not subject to any external reviews and inspections for 2022/23.

**Conclusion:** Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



# 03 Appendices

# Appendix A - Summary of arrangements

## Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 and 2022/23.

### Reporting criteria considerations

### Arrangements in place

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

Being financially sustainable is one of the Council's Business Plan priorities. Despite continued budget constraints, the Council has put in place arrangements to manage the available resources effectively to ensure it can continue to fund high quality services. The medium-term financial strategy (MTFS) projections indicate a gap between the Council's expected funding streams and its planned expenditure. Therefore, it is essential that the Council continues with its drive to transform itself to ensure it remains financially sustainable.

As part of the annual budget setting process, a budget growth/savings template is circulated and finance Business Partners and these are discussed with budget holders individually. These are collated, followed up and discussed with Portfolio Holders at Budget Challenge sessions.

How the body plans to bridge its funding gaps and identifies achievable savings

The Council's MTFS identifies any budget gaps in future years. This means that the Council will need to find recurrent baseline savings to bridge these gaps. There are however several unknowns which could change the budget gap, most notably the Fair Funding Review and the Business Rates Retention Review. In addition, there remain significant risks that cost inflation could continue to rise and demand pressures could be higher than estimated based on current intelligence.

Delivery of further measures to balance the budget are therefore being explored and will, to a certain extent, be dependent on the successful implementation of the Business plans. The Council will therefore need to continue with its transformation ambition as set out in the Business Plan and supported by the 'Connect' programme, to identify further savings in future years. This also includes partnership working arrangements with Brentwood Borough Council, driving out best value from the Waste contract and the delivery of efficiency savings via the Council's Asset Development and Connect Programmes.

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 and 2022/23.

### Reporting criteria considerations

### Arrangements in place

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council plans its finances through an increased robustness of MTFs savings plans, including more explicit linkages to the Council's Business Plan priorities. The Council's Business Plan is structured in a way to combine and capture all the Council's strategic plans. The Council has a credible track record of delivery of savings on which to weather such challenge and holds reserves and contingencies to help mitigate against risks and uncertainties, as well as to support specific projects and grant funded work. The continued provision of adequate reserves is essential. Without these, it may be necessary to take remedial urgent action in-year to mitigate challenges that arise, which could lead to longer term consequences.

There are a series of workshops held with Leadership Teams. Statutory/non statutory services are identified by budget holders and any proposed changes are risk assessed through budget challenge process, in context of Council Business Plan. Impact on strategic priorities is discussed with Managing Director and Leader as part of budget challenge sessions.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The Council's Business and Strategic Plans are discussed as part of Leadership Teams Workshops which are then fed in through budget setting process. Strategic context is discussed with Members at regular briefings at key points in the year.

The financial plan and budget that is presented to Council each February for the following year reflects revenue, investments and capital planning. Key performance areas including treasury management and capital proposals are also presented to Cabinet on a regular basis. Financial plans include areas that are also reported on individually to ensure a robust financial resilience position. The budget is fully itemised and broken down across Council's services to ensure all areas are recognised and consistent with the wider strategy and budget.

The Council also makes use of partnership or other collaborative working where the added value can be determined in achieving objectives, such as use of partnership organisations to deliver stages of the Asset Development Programme or the Community Hub. The long-term regeneration programme will boost the local economy and deliver enhancements in community facilities, while reducing future costs for the Council. Play spaces across the district were also developed in conjunction with Parish Councils and partners.

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 and 2022/23.

### Reporting criteria considerations

### Arrangements in place

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

Budget monitoring is a continuous process which is discussed and reviewed as part of budget challenge sessions. Any budget variations are supported by demand data or key performance data and this information is used as the starting point for the following years budget information gathering exercise.

Wherever there is a need to meet unplanned changes, appropriate smoothing reserves are created to manage volatility in demand led budgets. The General Fund balance is maintained at 10% of net revenue budget in order to build in capacity to deal with any unexpected cost pressures.

# Appendix A - Summary of arrangements

## Governance

We set out below the arrangements for the governance criteria covering the years 2021/22 and 2022/23.

### Reporting criteria considerations

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

### Arrangements in place

A risk management framework is in place which includes regular reporting of risk to the Leadership Team via Quarterly Business Review meetings and to members at the Audit Committee.

The Head of Internal Audit opinion given at year-end as part of Annual Governance Statement, which is included within the Annual Financial Report, includes an assessment of all internal audit reports and the assurance they provide over internal control environment. Internal audit work is carried out on anti-fraud throughout the year and an overall assessment of arrangements is made as part of overall Internal Audit opinion in Annual Governance Statement.

The Council was also responsible for administering a series of grants, with different qualifying criteria, provided by Government to support businesses in the District and detailed risk assessments/procedures, including anti-fraud measures, were developed.

The Counter Fraud & Compliance Officer also carries out targeted work across the revenue and benefit service as this is the main fraud risk area for the Council.

How the body approaches and carries out its annual budget setting process

The Council has integrated budget setting structure, plan and timetable in place. Although this process stays largely unchanged from year to year, the underlying strategic goals and challenges can change between years dependent on pressures and strains being faced by each department. The budget process is influenced by existing financial gaps, current financial circumstances and government announcements.

Budget challenge sessions are arranged for each department to gain a better understanding of the current and future financial position and any material changes from prior year's requirements. These challenge sessions are followed by budget setting and briefing sessions with Leadership Teams as well as Member briefing sessions. The budget is formally submitted to the Cabinet for approval prior to the start of the financial year (usually in February).

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2021/22 and 2022/23.

### Reporting criteria considerations

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

### Arrangements in place

The Council produced quarterly formal budget monitoring reports in line with its budget monitoring timetable. The Council has a clear performance reporting framework in place and key outputs from this are reported in the Year End Performance report within the Annual Financial Report. In addition, quarterly Business Review meetings are held with the Leadership Teams to consider management information reports across a range of areas.

The Council has a long-established Constitution which together with a range of codes of conduct, policies and procedures which support informed decision making. The Council's Constitution includes guidelines on how decisions need to be made and by whom. The Council has procedures that comply with the Freedom of Information Act and required elements of the General Data Protection Regulations, such as subject access requests and publication of privacy notices. Council or committee reports are published via the Council's website, and the contents are available online (wherever possible).

Major programmes such as Asset Delivery Programme (ADP) and Connect Programme have their own business cases. The Council's ADP aims to maximise the use of the Council's key strategic sites to deliver the objectives set out in its Asset Strategy. The 'Connect' Programme is a Gold Project which will report to the Executive as part of the quarterly Project Management Office (PMO) report. Any interdependencies between the 'Connect' Programme and the Asset Delivery Programme will be identified as part of the PMO reporting. We have provided further comment on the Council's ADP and decisions relating to this since 2020 on pages 11 and 12 of this report where we have noted significant weaknesses in 2022/23.

The Review Committee provides a review and scrutiny function for decisions and operational procedures across the Council. This Committee sets its own workplan annually and review Committee reports and challenges on Executive decisions. For example, the Treasury Management Strategy is agreed by Full Council and progress against the Strategy is reported to the Review Committee throughout the year.

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2021/22 and 2022/23.

### Reporting criteria considerations

### Arrangements in place

The Council also has an Audit Committee that takes responsibility for overseeing risk management and financial control, receiving reports from, and providing challenge to, the Section 151 Officer, Internal Audit and External Audit. The Audit Committee provides specific challenge on effectiveness of the internal control environment.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Compliance with legislative and regulatory requirements are monitored through various mechanisms including subscriptions to the Local Government Association (LGA), East of England LGA, Treasury and Tax advice and CIPFA. Essex Finance Officers Association also meets monthly and discuss strategic issues and legislative requirements.

There is also annual declarations register by senior officers/Members and oversight on standards by Monitoring officer in the Standards Committee.



# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 and 2022/23.

### Reporting criteria considerations

### Arrangements in place

How financial and performance information has been used to assess performance to identify areas for improvement

The Council's performance reporting includes monitoring of key performance indicators (KPIs) as well as financial monitoring reports which are taken to the Executive Committee quarterly.

The Council's Connect transformational programme aims to support the Council in achieving its business plan through more efficient processes, greater use of digital technology and new ways of working which will ultimately improve the customers experience when using Council services. Adequate training will be provided to staff to ensure their ICT skills are up to date as part of this. A dedicated Connect Transformation Programme Manager (CTPM) has been appointed.

The "Key Change Champions Group" (KCCG) has been working on the "Invest to Save Business Cases" which are captured through a tracker and project plan and monitored by the CTPM. The KCCG supports the work of the Connect programme by identifying areas for improvement.

How the body evaluates the services it provides to assess performance and identify areas for improvement

The Council has a set of KPIs, where the current year's performance is presented in Narrative Report in comparison with prior year's performance.

The Corporate performance reporting framework is supported by local performance monitoring of key indicators such as housing performance updates, Revenue & Benefits (R&B) performance reports, and fraud and compliance reporting. These KPIs are reviewed by the Review Committee throughout the year.

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Council is an active member of ASELA (Association of South Essex Local Authorities). It has also entered into a formal partnership with Growth and Recovery Prospectus as part of the Asset Delivery Programme. Regular Board meetings are held to manage this programme, which is significant to the Council in terms of strategic importance.

The Council is also an active member of Rochford and Castlepoint Health and Wellbeing Board Partnership and is consulting on a new strategy which sets out the three-year plan to improve the health and wellbeing of residents in Castle Point and Rochford . The strategy outlines the work that the Council and partnership will do and the key areas it will be focused on, as well as the principles and approach they plan to take. The Council is also working together at a grass-roots level to make the biggest difference in our communities.

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 and 2022/23.

Reporting criteria considerations	Arrangements in place
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	<p>The Council has a clear procurement policies and procedures and provides training for all officers. Compliance is regularly reported at the Leadership Teams' quarterly Business Reporting meetings.</p> <p>External specialist advice is sought for major procurements such as the Asset Delivery Programme, leisure contract, and waste contract.</p> <p>The Council also produces an annual contract monitoring report which reviews high value contracts.</p>

# Appendix B – Summary of recommendations [optional]

## Recommendations

The table below sets out the recommendations arising from the value for money work in the year(s) covered in this report. All recommendations have been agreed by management.

Issue	Recommendation	Management response
Governance	<p>The Council should review its procedures and controls to ensure appropriate due diligence is undertaken on any compensation payments and that evidence of such processes is retained.</p> <p>The Council should ensure the recommendations from the review of the contract award to GB Partnerships reported in October 2023 are implemented.</p>	

## EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via [ey.com/privacy](https://ey.com/privacy). EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit [ey.com](https://ey.com).

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© 2024 Ernst & Young LLP. Published in the UK.  
All Rights Reserved.

UKC-024050 (UK) 07/22. Creative UK.

ED None

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young LLP accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

[ey.com/uk](https://ey.com/uk)