

Audit and Standards Committee

Date and Time - **Monday 4 December 2023 – 6:30pm**

Venue - **Council Chamber, Town Hall, Bexhill-on-Sea**

Councillors appointed to the Committee:

B.J. Drayson (Chair), J. Barnes (MBE) (Vice-Chair), A.E. Biggs, Mrs V. Cook (ex-officio), P.J. Gray, A.P. Hayward, S.B. McGurk, C. Pearce and R.B. Thomas.

Audit Independent Person: Mr Patrick Farmer

AGENDA

1. MINUTES

To authorise the Chair to sign the Minutes of the meeting of the Audit and Standards Committee held on 2 October 2023 as a correct record of the proceedings.

2. APOLOGIES FOR ABSENCE

3. ADDITIONAL AGENDA ITEMS

To consider such other items as the Chair decides are urgent and due notice of which has been given to the Head of Paid Service by 12 Noon on the day of the meeting.

4. DISCLOSURE OF INTERESTS

To receive any disclosure by Members of personal and disclosable pecuniary interests in matters on the agenda, the nature of any interest and whether the Member regards the personal interest as prejudicial under the terms of the Code of Conduct. Members are reminded of the need to repeat their declaration immediately prior to the commencement of the item in question.

PART A - STANDARDS REPORTS

5. ROTHER DISTRICT COUNCIL OWNED ACCOMMODATION COMPLAINTS AND TENANT SATISFACTION REPORT (Pages 3 - 8)

6. CODE OF CONDUCT COMPLAINTS MONITORING AND OTHER STANDARDS MATTERS (Pages 9 - 46)

7. DISPENSATION POLICY (Pages 47 - 52)

This agenda can be made available in large print, Braille, audiotape/CD or in another language upon request.

For all enquiries – please contact louise.hollingsworth@rother.gov.uk (Tel: 01424 787815)

Rother District Council putting residents at the heart of everything we do.

8. EXCLUSION OF PRESS AND PUBLIC (EXEMPT INFORMATION)

The following item includes material which is exempt from publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and it is recommended that the press and public be excluded. The relevant paragraph of Schedule 12A indicating the nature of the exempt information is stated after the item and is reproduced in full at the end of the agenda. In the circumstances of the case, it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

9. DISCONTINUANCE OF COMPLAINTS (PARAGRAPH 1) - TO FOLLOW

10. CODE OF CONDUCT COMPLAINTS MONITORING AND OTHER STANDARDS MATTERS - APPENDIX 3 (PARAGRAPH 3) (Pages 53 - 56)

PART B - AUDIT REPORTS

11. REPORT OF THE EXTERNAL AUDITORS, GRANT THORNTON - ANNUAL REPORT 2022/23 (Pages 57 - 106)

12. REPORT OF THE EXTERNAL AUDITORS, GRANT THORNTON - AUDIT FINDINGS FOR ROTHER DISTRICT COUNCIL 2021/22 (Pages 107 - 146)

13. STATEMENT OF ACCOUNTS 2021/22 (Pages 147 - 148)

14. INTERNAL AUDIT REPORT TO 30 SEPTEMBER 2023 (Pages 149 - 174)

15. WORK PROGRAMME (Pages 175 - 178)

Lorna Ford
Chief Executive

Agenda Despatch Date: 24 November 2023

Extract from Schedule 12A of the Local Government Act 1972 (as amended)

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

Invitees in respect of Standards Related Reports only:

Independent Persons: Mr Robert Brown and Mrs Rose Durban.

Parish/Town Councillor Representative(s): Councillors Mrs W.M. Miers and K. Robertson

Rother District Council

Report to: Audit and Standards Committee

Date: 4 December 2023

Title: Rother District Council Owned Accommodation Complaints and Tenant Satisfaction Report

Report of: Joe Powell, Head of Housing & Regeneration

Purpose of Report: To present the annual findings of the Rother District Council owned accommodation complaints and tenant satisfaction measures.

Officer

Recommendation(s): It be **RESOLVED**: That the report be noted.

Introduction

1. This report provides the annual review of complaints and tenant satisfaction measures in Rother District Council (RDC) owned accommodation.
2. The Council became a Registered Provider (RP) for housing in 2020, and as part of our duties as an RP, we must follow the complaint handling code set by the Housing Ombudsman. This is the first year that we have had an established policy and procedure.
3. In October 2023, the Social Housing (Regulation) Act was introduced, which put greater emphasis on Tenant Satisfaction Measures. We introduced the tenant satisfaction surveys in June 2023, but have been completing exit surveys with all tenants since 2022.

Details

4. Over the past year, we have received no complaints regarding RDC owned accommodation. Where we have had service requests for maintenance to be completed, these are completed in a timely manner. Staff are readily available for tenants when issues arise. Tenants are aware of how to make a complaint as we provide a complaints leaflet at sign-up, as well as mentioning complaints and compliments in the newsletter also.
5. As part of the Tenant Satisfaction Measures, all tenants are given the opportunity to feedback into the service by completing the survey issued during the summer period. This survey includes questions set by the Regulator of Social Housing, covering five themes: keeping properties in good repair; maintaining building safety; respectful and helpful engagement; effective handling of complaints; and responsible neighbourhood management. The questionnaire can be found at Appendix A.
6. We received 16 completed surveys back from 25 surveys that were circulated, which is only a 64% response rate. Next year we would hope to have a much higher response rate, ideally 90-100%, as we have more staff involved in the

delivery of the support to our tenants. We will also seek to have the survey translated into other languages as some of our tenants have English as a second language.

7. Of the tenants that responded, 100% were satisfied their property was well-maintained, 100% felt they were treated fairly and with respect and 100% felt they were listened to and updated. Overall, no-one was dissatisfied with the service they were provided by the Council as their landlord.
8. Exit surveys are completed when someone moves on from our accommodation. Of the surveys completed, this year we have seen the following comments regarding the housing management staff: *'very supportive', 'always happy and cheerful' 'non-judgmental'*. One former tenant wrote: *'I feel very privileged to be given such a safe place to stay for me and my 3 children.'*

Conclusion

9. On review of the evidence provided, the outcome is good. We have received no complaints relating to RDC owned accommodation and tenant satisfaction is also good.

Financial Implications

10. If we were not complying with the complaint handling code, then we could face fines by the Housing Ombudsman and have to release compensation to our complainants.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No

Chief Executive:	Lorna Ford
Report Contact Officer:	Kathryn Harlow
e-mail address:	kathryn.harlow@rother.gov.uk
Appendices:	A Tenant Satisfaction Measures Survey
Relevant Previous Minutes:	None
Background Papers:	None
Reference Documents:	None



Rother District Council

Tenant Exit Survey

We are committed to providing you with the best experience possible, so we welcome your comments. Please fill out this questionnaire. Thankyou in advance

Keeping properties in good repair

1). Has your landlord carried out a repair to your home in the last 12 months?

Yes No

If yes, how satisfied, or dissatisfied are you with the overall repairs service from your landlord over the last 12 months?

Satisfied Neutral Dissatisfied

Please Provide Comments:

If yes, how satisfied, or dissatisfied are you with the time taken to complete your most recent repair after you reported it?

Satisfied Neutral Dissatisfied

Please Provide Comments:

2). How satisfied or dissatisfied are you that your landlord provides a home that is well-maintained?

Satisfied Neutral Dissatisfied

Please Provide Comments:

Maintaining building safety

3). Thinking about the condition of the property or building you live in, how satisfied or dissatisfied are you that your landlord provides a home that is safe?

Satisfied Neutral Dissatisfied

Please Provide Comments:

Respectful and helpful engagement

4). How satisfied or dissatisfied are you that your landlord listens to your views and acts upon them?

Satisfied Neutral Dissatisfied

Please Provide Comments:

5). How satisfied or dissatisfied are you that your landlord keeps you informed about things that matter to you?

Satisfied Neutral Dissatisfied

Please Provide Comments:

6). To what extent do you agree or disagree with the following: 'My landlord treats me fairly and with respect'.

Strongly Agree Somewhat Agree Neither Somewhat Disagree Strongly disagree

Please Provide Comments:

Effective handling of complaints

7). Have you made a complaint to your landlord in the last 12 months?

Yes No

If yes, how satisfied, or dissatisfied are you with your landlord's approach to complaints handling?

Satisfied Neutral Dissatisfied

Please Provide Comments:

Reasonable neighbourhood management

8). Do you live in a building with communal areas, either inside or outside, that your landlord is responsible for maintaining?

Yes No

If yes, how satisfied, or dissatisfied are you that your landlord keeps these communal areas clean and well-maintained?

Satisfied Neutral Dissatisfied

Please Provide Comments:

9). How satisfied or dissatisfied are you with your landlord's approach to handling anti-social behaviour?

Satisfied Neutral Dissatisfied Not applicable

Please Provide Comments:



10). How satisfied or dissatisfied are you that your landlord makes a positive contribution to your neighbourhood?

Satisfied Neutral Dissatisfied

Please Provide Comments:

11). Thinking about your housing support (not your homeless journey) how satisfied or dissatisfied are you with the service you received?

Satisfied Neutral Dissatisfied

Please Provide Comments:

Rother District Council

Report to:	Audit and Standards Committee
Date:	4 December 2023
Title:	Code of Conduct Complaints Monitoring and Other Standards Matters
Report of:	Linda Walker, Interim Monitoring Officer
Purpose of Report:	To receive an update on the number of complaints received and processed and other standards related matters since the last report in June 2023.
Officer Recommendation(s):	It be RESOLVED : That the report be noted.

Introduction

1. This regular six-monthly report sets out details of the complaints received and processed since the Committee's last meeting held in June 2023 where complaints were considered; as agreed by the Committee, this report presents cases on a six-monthly rolling basis. It also advises the Committee of other standards related matters arising since the Committee's last meeting.
2. Since that time the Council has appointed a new Interim Monitoring Officer, Linda Walker.

Complaints Received

3. Since the last meeting, 11 Code of Conduct (CoC) complaints concerning six District Councillors and eight Parish Councillors have been considered and concluded; of the 11 cases, seven were dismissed (C23-01, C23-02, C23-03, C23-06, C23-10, C23-12 and C13-14) and three other local resolutions involving training, mediation and an offer of a facilitated meeting which was declined by the complainant (C23-04, C23-05, C23-08 and C23-09). The view of one (or both) of the Council's Independent Persons (IPs) was sought and concurred with the proposed action in each case; brief details of each case are provided at Appendix 1.
4. With regard to the two outstanding complaints from 2022/23 (C22-10/C22-10B) it is confirmed that complaint C22-10 has been dismissed and C22-10B has been discontinued and are subject to a confidential report circulated separately to Members.
5. During this time, two non-valid complaints against one Rother District Councillor and one Parish Councillor have also been received; one complaint against a District Councillor was a noise complaint and the other one was for actions undertaken in their private life and not whilst conducting the business of the authority.

Northiam Parish Council Update

6. As Members may recall, following a number of complaints originating from Northiam Parish Council (NPC), Rother District Council (RDC) commissioned external consultants to work with NPC and work through the issues that had given rise to the complaints.
7. A copy of the consultant's full report into the issues prevailing within Northiam Parish Council during the last term of office is attached at Appendix 2. As can be seen, a total of 41 recommendations were made, with recommendation 40 requiring NPC to report to RDC on progress after six months and again in 12 months.
8. NPC have provided a copy of their Action Plan (as at November 2023) as a result of this consultancy and this has been circulated as confidential Appendix 3 to this report, as it is not in the public domain.
9. It is further noted that recommendation 41 states that if the new Council is still not operating effectively and relationships have not improved after the 12-month review, RDC should consider a full review of the viability of the Council continuing.
10. It should be noted that since the May elections, five complaints against Northiam Parish Councillors have been submitted by three members of the public, two of whom were previous Parish Councillors.

Other Standards Matters

11. Following the appointment of the new Interim Monitoring Officer, a review will be undertaken of the Council's arrangements / protocols and procedures for dealing with Member complaints in due course. Suggested improvements will be brought to a future meeting to consider and recommend to Council.
12. The following points were made by a former Councillor through their exit questionnaire which will be fed into the review:
 - Changes must be made to the Complaints Procedure to ensure Members receive the actual complaint when it is made, that the complaint is dated (currently the form is not) and that it must have all evidence for a complaint when the complaint is made for the complaint to be considered at all.
13. It is noted that most complaints are now received by email, via the on-line complaints form and the standard (hard copy) complaints form is not completed; however, a date field has now been added to the standard complaint form, should this be completed by complainants and returned either in hard copy or email format.

Training

14. Following the elections in May, a hybrid training session on the Code of Conduct for all Rother District Councillors was held on 3 July 2023 at which 23 Members attended. Training sessions have also been held on the differing roles of Members and officers and Equalities, Diversity and Inclusion, issues that have given rise to Member complaints.

Risk Management

15. The Audit and Standards Committee has a duty to promote and maintain high standards of conduct by Members and co-opted Members of the Council. Monitoring the number of complaints received and the nature of the complaints will enable the Committee to identify any trends and make recommendations for additional training and guidance as appropriate. Failure to do so could result in poor Member conduct, an increase in complaints administration and reputational damage for the Council.

Conclusion

16. The Committee is asked to consider the report and agree any additional recommendations as appropriate.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	Consultation	No
Environmental	No	Access to Information	No
Risk Management	Yes	Exempt from publication	No

Chief Executive:	Lorna Ford
Report Contact Officer:	Linda Walker, Interim Monitoring Officer
e-mail address:	MonitoringOfficer@rother.gov.uk
Appendices:	Appendix 1 – Member Complaints Summary Appendix 2 – Northiam PC Consultancy Report CONFIDENTIAL Appendix 3 – Northiam PC Action Plan
Relevant Previous Minutes:	None.
Background Papers:	None.
Reference Documents:	None.

MEMBER CODE OF CONDUCT COMPLAINTS SUMMARY SHEET

REF	DATE RECEIVED	COMPLAINANT	SUBJECT MEMBER	NATURE OF COMPLAINT, DECISION AND COMMENT
C23-01	25/05/23	Member of the public	Town Councillor	<p>Complaint: Alleged lack of respect on social media with local resident.</p> <p>Decision: Dismissed.</p> <p>Outcome / Comment: History of poor relationship between the two parties; conduct considered to be in private life with no connection to Council business. Complainant had already made Sussex Police aware.</p>
C23-02 (2)	08/06/23	Members of the public (x2)	Parish Councillor (Chairman)	<p>Complaint: Alleged lack of respect in written correspondence between parties concerning budget setting, level of pre-cept, Clerk's remuneration and terms and conditions of employment amongst other matters.</p> <p>Decision: Dismissed.</p> <p>Outcome / Comment: Conduct not considered sufficient for further action, matters of concern mostly matters for the parish council, rather than the individual Parish Councillor who is the Chairman of the Parish Council.</p>
C23-03	16/06/23	Member of the public	Town Councillor	<p>Complaint: Alleged falsehoods on social media concerning local resident and status of former company.</p> <p>Decision: Dismissed.</p> <p>Outcome / Comment: Conduct considered to be in private life with no connection to Council business.</p>
C23-04	26/06/23	District Councillor	District Councillor	<p>Complaint: Alleged lack of respect and inappropriate comments made at a committee meeting indicating a lack of respect and</p>

REF	DATE RECEIVED	COMPLAINANT	SUBJECT MEMBER	NATURE OF COMPLAINT, DECISION AND COMMENT
				<p>potential discriminatory remarks.</p> <p>Decision: Proposed local resolution to attend Equalities, Diversity and Inclusion (EDI) training in October.</p> <p>Outcome / Comment: Subject Member had attended Code of Conduct training after the incident and attended EDI training on own volition, not as part of the proposed local resolution; SM felt aggrieved at the complaint and felt comments had been taken out of context.</p>
C23-05	26/06/23	District Councillor	District Councillor	<p>Complaint: Alleged lack of respect shown to officers and Chair at a committee meeting and potential discriminatory remarks.</p> <p>Decision: Proposed local resolution to attend Equalities, Diversity and Inclusion (EDI) training in October.</p> <p>Outcome / Comment: Subject Member had attended Code of Conduct training after the incident and attended EDI training on own volition, not as part of the proposed local resolution.</p>
C23-06	17/06/23 27/06/23 (confirmed)	Member of the public	District Councillor	<p>Complaint: Allegation of disrespect during a neighbourhood dispute confrontation.</p> <p>Decision: Dismissed.</p> <p>Outcome / Comment: Conduct considered to be in private life with no connection to Council business.</p>
C23-08	01/08/23	Member of the public	District Councillor	<p>Complaint: Allegation of disrespect during a radio interview towards the disabled community.</p>

REF	DATE RECEIVED	COMPLAINANT	SUBJECT MEMBER	NATURE OF COMPLAINT, DECISION AND COMMENT
				<p>Decision: Proposed local resolution in the form of a formal written apology, offer of face-to-face meeting and Member attendance at training.</p> <p>Outcome / Comment: Local resolution not accepted by the complainant. No further action. District Councillor attended the EDI training in October.</p>
C23-09	03/08/23	Town Councillor	Town Councillor (x2)	<p>Complaint: Stating falsehoods about the complainant at Council meetings concerning private social media postings and bringing the Council into disrepute and misuse of position.</p> <p>Decision: Local resolution in the form of mediation.</p> <p>Outcome / Comment: Mediation has taken place and all parties to the complaint have agreed to be courteous and respectful to each other going forward.</p>
C23-10	08/08/23	Member of the public	Parish Councillor	<p>Complaint: Allegation of disrespect within an email exchange sent to the complainant in error.</p> <p>Decision: Dismissed.</p> <p>Outcome / Comment: Subject Member had already apologised to the complainant for the mis-judged comment and emoji within an email sent to the complainant by the Subject Member in error.</p>
C23-12	22/09/23	Member of the public	Parish Councillors (x2)	<p>Complaint: Failure to declare interests at Parish Council meetings.</p> <p>Decision: Dismissed.</p> <p>Outcome / Comment: Subject Members had no interests to declare.</p>

REF	DATE RECEIVED	COMPLAINANT	SUBJECT MEMBER	NATURE OF COMPLAINT, DECISION AND COMMENT
C23-14	23/10/23	Parish Councillor	District Councillor	<p>Complaint: Suggestion of group “whipping” made by a Member of the Planning Committee after a recent meeting.</p> <p>Decision: Dismissed.</p> <p>Outcome / Comment: Group Leader assurance that whipping did not take place on the Planning Committee and all planning applications considered on merits.</p>

This page is intentionally left blank

**REVIEW OF GOVERNANCE OF NORTHIAM PARISH COUNCIL:
December 2022 – May 2023**

**NATALIE AINSCOUGH
PAUL HOEY
SARITA PRESLAND
HOEY AINSCOUGH ASSOCIATES LTD**

22 May 2023

Background summary

- 1.1 Northiam Parish Council is a council in the area of Rother District Council. The Council has 9 councillors, although during the period of our review there were fewer given ongoing vacancies and resignations. Contested elections were held in May 2023. Our period of review related to the 'old' Council and reflect our experience of working with them but our recommendations (insofar as they have not yet been implemented) are for the consideration of the 'new' Council. The Parish is not warded. The population of the village is around 2,000 people.
- 1.2 In common with many town and parish councils, Northiam Parish Council councillors do not sit in political groupings, although as the review will make clear there have in recent years been two clear 'factions' operating around a specific issue and some candidates in the May election did stand under a collective 'grouping'. The new Council's term of office began in May 2023 and will end in 2027. Most of the nine members elected this May were 'newly-elected' in 2023, albeit some had served on the Council previously – only two members were on the Council at the time of our review although some of the people now 'new' on the Council took part in the review as former councillors.
- 1.3 The Parish Council has a Clerk as its only member of staff. The current Clerk is an interim who works part-time for Northiam and is contracted for 10 hours per week. The Council are, we believe, in the process of recruiting a permanent clerk and should have regard to our recommendations when doing so.
- 1.4 Relationships within the Parish Council have become strained over recent times, with difficult working relationships in particular between certain councillors and between previous clerks and certain councillors. These issues have arisen because of ongoing disagreements about the Community Interest Company (CIC) set up by the Parish Council to manage the piece of land known as St Francis Fields, though the disagreements have been exacerbated by personality clashes. This has led to a number of Code of Conduct complaints and a number of councillors and clerks resigning, including some councillors resigning during the course of our review. The interim Clerk was appointed at the start of our review in December.
- 1.5 As stated, these relationship difficulties have their origins in differences over the way the CIC is run and whether proper procedures are followed, but also the strategic direction the Council should take on behalf of the village, in particular around the issue of the future of St Francis Fields. Internally, this has led broadly to a number of members of the Council being dissatisfied with the governance of the Council and CIC and raising those concerns with the Clerk and Chair as well as with the District Council. It should be noted that our review was not commissioned to review the work of the CIC nor the way it has been set up, although inevitably we did need to understand the issues to help us understand the underlying difficulties and we do have a specific section below looking at that relationship and suggestions for the best way forward.
- 1.6 According to the majority of people we spoke to these differences are sometimes made very forcefully in meetings but most of the conflict has been through

correspondence. This has led to meetings being difficult to manage, becoming protracted, for example over disputes about minutes of the meeting and descending into strong disagreements as passions run high. This has made working relationships unmanageable and made many councillors feel disaffected at the pressure they are under and wondering whether they wish to continue in their voluntary role.

- 1.7 This has at times resulted in complaints being made to the Monitoring Officer at Rother about alleged member misconduct in particular and has also meant that the Parish Council has become frustrated in the way business is conducted. Rother approached us initially in February 2022 to discuss whether we could assist them in supporting the Parish Council and seeking to help them move forward more constructively and effectively although we were not formally commissioned to carry out this review until December.
- 1.8 This review has not been about investigating any particular complaints or grievances, including any specific past incidents. Our focus has always been on working with the Parish Council to address the way they could operate more effectively in the future, not to adjudicate on things that may have happened in the past, nor to examine the governance of the CIC.
- 1.9 The review team consisted of three people – Paul Hoey and Natalie Ainscough, who are co-directors of Hoey Ainscough Associates Ltd, and Sarita Presland, working on behalf of Hoey Ainscough Associates Ltd for this review.
- 1.10 Hoey Ainscough Associates Ltd was set up in April 2012 to support local authorities in managing their arrangements for handling councillor conduct issues and wider governance issues. The company was co-founded by Paul Hoey, who had been director of strategy at Standards for England from 2001 until its closure in 2012, and Natalie Ainscough who had worked as his deputy.
- 1.11 Sarita Presland is an experienced local government officer and was until recently the chief officer at the Derbyshire Association of Local Councils.
- 1.12 In carrying out this review, we had the full cooperation of everybody that we spoke to at the Parish Council and District Council and we would like to thank them for the open and constructive way in which they approached the review and were willing to answer our questions and provide us with all relevant information we requested.

Methodology

- 2.1 Our proposal set out five aims:
 - a) to review the Parish Council's processes and procedures to ensure that the right tools are in place to allow the Parish Council to operate effectively;
 - b) to understand what their underlying issues are and help the Parish Council consider how they can work more effectively;
 - c) to help the Parish Council's reputation through demonstrating that there is a culture of high standards and good governance;

- d) to ensure there is a good understanding of the different roles of members and officers of the Parish Council and that both can do their job effectively; and
- e) to develop an action plan to help the Parish Council resolve its difficulties and allow the District Council to monitor progress over time.

2.2 In order to carry out a review we divided our work into four phases. These four phases were:

- a) to carry out a confidential online survey of councillors, officers and other relevant individuals to get a greater in-depth picture of the Parish Council and some personal perspectives on the key issues;
- b) to spend a day in the Parish Council having individual interviews with councillors and others to develop understanding of the key issues emerging and to spend time talking to the clerk and reviewing the policies and procedures and ways of working of the Parish Council;
- c) to present some interim findings to the Parish Council and invite discussion on those conclusions;
- d) to prepare a report and action plan for Northiam Parish Council and Rother District Council setting out ways in which the Parish Council could move forward.

2.3 The questionnaire was open for responses through December and January. In total, we had 17 responses to the questionnaire.

2.4 We then spent the day speaking to individuals from Northiam on 25 January and Sarita Presland carried out a desktop review of the Council's policies and procedures with the assistance of the Clerk on a number of occasions during January. This was followed up by a presentation to the Parish Council for phase three on 1 March. Although some administrative recommendations were shared with the Clerk after that presentation, we agreed that the final report would not be delivered until after the May elections as we did not want our review to become a focus of the elections nor to be taken out of context. Instead we saw it as a roadmap to help the new Council shape the coming priorities of the incoming administration.

2.5 Phases one and two provided much of the evidence on which our findings and recommendations are based. There were clearly areas of consensus as well as areas of disagreement and we should stress that we took lots of positive things from our work both about the running of the Council and the dedication of the individuals concerned to serving their community. It should be noted that the questionnaire and interviews were done on a confidential basis so no individual quotes are attributed. It should also be noted that as sample sizes are inevitably small we have tried to generalise rather than seek to identify individuals or repeat any comments that were made about particular individuals, although inevitably some comments make reference to the Chair or the Clerk which is reasonable given their particular role within the Council.

Findings and recommendations

- 3.1 Based upon the written and oral comments and responses which we received, we gave feedback to a meeting of members and officers of Northiam Parish Council, together with the Monitoring Officer and Deputy Monitoring Officer of Rother District Council and some ex-members of the Parish Council on the evening of 1 March 2023 as phase three of the methodology set out in the section above.
- 3.2 We indicated that we would then make detailed recommendations for the consideration of the incoming Parish Council as phase four. These are set out in this report.
- 3.3 There is a high degree of consistency as to issues affecting the Parish Council as identified in the responses to the questionnaire and the interviews we conducted at phases one and two.
- 3.4 In our view, the key issues are:-
- a) The need for better understanding of the relationship between the Parish Council and the CIC and clearer alignment of strategic aims
 - b) The need for clearer understanding of the responsibilities of Parish councillors and the Clerk and a review of staffing needs to support the Parish Council;
 - c) a breakdown in working relations between a number of individuals on the Council in the period leading up to May 2023 characterised by mistrust, suspicion, disrespectful behaviour and an inability to have any constructive dialogue at some meetings or in correspondence between meetings;
 - d) the need to improve certain aspects of governance in the Council, in particular its financial controls and the way meetings are conducted and correspondence dealt with; and
 - e) the need to develop a long-term strategy for the community as a whole with clear measurable objectives for the Parish Council, with a view to seeking majority consensus within the village and thereby becoming less reactive to individual events.
- 3.5 Having considered the information available to us, we therefore set out a series of recommendations and an action plan to address each of these issues in the sections below. A full list of recommendations is attached at **Appendix A**.

A. Relationship between the Parish Council and the CIC

Background

- 3.6 St Francis Fields is a large open site in the centre of Northiam. The site was previously owned by Blue Cross as an animal sanctuary but Blue Cross closed the site and put it up for sale in 2017. Following a village referendum the Parish Council acquired the site in 2020 with the help of a Government loan of £1.3 million repayable over 50 years with a promise to use the land for community benefit. A Community Interest Company (CIC) was established by the Parish Council to manage the day-to-day running of the site on its behalf (and on behalf of the community more generally).

3.7 A CIC is a special type of limited company set up with Government support and its purpose is to benefit the community as a whole rather than private shareholders as a 'normal' company would. The CIC is overseen by the Parish Council through a Management Agreement. Under the Management Agreement the Council gives the CIC a small annual grant to cover the CIC's basic administrative costs. The CIC is also allowed to authorise expenditure up to £500 without prior Parish Council approval. However, any expenditure above that amount has to be agreed by the Parish Council who are responsible for holding and repaying the Government loan. The Council also bears the risk for any shortfall in income generated, for example through rents from the site, which are insufficient to repay the loan. In effect, therefore the Parish Council is responsible for ensuring that the CIC is delivering the community's requirements for the site and the CIC is required to produce business and financial plans for consideration by the Council.

3.8 While there was almost universal support for the establishment of the CIC at the time, relations have become strained in the intervening period and essentially those strains have been the principal reason why the Council has found itself in such difficulties with regard to relationships. We should note here that in our discussions with individuals we do still firmly believe that the principle of the CIC (or at the very least St Francis Fields being owned by and managed for the benefit of the community) is still strongly supported. Differences fundamentally are about how the land can best be managed and used for the community.

3.9 It was not our role to examine the workings of the CIC nor whether they are complying with the Management Agreement. As part of our enquiries, however, we did speak with individuals from the CIC who freely admitted that the CIC had faced more issues than had perhaps been anticipated and that some of the ambitions expressed at the time of the referendum had not come to fruition, been scaled back or delayed. Some of these issues were of course caused by the Pandemic which could not have been foreseen and some of the issues are simply the inevitable evolution of any business where some things prove more difficult or have unforeseen legal repercussions and other previously-unforeseen opportunities may arise.

3.10 Our role is to examine the working of the Parish Council. However, given the fundamental issue of the relationship with the CIC one of our key aims had to be to look at that relationship from the Parish Council's perspective as, until that relationship is repaired, it seemed very difficult for the Parish Council to move forward on solving other internal issues. The incoming May 2023 Council gives an opportunity for that relationship to start again, almost as a 'Year Zero' proposition.

3.11 In talking to the various individuals, it became clear to us that this schism within the Council, and its related breakdown in relations, meant that people on the Parish Council had lost sight of their role in holding the CIC to strategic account on behalf of the community. Put crudely, there were certain people on the Council who were so opposed to the way the CIC was run and the direction it was taking, that they simply seemed to oppose anything to do with the CIC and

always imputed the worst motives even to relatively minor matters. By contrast the 'other side' of the Council seemed simply to act as cheerleaders for the CIC whom they felt could do no wrong and had equally lost sight of the need for constructive challenge and active management. The way that a number of candidates billed themselves in the election reflected that split.

3.12 Yet, as we have said, both sides said that they believed in the concept of the land being held in trust for the community and differences ultimately came down to what the land may be used for. It would be too grand to say there were 'competing visions' as the truth is neither side could articulate a strategic vision for the land beyond vague aspirations and platitudes, and we were concerned that there had been no proper discussion of strategy or realistic scrutiny of what the CIC's objectives were or whether they were being met.

3.13 Indeed it seemed to us that the Parish Council had, from the offset, miscalculated how much of a burden on the Council scrutinising the CIC would be. We will comment further on this when we look at officer support for the Council as a whole below, but suffice to say that, despite taking on this very large and costly workstream, we were very surprised that no resources had been allocated to managing that relationship or overseeing the work of the CIC above and beyond the existing workload of the Clerk prior to the CIC.

3.14 The Council has in theory set up an SFF Committee (and the Management Agreement sets out a structure for a liaison committee). However, issues around the CIC had become so toxic that the SFF Committee was only meeting sporadically – for example it met in March 2023 after our visit but according to the Council's website had last met before then in July 2022. Instead CIC business was in effect being dealt with at Full Council and was absorbing all the 'bandwidth' of Full Council meetings such that many other important matters in the Parish were not getting the attention they deserved and Council meetings were becoming increasingly fractious and unworkable. It also meant there had been no strategic discussion about what the CIC should be achieving nor discussion with the community led by the Council as to what the community's vision for the CIC should be five years on from the referendum.

3.15 We therefore believe that the key priority of the new Council is to get back on track in discharging its duty of scrutinising the CIC effectively and working with the CIC and community to develop and review a vision for the future of St Francis Fields.

3.16 In order to achieve this we make the following recommendations:

R1 The Parish Council should formalise the separation of CIC meetings (called SFF Committee) from Full Council meetings.

R2 To undertake a full audit of the CIC Management Agreement and reporting on the CIC lease. There is a need for the scrutiny of CIC management accounts and use of funding to be assessed and a process for proper definition and accounting to be put into place by the Parish Council.

R3 There need to be agreed objectives between the CIC and the Parish Council and there should be regular reporting back from the CIC to the Parish Council against those agreed objectives.

R4 The Parish Council should consider its staffing requirements to ensure that it is properly resourced to support its scrutiny of the CIC. This may include appointing a CIC Liaison Officer or more generally a project officer so that there is better liaison and scrutiny of the CIC and the Parish Council's interests are better protected.

R5 To review the Terms of Reference of the SFF Committee and consider with the CIC whether the Parish Council Chair and/or Deputy Chair should be ex officio directors of the CIC. This should include an agreement as to what matters are delegated to the Committee and which issues relating to the CIC must be signed off by Full Council.

R6 The Parish Council should work with the CIC and wider community to develop a strategic plan for the village including the use of SFF (see section below on wider vision for the Council). This should include in particular a 10-year plan for the CIC with measurable targets and objectives to allow for proper budget forecasting and management.

Roles and responsibilities

Role of members

3.17 The section above relates to the relationship between the CIC and the Parish Council. If that relationship is not resolved then the Parish Council is likely to remain dysfunctional and not serving the best interests of its community through its internal divisions. However the rest of this report now focusses on the Parish Council more widely.

3.18 The role of councillor, at whatever tier of local government, can be a difficult and daunting role, particularly to those who come new to the role. We would therefore expect all councils to provide comprehensive induction and ongoing development to councillors to support them in their job. This is particularly true in the period after all-out elections as is the case in May 2023. We felt that councillors at Northiam we spoke to prior to the election were not clear about how they should work collectively or individually. The new Council therefore needs to do a lot of work to help members understand their role and what is expected of a councillor.

3.19 There is a lack of clarity in many parish councils about what individuals do or can or should do. The sector of course relies on volunteers and people helping out where they can but the formal role must also be understood and boundaries not crossed. Of course what each individual can give to the Council varies widely – some councillors will work fulltime so cannot devote as much time and energy to the role as others. That is perfectly understandable and normal but does need to be recognised. However, beyond that Parish councillors need to be clear what

it is they are expected to do and cannot do as individuals. No Parish councillor (including the Chair) can be given delegated individual decision-making responsibilities. Decisions can either be made by Full Council, a committee or the Clerk depending on the scheme of delegation. Often in practice of course, individual councillors (particularly the Chair) will have been authorised by the Council to have some individual responsibilities, either because of the need to react quickly to developing events or else because of a particular recognised expertise. Even in these rare cases, however, any binding decision must formally be taken by the Clerk in consultation with the individual and in line with a delegation scheme agreed with the Council and subsequently be ratified at a Full Council meeting.

3.20 We believe councillors do not have sufficient clarity about their roles and the Council should therefore review their schemes of delegation so that councillors fully understand it, and agree proper role descriptions and expectations for councillors.

3.21 That should include a clear statement of what an individual's role as a councillor in the community is as opposed to their role on the Full Council; and what a councillor's role is with regard to outside appointments where they represent the Council – including clarity about what views they should express, what they are delegated to say or decide and what they should or should not report back.

3.22 In particular the Council should seek to put in place a detailed training programme on the role of the parish councillor, understanding the role of the clerk, understanding delegated authority, chairing and meeting skills, the Code of Conduct, financial regulations and other matters. This also needs to become an ongoing package for new councillors.

3.23 We would also expect councillors to undergo regular refresher training throughout their term of office. We believe that it is vital councillors have a full understanding of their roles and responsibilities before they start to discharge their functions, and, while training cannot be made mandatory, the Council should therefore consider what training individual councillors must undergo as soon as possible after they take up office. They should also consider what training they would require of councillors before they are allocated permanent seats on any committees or given some individual lead responsibilities to ensure councillors understand fully their role and responsibilities on a particular committee in future.

R7 That the Council put in place a detailed training programme on the role of the parish councillor, understanding the role of the Clerk, understanding delegated authority, chairing and meeting skills, the Code of Conduct (in particular to improve understanding of requirements around registration and declarations of interest), financial regulations and other matters.

R8 That councillors recognise that they cannot speak on behalf of the Council unless authorised by the Full Council to do so. Any correspondence from individual councillors needs to make this clear.

R9 The Council should develop an agreed understanding of the role and expectations for individual councillors when they are acting as Full Council, as committee members, as individuals and as representatives of the Council externally.

R10 That councillors understand their fiduciary duties and vicarious liability and be reminded that they are all individually and severally liable for the finances and employment practices of the Council. Individual councillors should therefore be reminded that they should not act alone and unilaterally once Council collectively has made a decision or agreed a course of action. Nor should councillors act alone on issues such as tree felling without proper insurance and risk assessment.

Role of the Clerk

3.24 While councillors set the tone and strategic direction of an authority, the clerk is charged with supporting the council and delivering its strategy on a day-to-day basis. The Clerk must therefore be resourced adequately and have the appropriate skills to do this.

3.25 During the period of our review the Council was supported by a temporary locum Clerk, following the resignation of the previous Clerk just before our process started. The locum was well qualified in her role and gave the Council sound support within the parameters of her role. However, what she could do was necessarily limited given she was only employed on a part-time basis. We understand the Council is now recruiting a permanent Clerk so will wish to make note of our recommendations during that exercise.

3.26 Having a part-time clerk is not unusual for this size of Council but did seem inappropriate given the added management of and support for the CIC as outlined above.

3.27 All councillors need to recognise that any Clerk's time is inevitably very limited so must be used to maximum effect. The Clerk from our observations actually worked beyond her contracted hours as did her predecessors as we understand. This is almost inevitable particularly in the run-up to and immediate aftermath of Council meetings but the Parish Council should ensure that staff are not overburdened, that the workload is sustainable and that they ensure they fulfil their duty of care to their staff. That is why all councillors must recognise that there are limitations on what the Council can realistically achieve. The Council as a whole is the Clerk's employer and therefore each individual councillor has employment responsibilities to ensure that the Clerk has a reasonable working environment and is able to manage the workload within contracted hours or else consider as a Council what changes to terms and conditions may be necessary to achieve this.

3.28 As a result of this lack of understanding of individual roles, we found that the Council had set little strategic direction for the Clerk, was unaware of workloads, and there was no clear understanding of what contact with the Clerk was

appropriate on a day-to-day basis nor that individual members should not set work priorities for the Clerk.

- 3.29 The Clerk seemed to be asked to respond to a lot of emails and correspondence making very detailed comments and broadly seeking to keep going over similar ground. There is of course nothing that can be done to stop emails being sent and councillors and the public do have right to seek information and raise queries. However, the Council does have to recognise that this can place heavy demands on the resources of the Council. Given the other calls on the Clerk's time the Council does therefore need to review its policy in handling correspondence and where necessary ensure that the Clerk and Chair are empowered to draw a line under certain matters.
- 3.30 Any policy would probably need two aspects – an agreed period at a meeting where governance issues and correspondence could be raised. They should be done with sufficient notice to allow a response to be prepared for tabling and/or discussion at the meeting. However, the time spent on such matters would have to be limited to allow the transaction of other important business. Thus, for example, it might be that ten minutes is set aside at the start or end of the meeting for any governance issues, and that each member is limited to raising no more than one concern. Similarly if the Council collectively is satisfied that the matter has been addressed it should not be raised again within an agreed period unless circumstances have changed. Standing Orders should make clear that resolutions previously made cannot be reversed within six months except by special motions or a motion from a committee and that the Council should ensure this is enforced to help achieve better governance.
- 3.31 Matters may well of course occur between meetings which need to be answered more quickly so there would still need to be room for correspondence from councillors and the public to be dealt with. However, again the Council should agree some limits on the amount, what timescales should be agreed for any response and, if the matter is not urgent, whether it should be brought to the next meeting for agreement.
- 3.32 The Council of course needs to recognise that a balance needs to be struck between allowing councillors and the public to question issues on the one hand and the Council and clerk to be able to operate within its limited resources and work with agreed collective responsibility on the other hand so any protocol would need to strike that balance to the satisfaction of the Council collectively.
- 3.33 We also believe it would help the Council and the Clerk if some form of schedule of work was prepared. This would help the Council to recognise what was a reasonable expectation on the Clerk and be clear with the Clerk what the priorities on her limited time should be. The Society of Local Council Clerks (SLCC) has a useful calendar available to clerks to remind them of what needs doing when. The Clerk should get this timetable and share it with councillors so that it can inform this work schedule.
- 3.34 Obviously line management is an important part of the Council's duty of care towards the Clerk. Again, as with many parish councils, there is obviously some

line management issues with only one employee and the Council as a whole as the employer. It must be generally recognised that there will inevitably be the need for a close working relationship between the Chair and the Clerk given their respective roles, and it is important that is seen to be professional.

3.35 The Council should also review the performance appraisal system to ensure that it measures performance against targets with a view both to helping the Clerk develop and ensuring she is rewarded appropriately. The County Association should be able to provide a template if needed. Having a schedule of work would help with that process.

3.36 The Council also need to understand and recognise the role of the Clerk and Responsible Finance Officer (RFO). As the Proper Officer the Clerk is appropriately indemnified to advise Council and if necessary make emergency decisions (reported to councillors, whose advice she may seek, and subsequently get ratified by full council). Councillors must in particular beware of the rule of *ultra vires*. Even as chair all decisions need to be actioned through the Clerk as she considers appropriate. One example cited to us was playground inspections. Regular visual checks can be carried out by anyone and reported to the Clerk, damaged trees can be reported etc, but all remedial actions need to go through the Clerk, to ensure health and safety regulations are being adhered to and any actions requiring payments are shown to be transparent and according to financial regulations.

3.37 The comments above all relate to the Clerk's role as currently established. However, particularly in light of the work with the CIC, we felt that the Council was under-resourced at current staffing levels. There is a balance to be struck in any public administration between what one might call 'maintenance' on the one hand – that is, the day-to-day running of the council through, for example supporting meetings, carrying out statutory duties etc – and what one might call 'progression' – taking forward longer-term goals and projects. The more ambitious a council is in terms of strategy the more it needs to decide where the balance lies between maintenance and progression and if it is adequately resourced to deliver both. Our view is that at current resource level the Clerk can do little other than focus on maintenance and if the Council is to grow its ambitions it needs to have adequate support in place to develop the progression aspect of the role. We therefore think that, as well as recruiting a new clerk, the Council needs to consider further resources. We have mentioned above, for example, an officer dedicated to liaison with the CIC. Another possibility may be a 'project officer' who could have that role and oversee other 'progression' delivery. Or it may be that you want the Clerk to concentrate more on progression so you recruit a deputy who essentially takes over the administration and/or financial management to free up the Clerk's time. We are not being prescriptive as the Council can best make an assessment of its needs, supported by the experience of the current locum, and we are conscious that any new role would have resource implications. However, we believe that it would be a worthwhile investment to help move the Council forward and sticking with current resources does not help the Council become more 'progressive'.

3.38 One final area which was raised with us was the issue of councillor access to officer time. While councillor access to officers is important, in many parishes there is a risk that some councillors spend too much time in the office pursuing their own agenda, stopping higher priority work being done. The Council should, as part of its staffing review, look at how officer contact with councillors is regulated – for example by putting a system in place where councillors can only see officers during working hours by prior appointment, or for a set time unless by prior appointment, or only at particular times of day. The aim would be to strike a balance between allowing councillors to raise their own local priorities and issues and support officers with advice while allowing officers time to carry out their job and run the office effectively.

3.39 We know the Council is actively recruiting a new Clerk. We believe that, before appointing somebody permanently to the role, the Council needs to put these measures in place, in particular a schedule of work, and decide whether the currently-contracted hours overall are sufficient to meet the Council's needs, in particular with regard to progression, and if so how they expect work to be prioritised within those hours to avoid excess working becoming the norm.

Recommendations

R11 The Council needs to review its staffing needs. In particular it needs to recruit a permanent Clerk who is CiLCA qualified.

R12 The Council and the Clerk should agree a work schedule to ensure that staff's limited availability is focussed and that there are realistic expectations on their time.

R13 The Council needs to agree a councillor-officer protocol which would include a shared agreement as to the circumstances when councillors should have access to officer time and how the clerk should respond to queries from individual councillors.

R14 The Council should review its policy as to how correspondence is dealt with and responded to without absorbing the limited administrative resources available to the Council. This would include an agreed policy for dealing with persistent or vexatious correspondence.

R15 The Council should agree how governance issues should be raised in meetings to allow reasonable discussion but also to allow other business to be transacted.

R16 Once the Council has set a long-term strategy it should review whether its current staffing structure is in line with that strategy and able to help the Council deliver it and that the Clerk's key performance objectives and time are geared to deliver that strategy.

R17 The Council need to understand and recognise the role of the Clerk and RFO to ensure health and safety regulations are being adhered to and any

actions requiring payments are shown to be transparent and according to financial regulations.

R18 The Council should ensure that the Clerk and the Council make best use of external support and advice from its memberships of professional bodies.

R19 The Council should ensure that there is an appropriate performance appraisal framework in place for the Clerk which supports development of the Clerk and ensures performance is rewarded accordingly.

Behaviour

3.40 The principal reason that we were asked by Rother to review and support the Parish Council was because of a series of complaints made about the behaviour of councillors, in particular alleged lack of respect and personal attacks on the characters of individuals.

3.41 While our review went wider than a focus on behaviour and looked at what underlay some of the issues it is clear to us that the issue of respect needs to be addressed by the Parish Council before it can begin to improve its working processes as outlined in the rest of this report.

3.42 Our experience from working with the councillors and observing the Parish Council is that there was a high level of animosity between certain councillors which was holding the Parish Council back. This animosity was almost exclusively driven by disagreements around the direction of the CIC as set out above, although the issues had moved on from being 'policy differences' to ingrained animosity and more personalised attacks, as well as disputes about the wider administration of the Parish Council. This has led to several previous clerks having left as they have to some extent been caught in crossfire between the mutual distrust between two groups of members and been perceived as siding with one particular part of the dispute. The way that these disagreements are articulated on both sides has at times gone way beyond legitimate disagreements about policy or procedures and has descended into disruptive behaviour, allegations being made which question the integrity of individuals and an unwillingness to engage in debate or allow legitimate concerns to be raised. These comments were made in meetings and in widely-circulated emails. Such comments often lead to a downward spiral and what can start as a legitimate question or concern descends into disrespectful comments and unevidenced allegations of wrongdoing which simply leads to positions becoming entrenched and the Council closing in on itself with defensive positions. The whole culture of the Parish Council thereby becomes deeply unprofessional and brings the Parish Council into disrepute.

3.43 It is our experience from working with other councils where they have similar issues that such ways of communicating do nothing to bring about the positive change that may be needed to improve the governance of the organisation or help the clerk do their job effectively. Instead personal comments or allegations which question people's motives or make unfounded accusations of corruption and illegality based on assumptions simply make people defensive, stifle

legitimate concerns and lead to tit-for-tat accusations which mire the council in animosity.

- 3.44 If councillors are serious about bringing about the change that is needed they must therefore start to work together collectively as a team and stop personal attacks and feeding the flames of such attacks. Councils, like any organisation, have to work collectively to achieve the best outcomes, and if people feel they cannot work collectively but must resort to disrespectful comments and questioning people's motives with little or no evidence then it would be better if they left the Council as it cannot change while such poison exists within the organisation.
- 3.45 We should say that it is of course vital to any organisation, and in particular to a democratically-elected body, that people can challenge decisions, put forward opposing views and raise concerns that matters are not being implemented properly. However there is a world of difference between discussing those matters in a dignified and respectful way and simply being confrontational and imputing the worst possible motives to matters with which you disagree. It is acceptable to challenge ideas with which you disagree. It is unacceptable to make personal attacks on individuals in an intolerant and disrespectful way. In our schools we teach our children about Fundamental British Values. These include tolerance and respect for other people and their values and beliefs. We are afraid that certain individuals on the Council seemed to have lost sight of those values.
- 3.46 Councillors therefore need as a priority to stop behaving in this way if they have the interests of the Council and the community as a whole as their priority. The Council does need to change in certain aspects, and some of the concerns raised are legitimate, but change will only happen when councillors start to respect and tolerate each other.
- 3.47 Of course we recognise that a more rational and trusting atmosphere will work most effectively when all feel they have confidence in the Council. There are legitimate policy differences within the Council, particularly with regard to the CIC, and concerns about the way the Council operates but the way in which they have been raised and the way that the two sides have taken entrenched positions has made addressing them impossible. So there needs to be an agreement from all the new Council to deal with matters in a calmer and more rational way while the recommendations set out in other sections to improve the Council are adopted and implemented.
- 3.48 We should stress that we think that all councillors we spoke to and met had the best interests of Northiam at heart and, while their view of what was best for Northiam, and for St Francis Fields in particular, differed between individuals, that to us simply reflects a legitimate democratic plurality. We were struck by the near-universal view that, if the issue of the CIC had not arisen, then the Council would not be facing these issues and actually the recognition from both sides that ultimately their differences were policy issues rather than irreconcilable personality clashes, which we have seen too often elsewhere. We therefore believe that if the relationship between the Council and the CIC can be re-set as

above, the new Council has the potential to put these differences behind them and focus on working collectively for the good of their community. Councillors must accept, however, that decisions with which they disagree does not mean that decision is automatically wrong or the motives behind it wrong – it simply means that collectively the Council has decided to act in a particular way and once a decision has been taken by the Council, the Council is perfectly entitled to implement that decision. Similarly the Council must ensure that where people do have opposing views which are relevant to the matter in hand that those concerns are listened to provided they remain respectful and a reasonable amount of debate is allowed. It can be too easy to want to shut down discussion because matters are becoming polarised or personal or being unnecessarily prolonged and this highlights why it is important for behaviour on all sides to become more respectful before some of the issues outlined elsewhere can be resolved. The relationship of the Council to the CIC must be one of a critical friend and needs to avoid being either simply a cheerleader or simply opposing which is what the situation has been until now.

3.49 The majority of individuals we spoke to felt very strongly that meetings were difficult and the tone of debate, both at meetings and in correspondence, reflected very badly on the Council. The Council was referred to on a number of times as a 'laughing stock' and that the community as a whole had lost faith in it being able to run effectively. While we ourselves did not observe meetings first-hand we did see a number of email exchanges and have seen the Code of Conduct complaints which were made and the weight of evidence inclines us to believe that this pattern of behaviour does exist and is unacceptable. We think some councillors would be surprised at how they came across and how meetings were conducted if they could observe them.

3.50 We were also concerned that too much time was being spent on going over old issues, individual councillors seeking to raise issues with the Clerk and asking for 'rulings' on issues and too much time was being spent by the Clerk having to deal with emails about repetitive issues. We have commented on the use of the Clerk's time in future in the section above but we think the Council needs to have an agreed email policy which allows the Clerk time and space to focus on other aspects of the role.

3.51 We also believe that it is the responsibility of all councillors to challenge disrespectful behaviour in the Council chamber and support the meeting in being run effectively with the right balance between debate and getting the business done. The Council collectively should therefore agree where the boundaries of respect lie and how that should be enforced in meetings. A key way of doing this would be for the new Council to sign up to the NALC/SLCC Civility and Respect Pledge and ensure that this is effectively implemented.

3.52 We therefore think the Parish Council needs to agree the following actions:

RECOMMENDATIONS

R20 The Parish Council should sign up to the Civility & Respect Pledge and collectively agree what language is and is not appropriate in meetings and

correspondence among councillors and with the Clerk, how such language should be challenged in meetings and how meetings can be run more efficiently without getting bogged down in minutiae nor stifling legitimate debate. Behaviour needs to be re-set.

R21 The Council needs to adopt an email policy, for example that no member shall send more than two emails a day to the Clerk and no email should be more than a page of A4 in length. If the policy is breached the Clerk will simply reply to say that the email will not be responded to as it falls outside the policy. There may be exceptions for significant urgent matters but the Council as a whole shall agree a definition of what those exceptions should be. All emails should go through the Clerk.

R22 All councillors should give an undertaking to treat fellow councillors and officers with respect and not to make personal attacks on individuals or their integrity. Until such respect is shown the Council cannot move forward. If personal attacks are made in future the matter should be referred to Rother District Council who will deal with the matter against set criteria and will ensure that anything that falls below the Council's agreed standards is appropriately dealt with and breaches of the Code are sanctioned and publicised.

R23 All councillors should undertake that, where they have concerns about the way a decision has been made or a procedure followed they should discuss this with the Clerk and the Clerk should be allowed to give a ruling with reasons such as a reference to existing policy or legislation as to whether or not the concern is legitimate. This ruling should be communicated to all councillors. Where the concern is legitimate such a ruling should include the steps needed either to rectify the matter with an agreed timescale or the changes needed to prevent the matter re-occurring. Where the majority of councillors accept that the concern has been dealt with, the matter cannot be raised again for six months.

Policies and procedures

3.53 Aside from the behavioural issues, we also carried out an in-depth look at the governance and administration of the Council. The following sections look at each of the areas we examined in turn and make a series of recommendations, starting with our review of the Council's policies and procedures.

3.54 Overall, we felt there were significant gaps in the policies and procedures at the Parish Council, or if they did exist they were not available through the Council website.

3.55 In particular the Council needs to update its Standing Orders and Financial Regulations and there seemed to be significant issues with payment of accounts and proper budget setting. At the time of our review only one councillor was authorising payments, and the Council also had no evidence of sufficient

reserves (which should be a minimum of six months running costs) in place. We are aware that the locum Clerk has been addressing this area as a matter of priority but the new Council will need to satisfy itself that there are now sufficiently robust financial controls in place.

3.56 This relates to the issues raised about staffing levels above but the Council needs to specify and formalise the role of the Council's Responsible Finance Officer (RFO) and ensure it has proper budgeting measures and a budget cycle implemented so that it can better plan its budget strategy for coming years. It seemed to us there was too little analysis of what expenditure was actually needed and too much focus simply on an 'overall' budget figure which would then simply be drawn from through the year. The RFO role was appointed to in February on a temporary basis as we understand it but this will need to be considered on a more permanent basis in the future.

3.57 We identified a number of gaps where we thought significant policies were missing or out-of-date or at least not accessible. These included an Equal Opportunities Policy, Disciplinary and Grievance Policy, Health and Safety Policy, Sickness and Absence Policy, Code of Conduct Complaints Policy, Member-Officer Protocol, Policy on FOI requests and Council Publication Scheme, Data Protection (GDPR) Policy, Bullying Policy, and a Recording of Meetings Policy.

3.58 In light of comments made above about the role of individual councillors and the potential liability issues, we think the Council should also consider adopting a Trees and Open Space Maintenance Policy, and a Severe Weather Policy.

3.59 We also believe there is some confusion around what information held by the Council members are entitled to see as a matter of course. Councillors in general are entitled to see most information held by the Council, including confidential information not available to the public, in order to help them do their job. There will always, however, be circumstances where a council is legally entitled to regard certain information as confidential. The law itself sets out grounds for certain business to be considered in private by the council and it is widely recognised through case law and elsewhere that not all councillors are entitled to see all information at all times, as some personal information for example has to be regarded as confidential unless there is a demonstrable need for an individual to have access to that information to carry out their duties.

3.60 We therefore think the Council needs to agree a 'need to know' policy to establish a common understanding of where the boundaries of confidentiality and access to information might lie. This would also cover any information held by individual councillors and be tied closely to the Council's responsibility to protect information under GDPR.

3.61 The Council also needs to have a robust communications and social media policy in place. We felt the Council had been too internally focussed because of its disputes so was not communicating its work well to the local community. We address some of these issues below when looking at long-term strategy, but we think the Council should discuss how it will better communicate externally. This would include how social media is used both by the Council collectively and by

individual councillors. It is important that councillors and parishioners recognise what is permissible and within the realms of appropriate comment, and agree how, for example, Facebook, Twitter, and the Council's own website could be used as effective and informative channels of communication by the Council itself.

Recommendations

R24 The Council needs to update its Standing Orders and Financial Regulations.

R25 Payment of accounts needs to be resolved immediately and the Council needs to formalise the role of RFO and financial matters need to be put onto a firmer footing, in particular with proper budgeting measures implemented.

R26 A full suite of policies need to be in place and published on the website. These should include:

- **Equal Opportunities Policy**
- **Disciplinary and Grievance Policy**
- **Health and Safety Policy**
- **Sickness and Absence Policy**
- **Code of Conduct, Complaints Policy**
- **Councillor-Officer Protocol**
- **FOI requests and publication scheme**
- **Data Protection (GDPR) Policy**
- **Bullying Policy**
- **Recording of Meetings Policy**

R27 The Council need to formalise a Trees and Open Space Maintenance Policy, and Severe Weather Policy with appropriate Risk Assessments in place.

R28 The Council needs to adopt a Communications and Social Media Policy which would cover both appropriate use of social media by individuals and the Council's own approach to communications and social media as an organisation. In particular it should consider producing its own newsletter to be delivered to every household in the parish, and to develop a Facebook page.

Meetings

3.62 We heard how some meetings have been difficult to run because of conflict in the meetings and the disruptive behaviour arising from this conflict. This was a constant theme running through the questionnaires and face-to-face interviews. This section therefore makes some recommendations for making meetings run more effectively and efficiently.

3.63 Although we did not attend Council meetings and therefore have not seen them at first hand, it was clear to us from all that we have been told and noted

from our reading of past minutes that Council meetings have become increasingly difficult to manage and need to be run much more efficiently so that business can be transacted.

- 3.64 Everybody is dissatisfied with the way the meetings take place. Too much time is spent revisiting matters, in particular the work of the CIC which seems to have taken up so much bandwidth that other matters are not debated properly. We have said above that the relationship with the CIC should be dealt with primarily through the SFF Committee rather than at Full Council. But more generally people seem to have stopped listening to each other and meetings need to become genuine discussions again rather than disagreements. Individuals need to accept that it is perfectly fine to disagree and healthy debate is to be encouraged as it leads to better decision-making but there must be a recognition that once a decision is made that is the democratic decision of the Council. It must also be recognised that a balance needs to be struck between progressing the business of the meeting effectively and not unnecessarily stopping discussion.
- 3.65 As set out above we therefore recommend that the Parish Council should draw up a proper protocol about how councillors treat each other which needs to be properly enforced. Matters should be properly managed in meetings and the standards framework should not be used to air disputes about personalities or perceived procedural failings.
- 3.66 We would always look to the Chair of a meeting to enforce behaviour standards clearly, firmly and fairly. The role of the Chair is to act as an impartial referee, to ensure that people are treated equitably, everyone is encouraged to contribute to the debate and that the meeting is conducted in an orderly and civil way. A Chair should know when to seek advice from the Clerk but should not let the Clerk run the meeting. A Chair also needs to be conversant with Standing Orders and ensure that they are applied. However, the Chair also needs the support of other members to ensure that Standing Orders are consistently and fairly applied. Our comments are not meant as a particular criticism of previous chairs but rather reflect that councillors in general felt that meetings were not being effective because of disruptive behaviour and the balance being wrong about how some discussions were held. For example, from what we were told far too much time was allowed on procedural issues or debating previous minutes which was not an efficient use of Council time, whereas on the other hand concerns were raised that not enough time was allowed for more significant items and members could feel unwilling to contribute for fear of being criticised or denigrated. For a meeting to be effective and efficient, all members need to accept that the meeting needs to remain focussed on the business at hand and that greater support is needed for the Chair from members in conducting meetings.
- 3.67 To ensure that debate can be managed efficiently, we believe the Parish Council needs to enforce a 'three minute' rule at its meetings as set out in its Standing Orders – that is people's interventions in meetings – whether councillors or the public - should be strictly limited to three minutes and, when the three minutes is up, they should stop speaking. Everybody is entitled to an equal say at

meetings but all should equally respect that others should have an input and interventions should be limited to allow the meeting to proceed. It seemed to us from what we were told by a number of people that people were not being treated fairly – some people were being allowed to speak for too long, some people were being cut off and some people felt they did not want to speak, either for risk of prolonging already-lengthy discussions or because they felt intimidated by the atmosphere in the room.

3.68 There may of course be times when an agenda item is of such significance that councillors collectively will wish to speak for more than two or three minutes. Any waiving of the rule for a particular item should be proposed by the Chair at the start of a meeting and agreed by the meeting.

3.69 We also believe it would be helpful to have a timetable alongside the agenda of how long can be spent on each agenda item so that the business of the meeting can be progressed, and not too much time spent, for example, discussing the wording of previous minutes or raising procedural issues. Again the Chair could waive the timetable should the meeting collectively agree that an item was more significant than initially considered.

3.70 Similarly, the public should only be addressing meetings at the appropriate time and there needed to be a consistent approach to public participation and management of any disruption. The public need to be clear what the role of public participation is and where the balance is between hearing from the public and allowing the Council to transact its business. Public Time is not strictly part of the Council meeting and apart from a brief note of what questions/concerns were raised no other notes or decisions need to be taken by the Clerk or recorded. There is a danger if its role is not understood by all that this part of the meeting takes over and is overly long. Standing Orders should make it clear there is three-minute maximum speaking time per person, and the entire public time session should last no longer than 15 minutes. This is in line with accepted national practice. A short explanation of the role, purpose and duration of Public Questions should be given to every member of the public attending every meeting to reinforce this matter. It can also be good practice for the Chair to ask the public present at a meeting if they wish to speak and if so on what topic so that time can be managed. Thus for example, if several people all wish to speak on the same topic the Chair might encourage them to elect a spokesperson to speak on their behalf to avoid repetition and ensure that the business of the meeting can proceed in a timely way.

3.71 It would also be helpful if all councillors had a pack which contains all policies, Financial Regulations and Standing Orders that they bring to each and every meeting to aid understanding and avoid confusion.

3.72 We also want to cover the taking of minutes. Charles Arnold-Baker (the so-called Parish Bible) says “minutes should be a formal record of official acts and decisions, not reports, still less verbatim reports of the speeches made by councillors. Minutes should, therefore, be as short as is consistent with clarity and accuracy, and the arguments used in the discussion need be recorded only if the decision cannot be clearly expressed in any other way.”

3.73 We believe too much time has been spent at meetings arguing about minutes of previous meetings. We therefore recommend that Council agree that minutes follow the model of simply being a recording of the decision rather than a verbatim record. As it is important that all councillors are clear what has been agreed we recommend that at the end of each item the Chair asks the Clerk to read out what they believe has been agreed as the decision for that item so that all present are clear and agree that what has been noted is sufficient for the minutes.

3.74 Minutes should be agreed at the following meeting and cannot be deferred under any circumstances save in the event of manifest error. The Council also needs to be clear that amendments can only be proposed by those who attended the meeting and should be factual only rather than opinion. Likewise, when minutes come to be agreed it is not legal or appropriate for somebody to add in further comments as to the validity of the narrative especially if they did not attend the meeting.

3.75 Finally, those meetings uploaded to the website we looked at did not include supporting papers and minute reporting was in general very poor for previous meetings. The web pages of the Council also need updating. Incidentally, to include new councillor details and interests.

Recommendations

R29 All councillors need to be familiar with Standing Orders and should have a pack which contains all policies, Financial Regulations and Standing Orders that they bring to each and every meeting to aid understanding and avoid confusion.

R30 The 'three-minute' rule in Standing Orders should be enforced and all councillors should support the Chair in ensuring the meeting is run efficiently and without conflict. The rule may be waived in exceptional circumstances where an agenda item is of particular significance but this must be agreed at the start of the agenda item and a revised time limit (say five minutes) agreed.

R31 The Council should set an agenda with indicative timings so that the meeting can be progressed and the timetable waived only with agreement at the meeting.

R32 The Council needs to have clear rules for public participation which should limit contributions to allow council business to progress.

R33 Minutes should be agreed at the following meeting. Amendments can only be proposed by those who attended the meeting and should be factual only rather than opinion.

R34 Minutes are a record of the decisions made at meetings and whilst some brief narrative is required they should not be verbatim but should serve to help anybody understand the process by which a decision is made. So they should

be written to make clear the decision taken with some brief summary of matters considered for and against.

R35 Meetings should be uploaded to the website with supporting papers and the web pages of the Council kept up to date with councillor details and a link to registers of interests.

Ambition and strategy

3.76 As stated above, too much time has been spent in dispute over the CIC and focus has been lost on any longer-term ambitions. We therefore believe the Council needs to refocus on a strategic vision which looks at what it wants to achieve over the next five to ten years. This should focus on agreeing realistic aims, financial planning and milestones. This needs then to be matched up with the resources needed to deliver that vision; and in particular in developing the future of SFF in consultation with the CIC and the wider community.

3.77 While not everyone will share the same vision, the Council needs to work together to come to a collective understanding and then ensure there is an agreed consensus to deliver those plans for the people of Northiam.

3.78 As part of this we consider that the Council should refresh its relationship with the community. It is always a difficult issue for any council at this level and with limited resources to ensure it is sufficiently strategic and engaged with its community, but we think the Council is capable of such engagement and it is particularly important given current circumstances that the new council is seen to consult widely on its future priorities and to have engaged as fully as possible with the community about its work so that it is clear what the community as a whole wants. The Council should consider how this relationship is best nurtured – for example through one or a series of open days where the community are invited to help shape priorities and agree objectives.

3.79 Any plan developed must then be accepted as the plan for the Council but must be properly costed and resourced appropriately.

3.80 We believe that all councils should be aspirational and demonstrate to their public that they are working effectively. We think this is particularly important for Northiam Parish Council in future given the issues it has faced. In our view there is no reason why, once it has developed a deliverable strategy, Northiam should not be capable of becoming an outstanding council for its size and receiving external validation for its work. We therefore recommend that the Council Chair and Clerk actively seek opportunities on behalf of the Council to learn from and share best practice with outstanding councils in their vicinity. A good starting place would be to look at local councils in the East Sussex area who have been recipients of the Local Council Award Scheme – information on this is available from the National Association of Local Councils and the County Association.

Recommendations

R36 The Council should develop a process for strategic planning with a view to the new Council developing a strategic plan for its term of office, to be agreed by the Council collectively. This should be a fully costed and resourced long-term strategic plan for the parish and the community, including strategic aims for SFF.

R37 The Council should engage with the community and with the CIC in developing its long-term plan and should review its communication strategy in conjunction with the public to evaluate its effectiveness and ensure that the public understands the work of the Parish Council, is engaged in developing a vision for Northiam and is able to participate more fully in local decision-making. This engagement work needs to demonstrate the value of the Council to the community and encourage the community to become engaged in shaping the future.

R38 The Council Chair and Clerk should look to learn from and share best practice with outstanding local councils both in developing strategy and a communications policy.

Monitoring of this plan

3.81 While these recommendations are a matter for Northiam Parish Council, we feel it is important that they are accountable for ensuring that these actions are considered properly and, where appropriate, followed. We therefore think Rother District Council needs to be able to monitor progress. Whilst the District Council does give valuable support to Northiam this support comes at a price in terms of time and resources, and it is important that in due course Northiam's demands on officer time at Rother are substantially reduced.

3.82 The Parish Council's first steps should therefore be to review and prioritise these recommendations and share its implementation plan. When it has done so it should provide a copy to Rother District Council. This initial implementation plan should be drawn up within six weeks of the report being presented to the Council. Some of the recommendations need urgent action to get business back on an even keel but should be relatively straightforward and some have already been initiated by the locum Clerk – for example, the review and enforcement of policies and financial regulations; others have a longer-term output but are strategically important. It goes without saying that the modification of behaviours, the consideration of the Civility and Respect Pledge and strategies surrounding the improvement of behaviour should be treated with the utmost urgency and as a priority, as is the rebuilding of the relationship with the CIC and recruitment of a new permanent Clerk. We have not put deadlines on the recommendations but the Parish Council should meet and agree an over-arching action plan to put these recommendations into place by no later than six weeks from the receipt of this report.

3.83 The Council need also to be aware that if the internal issues at Northiam do not improve to Rother's satisfaction, Rother is entitled to carry out a Community

Governance Review in consultation with the local community (which could have as an outcome a recommendation for the dissolution of Northiam Parish Council).

3.84 In conclusion, the onus must be on Northiam Parish Council to adopt the recommendations noted in this report and bring about modified behaviours and the cultural change that is required to enable the Council to function effectively. Councillors must strive to work out their differences maturely and professionally and ensure that they are properly holding the CIC to account in line with the Management Agreement. Otherwise the Council needs to be aware that if the internal issues in Northiam Parish Council do not improve, it could find itself the subject of a Community Governance Review including the option to dissolve the Parish Council.

Recommendations

R39 Where Northiam Parish Council needs to use external support to comply with these recommendations, they should consult with Rother District Council and the East Sussex Association before agreeing such support to ensure they have considered all the options and are obtaining expert advice at value for money.

R40 Northiam Parish Council should develop an initial implementation plan within six weeks of receipt of the report which should be shared with the Monitoring Officer of Rother District Council. They should also report on their progress in implementing this action plan to the monitoring officer in six months and again in 12 months after the date of the plan.

R41 If the new Council is still not operating effectively and relationships have not improved after this 12-month review Rother District Council should consider a full review of the viability of the Council continuing.

Appendix A

Summary list of recommendations

R1 The Parish Council should formalise the separation of CIC meetings (called SFF Committee) from Full Council meetings.

R2 To undertake a full audit of the CIC Management Agreement and reporting on the CIC lease. There is a need for the scrutiny of CIC management accounts and use of funding to be assessed and a process for proper definition and accounting to be put into place by the Parish Council.

R3 There need to be agreed objectives between the CIC and the Parish Council and there should be regular reporting back from the CIC to the Parish Council against those agreed objectives.

R4 The Parish Council should consider its staffing requirements to ensure that it is properly resourced to support its scrutiny of the CIC. This may include appointing a CIC Liaison Officer or more generally a project officer so that there is better liaison and scrutiny of the CIC and the Parish Council's interests are better protected.

R5 To review the Terms of Reference of the SFF Committee and consider with the CIC whether the Parish Council Chair and/or Deputy Chair should be ex officio directors of the CIC. This should include an agreement as to what matters are delegated to the Committee and which issues relating to the CIC must be signed off by Full Council.

R6 The Parish Council should work with the CIC and wider community to develop a strategic plan for the village including the use of SFF (see section below on wider vision for the Council). This should include in particular a 10-year plan for the CIC with measurable targets and objectives to allow for proper budget forecasting and management.

R7 That the Council put in place a detailed training programme on the role of the Parish Councillor, understanding the role of the Clerk, understanding delegated authority, chairing and meeting skills, the Code of Conduct (in particular to improve understanding of requirements around registration and declarations of interest), financial regulations and other matters.

R8 That councillors recognise that they cannot speak on behalf of the Council unless authorised by the Full Council to do so. Any correspondence from individual councillors needs to make this clear

R9 The Council should develop an agreed understanding of the role and expectations for individual councillors when they are acting as Full Council, as committee members, as individuals and as representatives of the Council externally.

R10 That councillors understand their fiduciary duties and vicarious liability and be reminded that they are all individually and severally liable for the finances and employment practices of the Council. Individual councillors should therefore be reminded that they should not act alone and unilaterally once Council collectively has made a decision or agreed a course of action. Nor should councillors act alone on issues such as tree felling without proper insurance and risk assessment.

R11 The Council needs to review its staffing needs. In particular it needs to recruit a permanent Clerk who is CiLCA qualified.

R12 The Council and the Clerk should agree a work schedule to ensure that staff's limited availability is focussed and that there are realistic expectations on their time.

R13 The Council needs to agree a councillor-officer protocol which would include a shared agreement as to the circumstances when councillors should have access to officer time and how the Clerk should respond to queries from individual councillors.

R14 The Councils should review its policy as to how correspondence is dealt with and responded to without absorbing the limited administrative resources available to the Council. This would include an agreed policy for dealing with persistent or vexatious correspondence.

R15 The Council should agree how governance issues should be raised in meetings to allow reasonable discussion but also to allow other business to be transacted.

R16 Once the Council has set a long-term strategy it should review whether its current staffing structure is in line with that strategy and able to help the Council deliver it and that the clerk's key performance objectives and time are geared to deliver that strategy.

R17 The Council need to understand and recognise the role of the Clerk and RFO to ensure health and safety regulations are being adhered to and any actions requiring payments are shown to be transparent and according to financial regulations.

R18 The Council should ensure that the Clerk and the Council make best use of external support and advice from its memberships of professional bodies.

R19 The Council should ensure that there is an appropriate performance appraisal framework in place for the Clerk which supports development of the Clerk and ensures performance is rewarded accordingly.

R20 The Parish Council should sign up to the Civility & Respect Pledge and collectively agree what language is and is not appropriate in meetings and correspondence among councillors and with the Clerk, how such language should be challenged in meetings and how meetings can be run more

efficiently without getting bogged down in minutiae nor stifling legitimate debate. Behaviour needs to be re-set.

R21 The Council needs to adopt an email policy, for example that no member shall send more than two emails a day to the Clerk and no email should be more than a page of A4 in length. If the policy is breached the Clerk will simply reply to say that the email will not be responded to as it falls outside the policy. There may be exceptions for significant urgent matters but the Council as a whole shall agree a definition of what those exceptions should be. All emails should go through the Clerk.

R22 All councillors should give an undertaking to treat fellow councillors and officers with respect and not to make personal attacks on individuals or their integrity. Until such respect is shown the Council cannot move forward. If personal attacks are made in future the matter should be referred to Rother District Council who will deal with the matter against set criteria and will ensure that anything that falls below the Council's agreed standards is appropriately dealt with and breaches of the Code are sanctioned and publicised.

R23 All councillors should undertake that, where they have concerns about the way a decision has been made or a procedure followed they should discuss this with the Clerk and the Clerk should be allowed to give a ruling with reasons such as a reference to existing policy or legislation as to whether or not the concern is legitimate. This ruling should be communicated to all councillors. Where the concern is legitimate such a ruling should include the steps needed either to rectify the matter with an agreed timescale or the changes needed to prevent the matter re-occurring. Where the majority of councillors accept that the concern has been dealt with, the matter cannot be raised again for six months.

R24 The Council needs to update its Standing Orders and Financial Regulations.

R25 Payment of accounts needs to be resolved immediately and the Council needs to formalise the role of RFO and financial matters need to be put onto a firmer footing, in particular with proper budgeting measures implemented.

R26 A full suite of policies need to be in place and published on the website. These should include:

- Equal Opportunities Policy
- Disciplinary and Grievance Policy
- Health and Safety Policy
- Sickness and Absence Policy
- Code of Conduct, Complaints Policy
- Councillor-Officer Protocol
- FOI requests and publication scheme
- Data Protection (GDPR) Policy
- Bullying Policy, and a

- **Recording of Meetings Policy.**

R27 The Council need to formalise a Trees and Open Space Maintenance Policy, and Severe Weather Policy with appropriate Risk Assessments in place.

R28 The Council needs to adopt a Communications and Social Media Policy which would cover both appropriate use of social media by individuals and the Council's own approach to communications and social media as an organisation. In particular it should consider producing its own newsletter to be delivered to every household in the parish, and to develop a Facebook page.

R29 All councillors need to be familiar with Standing Orders and should have a pack which contains all policies, Financial Regulations and Standing Orders that they bring to each and every meeting to aid understanding and avoid confusion.

R30 The 'three-minute' rule in Standing Orders should be enforced and all councillors should support the Chair in ensuring the meeting is run efficiently and without conflict. The rule may be waived in exceptional circumstances where an agenda item is of particular significance but this must be agreed at the start of the agenda item and a revised time limit (say five minutes) agreed.

R31 The Council should set an agenda with indicative timings so that the meeting can be progressed and the timetable waived only with agreement at the meeting.

R32 The Council needs to have clear rules for public participation which should limit contributions to allow council business to progress.

R33 Minutes should be agreed at the following meeting. Amendments can only be proposed by those who attended the meeting and should be factual only rather than opinion.

R34 Minutes are a record of the decisions made at meetings and whilst some brief narrative is required they should not be verbatim but should serve to help anybody understand the process by which a decision is made. So they should be written to make clear the decision taken with some brief summary of matters considered for and against.

R35 Meetings should be uploaded to the website with supporting papers and the web pages of the Council kept up to date with councillor details and a link to registers of interests.

R36 The Council should develop a process for strategic planning with a view to the new Council developing a strategic plan for its term of office, to be agreed by the Council collectively. This should be a fully costed and resourced long-term strategic plan for the parish and the community, including strategic aims for SFF.

R37 The Council should engage with the community and with the CIC in developing its long-term plan and should review its communication strategy in conjunction with the public to evaluate its effectiveness and ensure that the public understands the work of the Parish Council, is engaged in developing a vision for Northiam and is able to participate more fully in local decision-making. This engagement work needs to demonstrate the value of the Council to the community and encourage the community to become engaged in shaping the future.

R38 The Council Chair and Clerk should look to learn from and share best practice with outstanding local councils both in developing strategy and a communications policy.

R39 Where Northiam Parish Council needs to use external support to comply with these recommendations, they should consult with Rother District Council and the East Sussex Association before agreeing such support to ensure they have considered all the options and are obtaining expert advice at value for money.

R40 Northiam Parish Council should develop an initial implementation plan within six weeks of receipt of the report which should be shared with the Monitoring Officer of Rother District Council. They should also report on their progress in implementing this action plan to the monitoring officer in six months and again in 12 months after the date of the plan.

R41 If the new Council is still not operating effectively and relationships have not improved after this 12-month review Rother should consider a full review of the viability of the Council continuing.

Rother District Council

Report to: Audit and Standards Committee

Date: 4 December 2023

Title: Dispensation Policy

Report of: Linda Walker, Interim Monitoring Officer

Purpose of Report: To consider the proposed dispensation policy.

Officer

Recommendation(s): **Recommendation to COUNCIL:** That the proposed Dispensation Policy be approved and adopted and incorporated into the Council's Constitution at Part 5, Codes and Protocols.

Introduction

1. Following the adoption of a new Code of Conduct (CoC) based on the Local Government Association's model Code in May this year, the adoption of a Dispensation Policy is required, as the provisions around the granting of dispensations are not included within the Code, as had previously been the case.
2. Currently, the Council's Monitoring Officer has the power to grant a Member or Co-opted Member a dispensation from the restriction on speaking and/or voting when any matter in which that person has a disclosable pecuniary interest is to be considered at a meeting of the Council or any of its committees, sub-committees, joint committees or joint sub-committees.
3. The Localism Act only provides that an authority *may* grant a dispensation (to allow a Councillor with a Disclosable Pecuniary Interest (DPI) to participate in discussion of the matter at the meeting and/or to participate in any vote taken on the matter at the meeting) rather than that it *will* grant a dispensation. Therefore, it is helpful for the Council to consider in advance the circumstances in which a dispensation is likely to be granted or refused and agree a policy in this regard.

Proposed Policy

4. The proposed policy is attached at Appendix 1 and is essentially the same as that previously contained within the old CoC, together with the additional clause that no Member will be granted a dispensation to speak to and /or vote on any regulatory matter in which they have a DPI, such as their own planning / licensing application.

Conclusion

5. Members are asked to consider the proposed dispensations policy, suggest any amendments thereto and recommend to Council its approval and adoption.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No
<hr/>			
Chief Executive:	Lorna Ford		
Report Contact Officer:	Linda Walker, Interim Monitoring Officer		
e-mail address:	MonitoringOfficer@rother.gov.uk		
Appendices:	Appendix 1 – Dispensation Policy		
Relevant Previous Minutes:	AS23/24		
Background Papers:	None		
<hr/>			
Reference Documents:	LGA Code of Conduct Guidance Localism Act		

Rother District Council

Dispensation Policy

1. Where a Member is prohibited from voting on or participating in discussions on matters in which they have a disclosable pecuniary interest or other registerable interest or non-registerable interest, a Member may on written notice to the Monitoring Officer (by letter or email) request the grant of a dispensation to permit them to participate in the voting or discussions on such matters. A proforma is attached for this purpose.
2. Any written notice given by a Member to the Monitoring Officer in accordance with paragraph 1 above must:
 - (a) Be given:
 - (i) At least five working days before a meeting at which the relevant matter falls to be discussed; or
 - (ii) At least 24 hours before a meeting at which the relevant matter falls to be discussed, exceptionally, where circumstances require, and at the absolute discretion of the Monitoring Officer.
 - (b) Provide details of the matter to be voted on or discussed at a meeting and the nature of the Member's interest in that matter;
 - (c) Specify the grounds on which the dispensation is applied for in accordance with paragraph 3 below;
 - (d) Specify whether a dispensation is requested for a single meeting or on an on-going basis (up to a maximum of four years).
3. A dispensation requested under paragraph 1 may be granted only if, after having regard to all relevant considerations, the Monitoring Officer is satisfied that one of the following grounds for the grant of dispensations applies:
 - (a) Without the dispensation the number of persons prohibited from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business (quoracy); or
 - (b) Without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business (political balance); or
 - (c) Granting the dispensation is in the interests of persons living in the authority's area; or
 - (d) Without the dispensation, each Member of the authority's executive would be prohibited by Section 31(4) of the act from participating in any particular business to be transacted by the authority's executive; or

- (e) Considers that it is otherwise appropriate to grant a dispensation.
4. For the avoidance of doubt, a dispensation will not be granted to any Member to speak to and/or vote on any regulatory matter in which they have a Disclosable Pecuniary Interest, such as their own planning / licensing application.
 5. A dispensation granted in accordance with this policy must:
 - (a) Specify the period for which it is granted which must not exceed four years; and
 - (b) Specify whether the dispensation allows the Member to take part in discussions on and/or vote on the matter in which they have a disclosable pecuniary interests or other registerable interest or non-registerable interest.
 6. Any Member who has been granted a dispensation must declare the nature and existence of the dispensation before the commencement of any business to which the dispensation relates.
 7. A copy of the dispensation shall be kept with the Register of Members' Interests and reported to the next Audit and Standards Committee meeting which considered standards-related matters.

Application for a Dispensation

Councillor:			
Date applied:		Date / Meeting required:	
State the details of the matter / and nature of your interest:			
Specify the grounds you believe apply:	<p>I believe I should be granted a dispensation on the following grounds (delete those that do not apply):</p> <ul style="list-style-type: none"> (a) Without the dispensation the number of persons prohibited from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business (quoracy); or (b) Without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business (political balance); or (c) Granting the dispensation is in the interests of persons living in the authority's area; or (d) Without the dispensation each member of the authority's executive would be prohibited by Section 31(4) of the act from participating in any particular business to be transacted by the authority's executive; or (e) Considers that it is otherwise appropriate to grant a dispensation - give reasons here: 		
Period:	<p>I would like the dispensation to apply (please delete):</p> <ul style="list-style-type: none"> (a) For the whole term of my current office (maximum 4 years); OR (b) For the meeting stated above only. 		

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Auditor's Annual Report on Rother District Council

2022/23

November 2023
Page 57



Agenda Item 11

Contents



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

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



Page 58

Section	Page
Executive summary	03
Use of auditor's powers	06
Securing economy, efficiency and effectiveness in its use of resources	07
The current LG landscape	08
Financial sustainability	10
Financial governance	16
Improvement recommendations	18
Governance	22
Improvement recommendations	26
Improving economy, efficiency and effectiveness	30
Improvement recommendations	35
Follow-up of previous recommendations	38
Opinion on the financial statements	47
Appendices	
Appendix A – Responsibilities of the Council	49
Appendix B – An explanatory note on recommendations	50

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements	Direction of travel		
Financial sustainability	Risk of significant weakness identified in relation to the use of reserves planned within the Medium Term Financial Plan.	A	Following investigation into the risk no weakness in arrangements has been identified. Improvement recommendations have been made.	A	No significant weaknesses in arrangements identified. Improvement recommendations were made which have been partially responded to.	↔
Governance	No risks of significant weakness identified	A	No significant weaknesses in arrangements identified, but improvement recommendations made to support the Council in improving arrangements.	A	No significant weaknesses in arrangements identified. Improvement recommendations were made which have been partially responded to.	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	A	No significant weaknesses in arrangements identified, but improvement recommendations made to support the Council in improving arrangements.	A	No significant weaknesses in arrangements identified. Improvement recommendations were made which have been partially responded to.	↔

Page 59

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (continued)



Financial sustainability

The Council continues to operate in an increasingly uncertain financial environment. For 22/23 the Council set a budget that required the use of £3.2m of reserves to meet a breakeven position. At year end the Council produced a better than anticipated outturn position, breaking even with the use of £1.7m fewer reserves than planned for in the initial budget. Within this there were overspends resulting from the under-delivery of savings and cost pressures but these were offset by lower than anticipated finance costs due to slippage in the capital programme.

The Council continues to face financial challenges in terms of the medium term financial outlook and savings. This is predominantly due to being unsuccessful in its programme to transfer certain discretionary services to Bexhill Town Council and other town and parish councils.

Should the anticipated medium term financial gap materialise in totality, at the same time as continued non-delivery of the Financial Sustainability Programme in its current form in full, the Council's reserves would not be sufficient beyond the current medium term planning horizon. The Council is already taking steps to identify savings with budget holders, outside of the Financial Sustainability Programme, via the Service Planning Review, as well as continuing negotiations around the transfer of discretionary services. The Service Planning Review is currently in progress with schemes proposed in excess of the target set, these are currently being reviewed for robustness and will be mobilised from 24/25. As such the Council is taking steps to protect its reserves and ensure finances are sustainable in the longer term.

Based on the current assumptions of delivering £1.1m savings in 23/24 and recurrent savings of £1.9m in later years of the Medium Term Financial Plan the current budget gap forecast is affordable with the reserves held, and they would remain within the Council's minimum reserves usable reserves threshold of £5m for the life of the MTFP. We have made a multi-faceted improvement recommendation in relation to savings to highlight the importance of achieving savings to protect reserves going forwards. Should the Council be unsuccessful in addressing the medium term budget gap, **and** identifying additional savings in the Service Planning Review for 24/25 onwards, the worst case scenario in relation to reserves could be a reality and a weakness in arrangements may exist in future years. This will be assessed as part of the Value for Money Work in 23/24.

Another area of financial challenge is the Council's capital programme which continues to experience slippage. As a result the Council has taken the decision to pause the capital programme, with the exception of a few in progress projects, to undertake a fundamental review on a project by project basis of affordability. Option appraisal is expected to be presented to members on a project by project basis to aid decision making and update the programme as it currently stands. The Council has benefited from lower finance costs due to the slippage but to the disadvantage of residents who would benefit from the improved estate.

Overall we have not identified a weakness in arrangements based on the current financial forecasts and information available, however we have raised improvement recommendations and highlighted the potential future risk around the impact of savings on reserves which we will follow up in 23/24.



Executive summary (continued)



Governance

For the most part governance arrangements around risk management and financial governance have remained consistent with the prior year. The Council has undertaken an internal review of their governance arrangements against the Local Code of Corporate Governance to identify areas where improvements could be made to arrangements to achieve best practice. Many of our and Internal Audit's findings in the year concur with this internal review. The Council should now seek to take forward findings from each of these reviews and ensure effective monitoring of progress takes place. The Council historically has a poor track record of timely response to recommendations from such reviews, however we have noted improvement in addressing historic Internal audit recommendations in year. Prior year Value for Money improvement recommendations remain a work in progress (see our Follow Up section) and therefore these require ongoing attention.

Overall, we have made some improvement recommendations that represent actions that could be taken to achieve best practice, however none of these points represent a significant weakness in arrangements.



Improving economy, efficiency and effectiveness

In the prior year we highlighted potential opportunities for unit cost improvement in homelessness, street cleansing and waste collection. In 22/23 the Council has continued to take extensive action, in particular, in the homelessness service. This has yet to have an impact with the service being an area of overspend in 22/23 and pressure in the 23/24 budget. A time lag is expected between the actions taken and the impact observed but to date the response has been positive. Street cleansing and waste collection services were not highlighted as areas of significant overspend and pressure within the budget documentation.

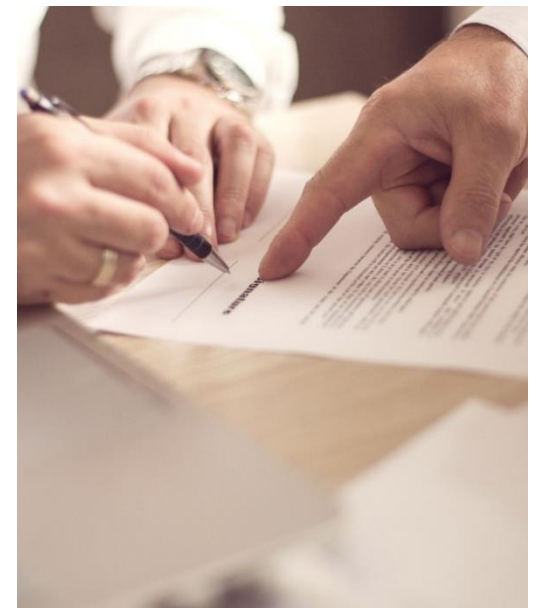
Internal Audit reviews for the 22/23 year include 5 limited assurance reports compared to 3 in the prior year. Despite the increase the year end Internal Opinion confirms that arrangements are adequate and provides an opinion of positive assurance, however they have expressed the need to prioritise responses to the recommendations made in their reviews to ensure that the opinion in future years is not negatively impacted by further increases in the number of reviews with this rating. Most of the "limited" assurance ratings given in 2022/23 were a result of the number of smaller issues found rather than a complete failure of the internal control environment, there being only 2 high priority recommendations made.

In the prior year we reviewed the arrangements the Council made in setting up its Housing Company, Rother DC Housing Limited, with no significant issues identified but the opportunity for improvements to made. The Council has continued to review arrangements and has been able to formalise several policies, procedures and other governance arrangements. The Company is still in a transitional phase and so there continues to be iterative improvements that could, and are, being made. Notably, the Company Board membership reduced in year as a result of Council elections, leaving membership below quorate thresholds for decision making. No decisions were made during this period and recruitment of two new Non-Executive Directors has taken place to rectify this issue and provide some contingency going forward.

Overall, we have made some improvement recommendations that represent actions that could be taken to achieve best practice, however none of these points represent a significant weakness in arrangements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by Council officers, Council Members and external stakeholders with whom we have engaged during the course of our review.



Use of auditor's powers

We bring the following matters to your attention:

2022/23

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make an application to the Court.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue any advisory notices.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for judicial review.

Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

Page 63



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 10 to 38

The current LG landscape



National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The Government announced the Provisional Local Government Finance Settlement for 2023/24 in December 2022, with the Final Settlement confirmed in February 2023. The Settlement distributes a range of grants and business rate income allocations to local authorities, and these should be included in the annual budget. The Final Settlement for 2023/24 distributed £17.1bn of funding to local authorities, a 4.8% increase in cash terms from 2022/23. The Settlement also provides the Core Spending Power for local authorities, which is the level of resources assumed available to fund the net budget. Core Spending Power includes the levels of government grant for the coming year, for example revenue support grant and new homes bonus grant. It also includes assumed levels of business rate income.

Core Spending Power includes the assumption that local authorities will increase council tax up to the referendum limit, which for 2023/24 is 3% plus an additional 2% for upper tier authorities who provide adult social care services. District Councils can increase council tax by £5 or 3%, whichever is higher.

The Government will undertake Spending Reviews that set out government departmental budgets over a period of 3 years, including local government. These reviews are different to, but inform, the annual Local Government Finance Settlement.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current LG landscape



National context



Cost of Living Crisis

The rising costs of fuel, food and other essentials are combining with existing disadvantage and vulnerability and putting many households at greater risk of both immediate hardship and reduced opportunity and wellbeing.

Councils and local partners continue to do what they can to protect people against higher costs, targeting help at those facing the most complex challenges.

Councils' range of front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience.

The dramatic increase in inflation alongside increases to the National Living Wage, have added £2.4 billion in extra costs onto the budgets of Councils in 2022/23. In 2023/24 Councils are facing a funding gap of 3.4 billion, with a funding gap of £4.5 billion the following year.

To support its most vulnerable residents through the cost-of-living crisis, Councils face additional cost-pressures which will need to be addressed to avoid further cuts to vital frontline services.



Housing

Local Authorities work closely with registered providers for social housing to deliver England's social housing supply. Their work is regulated by the Regulator of Social Housing, using value for money as a key regulatory standard.

The housing sector faces significant economic challenge. In 2022, the Regulator estimated that half of housing providers' headline costs related to major repairs. Where Local Authorities have borrowed to finance housing, the margin for paying rising interest rates and setting aside repayment funds is becoming more difficult to achieve.

Managing trade-offs is difficult. Boards need to have a clear understanding of their organization's performance, and decisions need to be transparent for stakeholders. Local Authorities need to get the best out of the resources they have available for delivering safe, well-maintained homes. This means using effective procurement and contract management arrangements; adopting rolling plans of service reviews, supported by strong performance indicator reporting; recruiting and retaining staff with the right skills; and maintaining physical control over assets.



Workforce

Local government faces multiple workforce challenges including skill shortage in areas like social work and planning and the lessening attractiveness of local government as a career choice when staff can be paid more for less stressful work in other sectors.

The need for future workforce planning to ensure the Council has the appropriate staff, with the right skills, at the right time to deliver sustainable council services is therefore clear.

To achieve this aim, councils need to develop a workforce plan or strategy which not only sets out aims and aspirations but also a roadmap with numerical targets against which outcomes can be measured and assessed

The workforce strategy needs to be clearly linked with strategic objectives and financial planning.

Without a corporate workforce plan, Councils cannot take a strategic view of how the needs of the council in terms of human resources will develop over the medium term and appropriate development through training and recruitment may not be undertaken



Carbon reduction

The UK government has a target of 100% reduction in 1990 greenhouse gas emissions by 2050. Many of the carbon budgets set by the government are relevant to Local Authorities. By June 2022, more than 250 English Local Authorities in England had declared Climate Change Emergencies and set carbon reduction targets of their own.

To deliver value for money whilst also implementing carbon reduction, Local Authorities need strong processes. Carbon reduction costs need to be reflected within medium-term financial plans; funding needs to be consistent with other strategic priorities; costs need to be accurately recorded and monitored; and the relative costs of acting versus not acting need to be evaluated on an ongoing basis.

Climate change is often already reflected on Local Authority risk registers and where Local Authorities set themselves strategic goals around carbon reduction, effective processes for monitoring progress against those goals is needed. Training should be kept up to date both for executives and for members overseeing climate change and carbon reduction risk and performance. As legal requirements are evolving and new sources of funding and grants continue to come forward, horizon scanning for new duties and opportunities will also need to be vigilant.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures 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
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

22/23 Financial Performance

Members approved the 22/23 budget and medium term financial plan (MTFP) in February 2022. The budget, in line with legislation, was a balanced position consisting of net expenditure of £16.736m matched with income from key funding sources such as Council Tax, Business Rates, government grants and the planned use of £3.2m reserves to produce a breakeven position. Therefore, an underlying deficit position which has been mitigated by reserves built up in prior years. Our work in the prior year confirmed this position was affordable in the short term.

The forecast outturn position is monitored by the Finance Team and reported to members quarterly. The year end outturn position for 22/23 demonstrates that the Council achieved its breakeven position with £1.7m less than planned from its reserves, utilising £1.5m of the planned use of £3.2m. Although this is positive in one respect, as it represents a better reserves position than planned, in another respect reserves have still been used to balance the budget. In the medium to long term this would be an unsustainable practice as reserves are finite and therefore once used require replenishment to be able to protect the Council against future financial uncertainties.

The driver of the better than anticipated performance was a £1.5m surplus in relation to financing costs predominantly as a result of lower than anticipated borrowing costs due to delays with the delivery of the capital programme and therefore those financing costs are likely to impact the budget in later years.

23/24 Budget and Assumptions

The Council's budget was finalised and approved by Full Council on 6 February 2023. The Council's spending power is predominantly determined by the Local Government Settlement, which is announced annually and provides funding to the Council on a one-year basis. The MTFP and budget was based on the provisional figures, with the final settlement announced after preparation of these. The Council's quarterly budget monitoring does allow for revisions to the budget should significant new information become available and no changes were made in the final settlement affecting the Council's budget.

The Council set a balanced budget for 23/24 which matched net expenditure of £16.7m to available funding. The Council's Medium-Term Financial Strategy and 23/24 budget continues to rely on the main sources of funding, commonplace across the sector, and also receives income for fees and charges for certain services which net off overall expenditure.

The Council continues to use a roll forward approach when setting its annual budget, using the prior year as a starting point. In the prior year we highlighted that the Council would need to review assumptions, particularly in relation to expenditure, when setting the 23/24 budget to ensure they remained realistic after identifying optimism in relation to expenditure assumptions.

In relation to expenditure a standard increase of 4.57% inflation was applied to non-pay budgets except for contracts where specific indices were applied. At the time of setting the initial MTFP inflation was 10.1% and remained relatively stable until the end of 22/23. Inflation has reduced in 23/24 and is currently at 6.7% (August 2023). The Bank of England expects inflation to be at 5% by the end of 2023 and to keep falling towards the target of 2% in 2024. The expenditure inflation assumed in the 23/24 budget is reasonable.

Pay inflation assumptions have been reviewed in the 23/24 budget setting process. Nationally Council staff generally have been offered a pay rise of at least £1,925 for 2023-24, equating to between 3.88% and 9.42% depending on their pay grade. The Council assumed 3% in the budget, and therefore could be deemed optimistic. A similar issue was highlighted in the prior year and therefore our prior year recommendation remains open (see 'Follow Up' section).

Key assumptions in relation to sources of income have been reviewed as part of the budget and remain realistic - including the council tax threshold being set close to the maximum allowable before a referendum, collection rates on council tax and business rates being in line with prior year actuals and fees and charges being increased in line with 10% inflation on average which is in line with inflation rates at the various iterations of the budget.

Financial sustainability (continued)

Although council tax remains a stable form of income, uncertainty around government grants and retained business rates continues to be a challenge across the sector. As these are funding streams the Council is highly reliant on there is scope for the Council to explore ways to diversify the sources from which it generates income. This is not without its financial risks, including potential upfront investment and exposure to market volatility, and therefore should not be explored without a sound business case and expert advice.

Medium Term Financial Plan (MTFP)

The draft MTFP was initially updated in September 22 and presented to members in December 22. It continued to be updated alongside the setting of the detailed annual budget which was finalized in February 23. The budget and MTFP have been through a rigorous review process involving finance, senior leadership, members, residents and budget holders with multiple opportunities to challenge and refine.

The MTFP spans a 5 year period, including 23/24, and was developed prior to the 22/23 outturn position being known. It is therefore based on the 22/23 MTFP with updates to assumptions. The final draft determined a budget gap in 3 of the 5 years of the MTFP, with recovery and contribution to reserves forecast in 26/27 and 27/28. The total budget gap over the 5 year period totals £2.9m, some 3.7% of total net cost of services. Typically, based on our experience within the sector, we would consider a gap over and above 5% of total net cost of services to be indicative of a significant risk to financial sustainability. Updated information was provided to members in September 23 reflecting the emerging position in 23/24 which increases the total budget gap to £3.7m over the period, and recovery via contribution to reserves in only one of the years being forecast. The total budget gap over the entire medium term remains below 5% of net cost of services.

The budget gap is greater than 5% in 23/24 and 24/25. However given there are sufficient reserves available to support the full 5 year deficit (see reserves section); recovery is planned in latter years and the Service Planning Programme planned in 23/24 will fully review the cost effectiveness of services to identify how efficiencies, provides some assurance that actions are being taken to address the issue. We made a similar comment in the prior year, that the latter years of the MTFP showed recovery and contribution. The same is observed in the 23/24 MTFP – recovery in latter years but a budget gap over the totality of the MTFP. Therefore timeliness and pace of recovery remains an issue. This suggests that the medium term gap is ultimately not being addressed but being pushed on by a year each time the budget is set. See our comments on savings which are aimed at addressing this issue.

	23/24	24/25	25/26	26/27	27/28	Total
Final 23/24 Budget and MTFP February 23:						
Net Cost of Services	16.7	15.4	14.9	14.8	15.1	76.9
Funding Gap/(Contribution to Reserves)	2.0	0.9	0.3	(0.2)	(0.2)	2.9
Gap as % of NCS	12.18%	6.03%	1.80%	(1.09%)	(1.29%)	3.74%
Member Update September 23:						
Funding Gap/(Contribution to Reserves)	2.2	1.1	0.4	0.0	(0.1)	3.6
Gap as % of NCS	13.17%	7.14%	2.68%	0.00%	(0.66%)	4.68%

Savings

The Council established its Financial Sustainability Programme (FSP) in March 21 to deliver efficiencies in 21/22 to 23/24, assuming that recurrent savings of £2m would be made each year. The Council has had a challenging track record in delivering this programme and as a result the programme has not delivered in full within the 23/24 budget as anticipated.

For 22/23 the programme delivered £91k savings compared to a £635k target, a significant under-delivery of 85% and a worsening position from 21/22 when 69% was under-delivered. Despite this under-delivery in 22/23 the Council was able to deliver a balanced budget with the use of £1.7m fewer reserves than initially planned due to underspends elsewhere in the budget. The Council is undertaking a full affordability review of the Capital Programme however development of housing via the Housing Company remains a medium term priority and therefore finance costs are unlikely to remain low in the medium term. Therefore the Council will need to ensure that it equally prioritises development of the Capital Programme and Savings Programme simultaneously at the same pace to avoid exposing itself to financial risk on both fronts **(Recommendation 1)**

The savings within the programme rely heavily on the Protection of Discretionary Services Strategy, devolving delivery of certain discretionary services and associated assets, to Bexhill Town Council and other local parish councils under a phased approach.

Financial sustainability (continued)

The savings under-delivery is driven by the fact that the Council has not yet been able to complete the first phase of this devolution process, which is the transfer of 14 public conveniences to Bexhill Town Council, originally aimed to complete by April 23. Phase Two would be the devolvement of all other identified services in the programme to the relevant town and parish councils following completion of Phase One, with an original target date of April 24.

Bexhill Town Council deferred the decision to take on services until after the May 2023 local elections meaning that any potential savings from devolving public conveniences couldn't be realised in the original timeframe of 1 April 2023. The budget and MTFP have been updated to reflect this with a new target date for Phase One of April 24 and as a result the expected 23/24 savings from the programme reduced from £2.1m to £1.1, with recurring savings expected from 24/25 onwards.



The Council continues to liaise with Bexhill Town Council and the transfer is a regular discussion point at their Asset Transfer Committee. The Town Council has requested a full and final deal in relation to the transfer of services and assets be presented to their committee in November 23. Achievement of the 23/24 savings target of £1.1m is dependent on the success of that meeting, should negotiations be unsuccessful Phase One of the programme will likely be unachievable. In order to minimise the impact of such an outcome the Council should seek to mobilise discussions in relation to Phase Two with the remaining town and parish councils alongside Phase One to bring forward the transfer of other discretionary services in the programme where possible **(Recommendation 1)**.

In order to maximise the success of Phase Two, and any future savings programmes, the council should seek to do a deep dive exercise into Phase One to ensure that lessons can be learned to applied to these other programmes **(Recommendation 1)**.

In Q1 of 23/24 to date the FSP is forecast to under-deliver by £906k due to the continuing negotiations with the Town Council in relation to Phase One of the devolution of discretionary services and anticipation of this phase of the programme being removed from the programme. Non-achievement of the FSP in full and the anticipated budget gap included in the 23/24 budget is a total gap of £3.3m that would be met from reserves.

This highlights how highly reliant the Council is on the Protecting Discretionary Services Programme and suggests that the Council may now need to diversify the type of savings it seeks to make **(Recommendation 1)**.

We are aware from discussion with officers that a key response to this recommendation is the Service Planning Review which was initiated in December 22 by the previous Chief Finance Officer (CFO), with the aim of delivering savings from this from 24/25 onwards. This has been taken forwards by the current CFO in the 23/24 year with the aim of generating £700k of recurring savings. Proposals from budget holders have generated proposals in excess of this amount across 7 workstreams, which are currently being reviewed for achievability and affordability by the Finance Team and members. It is important that the nature of these schemes is considered in this review as the Council will need to focus on transformation projects which will generate multi year savings and efficiencies as opposed to one-off, non-recurrent, target percentage reduction of costs which can be challenging to sustain and replicate year on year **(Recommendation 1)**.

Reserves

The Council's designated Section 151 Officer, the Chief Finance Officer, confirms in their Section 25 Statement to the approved 23/24 budget that they are satisfied with the adequacy of the Council's Reserves. The budget and MTFP were finalised prior to the confirmation of the 22/23 outturn position and balanced the revenue budget for 2023/24 by the planned use of £2.035 million from its usable general fund and earmarked reserves. Additional budget gaps in the medium term mean, pending alternative solutions being identified, there could be a further call on reserves in later years. The Council has a clear aim to keep its general fund and earmarked reserves above a minimum threshold of £5m as this is determined to be the appropriate level to protect the Council from future financial pressures. There is no formal definition as to what constitutes adequate reserves, but Grant Thornton's view in their publication 'Lessons Learned from Public Interest Reports' from 2022 is that reserves should be a minimum of 5% of net spending and preferably be somewhere between 5% and 10% of the net cost of services (NCS).

Based on the available financial information at the time of setting the 23/24 budget and MTFP the Council anticipated that the use of £2.035m of reserves factored into the budget (this has since increased to £2.5m in Q1 of 23/24) would reduce these reserves to £5.3m and therefore within the Council's own threshold. However, in the medium term, the estimated budget gaps in the MTFP would reduce the available reserves below the Council's minimum threshold. This would therefore be an early signal of potential unsustainable use of reserves against the advice of the Chief Finance Officer should the gap require reserves to be used. This also increases the Council's vulnerability to being able to cope with unexpected cost increases.

Financial sustainability (continued)

Final 23/24 Budget and MTFP February 23:	23/24	24/25	25/26	26/27	27/28
Net Cost of Services	16.7	15.4	14.9	14.8	15.1
Reserves:					
Earmarked and GF Opening	7.5	5.3	4.2	3.8	3.8
Use/Contribution to Fund Capital	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)
Use/Contribution to Balance Budget	(2.0)	(0.9)	(0.3)	0.2	0.2
Total	5.3	4.2	3.8	3.9	3.9
Within Council Threshold?	Yes	No	No	No	No
% of NCS	31.74%	27.27%	25.50%	26.35%	25.83%
Within GT Expectation?	Yes	Yes	Yes	Yes	Yes

Page 69
 In actuality, once the 22/23 outturn position was finalised, this produced a reserves position in excess of what was anticipated and therefore increasing the opening position for 23/24 and increases the expected balances in the medium term, ensuring that the Council's £5m threshold set internally is not breached.

The current forecast outturn for the 23/24 financial year as at 30 June 2023 indicates a deficit position of £2.811m at 31 March 2024, against a budgeted deficit of £2.21m, a variance of £0.6m which would be met from reserves. The position is driven by the anticipated under-delivery of the FSP. Should the Council need to fund both non-delivery of the FSP and the medium term budget gap in full from reserves, which is a worst case scenario assumption, then reserves would fall below the Council's £5m minimum threshold in 25/26 and be fully depleted by 27/28. Therefore, in the short-term reserves are sufficient to support the forecast position. However, reliance on reserves is not a sustainable approach and it is imperative that the Council continues to deliver on key initiatives such as the Financial Stability Programme and the Service Planning Review, which are aimed at generating additional income and cost savings, to ensure that the medium term position is affordable. The Service Planning Review is underway with delivery expected from 24/25, £1m of savings have already been proposed against a target of £700k and are being reviewed by budget holder, finance and members for suitability. The MTFP currently assumes that savings of £1.1m in 23/24 and £1.9m in latter years is achievable, based on historic trends of less than 100% delivery it may be more realistic to include an adjustment or contingency for optimism bias (Recommendation 1).

Updated Position Following 22/23 Outturn	23/24	24/25	25/26	26/27	27/28
Reserves:					
Earmarked and GF Opening	12.8	10.0	8.9	8.5	8.6
Use/Contribution to Fund Capital	(0.3)	(0.2)	(0.1)	(0.1)	(0.1)
Use/Contribution to Balance Budget	(2.5)	(0.9)	(0.3)	0.2	0.2
Total	10.0	8.9	8.5	8.6	8.7
Within Council Threshold?	Yes	Yes	Yes	Yes	Yes
% of NCS	59.88%	57.79%	57.05%	58.11%	57.62%
Within GT Expectation?	Yes	Yes	Yes	Yes	Yes

Earmarked and GF Opening	12.8	8.9	5.9	3.6	1.8
Impact of Undelivered FSP	(1.1)	(1.9)	(1.9)	(1.9)	(1.9)
Use of Reserves for Capital and to Balance Budget	(2.8)	(1.1)	(0.4)	(0.1)	0.1
Total	8.9	5.9	3.6	1.8	0.0
Within Council Threshold?	Yes	Yes	No	No	No
% of NCS	53.29%	38.31%	24.16%	12.16%	0.00%
Within GT Expectation?	Yes	Yes	Yes	Yes	No

Capital Programme

The Council has a 5 year capital programme totalling £156m which was set during the 23/24 budget process. Following reprofiling at Q1 of 23/24 the Council is expecting to deliver £27m in 23/24 and £128m over the remaining life of the programme to 27/28. The budget was calculated on the assumption that the pace of the Council's capital programme would accelerate significantly once lockdown had finished, however this has not been the case, with the programme being reviewed and reprofiled within each budget and budget monitoring report and therefore shifting projects into the medium term.

Financial sustainability (continued)

In 22/23 the Council spent £23.4m on capital projects which is more than £150m lower than the revised budget for the year. We also noted an underspend in our 21/22 work. At Q1 of 23/24 £2.4m has been spent which is 8% of the revised 2023/24 capital budget. This pace of spend suggests that there is a risk of significant underspend against the annual programme. There is no information on the expected year end forecast against the £27m programme for the year and therefore this information could be improved (Recommendation 4 – linked to Financial Governance).

In addition within Q1 of 23/24 £8.2m of capital spend has already been reprofiled into the later years of the programme. Common causes of continual slippage are a lack of adequate underlying governance and project management arrangements including a project management framework, communication plan and monitoring framework for each project with clear roles and responsibilities established between project teams and finance. Internal Audit undertook a review of the Capital Programme in year and issued a limited assurance judgement. Their findings concur with these common causes and as such we recommend that a clear project management framework is developed as a key tool for managing all projects in the programme and training is delivered in relation to using this to ensure it embeds and is used consistently (Recommendation 2).

The Council has begun to respond to this recommendation and in April 23 a restructure has taken place resulting in the creation of a programme and project team with an experienced head responsible for corporate governance and risk management of projects. The Council has specifically recognised a lack of consistency and standardized toolkit within project management. We note that the 23/24 Internal Audit Plan includes a 20 day audit of Corporate Project Management and 25 days in relation to a significant and specific project - Blackfriars Spine Road and therefore will assist in ongoing review and improvement in this area providing the Council engage with any recommendations made.

The Council has taken the decision to pause all capital projects that are not already in train, such as the infrastructure element of the Blackfriars Housing project, to undertake a full option appraisal of all projects in the programme. This will allow the Council time to develop appropriate governance arrangements for when the programme re-starts as well as to test specifically assumptions in the original business cases against the current external financial situation. This should be prioritised for completion in 23/24 to ensure that the programme remains viable and affordable with the aim of reducing further slippage in the medium term due to delays and reduce cost overruns (Recommendation 2).

We would expect that members are sighted on the outcome of this, we are aware this has taken place informally and via member away day presentations, and once complete formal option appraisal is expected to be presented via the Council committee structure.

The Council has a Capital Strategy covering 22/23 to 26/27. It is intended to provide a view of how the programme will be funded, the revenue and treasury implications and determine the affordability of the detailed five-year Capital Programme.

Both the Strategy and Capital Programme include significant investment in new housing (both market, affordable and temporary accommodation) which links directly to a key priority in the Council's Corporate Plan. Housing provided via the Rother Housing Company, in particular, is experiencing slippage. The supporting road infrastructure is in progress but planning permission for the housing element of the project is still pending approval due to redesign and resubmission.

The housing projects, including those via the housing company, will be included within the option appraisal of the capital programme and therefore multiple expected phases of the programme will be reviewed. Whilst acknowledging that housing is a key priority within the corporate plan, the Council will need to ensure when reviewing the programme it considers capital schemes that contribute to the achievement of a range of its corporate priorities (Recommendation 2).

Alongside the Capital Strategy and Programme the Council would benefit from an asset management plan as this will assist in planning disposals alongside new projects, will help identify funding from capital receipts and ensure that assets are not used for longer than their useful life by developing a replacement plan. This has been recognised by the Council and an early draft developed by the CFO with the assistance of the Head of Housing. It is currently pending review by the Senior Leadership Team (SLT) but was not in place in 22/23 (Recommendation 2).

Treasury Activity

The Council updates its Treasury Management Strategy Statement and Annual Investment Strategy annually in line with the budget setting timetable to ensure the revenue impact of borrowing and investments is considered within the budget and clear borrowing and investment limits, prudential indicators and criteria are set. The Council did not breach any of these in 22/23, nor have we been made aware of any potential breach in 23/24.

The 23/24 budget assumes income of £586k from treasury activities (£342k in 22/23). This assumes an average rate of return across the portfolio of 1.98% (a small increase of 0.34% from prior year) based on advice from its external treasury advisors. We have reviewed the strategy and have not noted any additional risk taken by the Council to achieve this planned position. The Council continues to balance risk and reward within its risk appetite.

Financial sustainability (continued)

Between January 22 and January 23 the Council reduced its investments in Call Accounts by £16m, of which £6m was invested via a loan to Thurrock Council and the remainder was simply removed from investments to liquify the assets. These actions, alongside an additional loan from Local Authorities for £5m, reduced the Council's treasury position substantially. This is still a net investment position overall at £8.6m (compared to £23m) and the Council has complied with its prudential indicator prohibiting gross debt exceeding the total of its Capital Financing Requirement (CFR) in the preceding year plus its estimated CFR for the following two financial years, despite the additional loan.

Thurrock Council declared an inability to manage its financial affairs in December 22 after running up a £500m deficit. It is now under special measures and being run by a government-appointed team of commissioners. Rother's investment in Thurrock Council matured in February 23 and was repaid.

Environmental Considerations

In 2019, the UK Government passed legislation to bring all greenhouse gas emissions to Net Zero by 2050. This was to align with the commitments in the Paris Agreement to limit global warming to 1.5 degrees. The Council declared a Climate Emergency in 2019, pledging to be Carbon Neutral by 2030. It has subsequently published an Environment Strategy 2020 – 2030 setting out how that pledge will be achieved. The strategy was adopted, following extensive public consultation, in September 2020. Although the priorities within the strategy would be considered operational they will ultimately have a financial impact on the Council.

The Climate Change Steering Group meet monthly to review progress against the strategy and progress is also periodically reported to members via the Overview and Scrutiny Committee, who receive updates approximately every 6 months. Progress to date has been focused on Council Emissions Baseline and tree planting based strategies in terms of completed actions. In progress actions include village halls energy projects, electric vehicle charging points and a bio diversity audit. The Council has begun embedding sustainable practices within operational processes at the Town Hall, as well as some services and are working with partners and its communities to explore opportunities and implement projects that will help to achieve Net Zero as a District by 2030.

Actions are being taken to respond to this priority area, however at this stage these are not transformative in nature, with the exception of charging points. This is within expectations as the Council is 2 years into a 10 year strategy and so is in its infancy. Review of the MTFP and Capital Programme does not note any specific reserves, capital projects, cost pressure or budget growth related to carbon, net zero, climate or environmental strategy projects.

We would expect larger scale changes to take place in the latter years of the strategy and the Council will need to ensure they are factored into the MTFP and Capital Programme going forwards to ensure the environmental strategy is affordable across the medium and long term.

Following recommendation by Cabinet in June 23, members approved the Council's membership of the UK100 which is a network of local authorities who have pledged to get to Net Zero by 2030 for council operations and 2045, at the latest, for area-wide emissions. Membership is free and benefits include support, guidance and knowledge sharing and therefore increases the Council's pool of resources to achieve its strategy. Membership also signals the Council's intent to do its fair share and influence district-wide emission reduction and reaffirms its commitment to Net Zero.

Conclusion

Overall, although we have identified areas for improvement in arrangements, these represent actions to be taken to ensure best practice in ensuring financial sustainability and do not represent a significant weakness in current arrangements. The Council's financial arrangements remain appropriate.

Financial Governance

Budget monitoring

There has been limited change in the frequency, format and process of budget monitoring since 21/22, this is appropriate since we did not identify any weaknesses in arrangements or a significant number of improvements required. Liaison between finance and budget holders continues to occur monthly to prepare and provide financial information to the Senior Leadership Team (SLT) and ensures there is regular accountability of budget holders, with support from the CFO. This monthly review process ensures that variances are picked up promptly as the quarterly Cabinet schedule alone would not support this.

The format of the revenue monitoring reports is such that a variance is provided on an in quarter basis and the full estimated impact on the year end outturn. This is an important distinction to allow budget holders and decision makers to assess the full potential impact of the current variance and take action accordingly, prior to year end. Each variance, whether positive or negative, is explained and therefore there are no gaps in information and therefore budgetary control is deemed to be effective. In 22/23 actions and next steps in relation to negative variances were not included, however we note in Q1 23/24 monitoring that the most significant deficits do have some information to this effect and therefore efforts in the right direction have been made to respond to our improvement recommendation in the prior year.

Page 72

Capital monitoring

As in the prior year the Council monitors the Capital Programme quarterly alongside the Revenue Monitoring. The reporting is at individual scheme level so decision makers can clearly identify and challenge specific projects and take targeted action. In addition the fact that the reporting is within the same report as revenue allows the Council to monitor the revenue impact of capital performance on finance costs.

Monitoring reporting in 22/23 includes actual monthly performance and forecast outturn, as well as the variance, so members are clearly sighted on the impact of in year performance on the year end outturn. We note that the Q1 23/24 monitoring, although it includes greater information on reprofiling of the programme, only includes actual spend to date and variance and not the forecast position. Although at Q1 there is scope for much movement later in the year this forecast position is useful for aid in forward looking decisions and useful given that the Council is looking to review affordability of the programme. Most capital schemes have been paused currently, once the review of the programme is complete and schemes mobilised again we would recommend reinstating the forecast position in the monitoring reports (Recommendation 3).

Quarterly reporting is sufficient provided the capital programme has limited risk, at the end of 22/23 the programme is significantly behind plan by £150m and schemes paused while a full affordability review is undertaken. Therefore more frequent reporting and monitoring of the capital programme would be beneficial once the programme is re-mobilised to ensure that slippage can be addressed in a timely manner, and would be reflective of the risk being demonstrated in the programme to date (Recommendation 3).

Rother DC Housing Company was incorporated in December 2019, when the Council approved the establishment of a Local Authority Housing Company, with the initial aim to complete 1,000 new homes by 2035. Still in its infancy, the Company has taken on its first major project at the Blackfriars site in Battle. Construction on the Blackfriars site began in Spring 2022 on the road infrastructure element of the project. This element needs to reach a trigger point, expected in September 24, before the housing element of the development can take place. A submission for planning permission has been entered and is waiting approval which will also determine when work can start on the housing element. The project as a whole is considered to be behind plan for a number of factors including delays in the delivery of the infrastructure element and changes in key personnel. This ambitious project is being assessed along with others within the Capital Programme to identify the best way forward in challenging economic circumstances. The project has raised several member questions and a paper to Cabinet in July 23 was required to provide background, clarifications and updates on the project. There was only one paper prior to this in relation to the project in the 22/23 year. As such we would consider, for a significant project attracting member attention, that a regular stand alone agenda item on Blackfriars specifically would be beneficial for members to be presented with - covering non-financial KPIs, financial KPIs and progress against key milestones in the project plan. We would expect that the same framework could then be applied to future phases of the project as it progresses (Recommendation 3).

Savings monitoring

Last year we noted that the Financial Sustainability Programme would be overseen by a newly created Financial Sustainability Board. In 22/23 this board was superseded and the savings programme monitored via the quarterly budget monitoring reports as an overall figure. Should the Council diversify its savings programme away from devolution of services, members should be presented with sufficient information with which to assess the progress of savings schemes at individual project level. This is consistent with our recommendation in the prior year (see Follow Up section), however we do note that the key source of under delivery for 22/23 is the delay on the devolution of discretionary services which is appropriately reported within the budget monitoring reports.

The Council plans to fundamentally change the approach to savings monitoring for the 2024/25 budget process which ensures that a detailed plan is produced supporting each scheme ensuring each is transparent, realistic and achievable and allowing managers to take ownership and accountability for them. The savings planning exercise for 24/25 has already begun with recent CFO led sessions focusing on savings with Senior Leadership Team, Corporate Management Team and members via the Member Away Day.

Financial Governance (continued)

Budget setting

The budget setting process for 23/24 has remained stable since the prior year where no weaknesses were identified. Improvement recommendations were made and these have been followed up at our 'Follow Up' section.

The potential financial risks which the Council could face in the coming year are addressed implicitly within the 23/24 budget as opposed to being separately identified as a stand alone section in the budget for member discussion. Good practice would be to separately recognise the potential future risks to aid discussion on how they can be mitigated ahead of the financial year. Risks are tracked over the year through the variance analysis within the budget monitoring reports to help members to understand how they are emerging, taking action as required. The budget focusses on cost pressures, as opposed to risks. Cost pressures are built into the budget and funded, where as risk is the potential future scenarios the Council may need to plan for that have not yet emerged. Considering the probability and potential financial impact of these risks would assist the Council taking mitigating actions in advance should the risks identified start to crystallise. The Council does not undertake scenario planning in the 23/24 budget setting process which would ensure consideration of the impact of these factor, we have noted that this has taken place in the early update for the 24/24 MTFP (see 'Follow Up' section)

Risks recognised within the budget relate to uncertainty in relation to business rates reform in the medium term, the under delivery of the Financial Stability Programme in recent years and the need to increase delivery to reduce pressure on reserves and in relation to slippage in the capital programme (including the revenue impact of this in future years). There is limited evidence of consideration of some common risks in the sector, as well as those specifically to Rother. Examples are the costs of climate change plans, risks associated with the housing company performance which may financially impact the Council, inflation over and above that planned for and the cost of living crisis. Therefore the Council should review the budget setting process for 24/25 to ensure that future risks, and their financial impact, are clearly understood by members. This could be incorporated into scenario planning within the budget **(Recommendation 4)**.

Conclusion

Overall, although we have identified areas for improvement in arrangements, these represent actions to be taken to achieve best practice in ensuring finances are governed effectively and do not represent a weakness in current arrangements. The Council's financial arrangements remain fit for purpose.

Improvement recommendations – Financial Sustainability

The Council should develop a savings programme which goes beyond the current Financial Sustainability Programme (FSP) to ensure that the Medium Term Financial Plan (MTFP) is achievable without an additional call on reserves. In doing so it should consider:

Improvement Recommendation 1

- Prioritising the development of the Capital Programme and Savings Programme simultaneously and at the same pace to avoid exposing itself to financial risk on both fronts
- Mobilising discussions in relation to Phase Two of the devolution of discretionary services with the remaining town and parish councils, alongside Phase One, to bring forward the transfer of these services, where possible, and ensure they can deliver savings as soon as possible
- Undertaking a deep dive exercise into Phase One of the FSP to ensure that lessons can be learnt to apply to Phase Two and future savings schemes
- Diversifying the savings programme away from transfer of discretionary services
- Identifying transformation projects which will generate multi-year savings and efficiencies
- Including an adjustment or contingency for optimism bias within the future savings programme

In 22/23 and 23/24 to date the impact of under-delivery of the FSP has been offset by lower than expected finance costs due to slippage in the capital programme, and therefore reduced the full impact on the deficit position being funded from reserves. But once affordability of the capital programme is completed and schemes mobilised again finance costs would be expected to increase and no longer offset any savings under-delivery.

Bexhill Town Council has requested a full and final deal in relation to the transfer of services and assets within Phase One of the FSP be presented to their Asset Transfer Committee in November 2023. Achievement of the 23/24 savings target of £1.1m is dependent on the success of that meeting, should negotiations be unsuccessful Phase One of the programme will likely be unachievable and Phase Two, which involves the transfer of other services and other Town and Parish Councils, has yet to be mobilised. Phase One of the FSP is significantly delayed. The Council has been, and continues to be, highly reliant on the FSP, particularly in the transfer of discretionary services. The Council will need to ensure there are sufficient other savings outside of the FSP so that savings can continue to be delivered to support the MTFP. The Council is undertaking a Service Planning Review process to identify savings outside of the FSP for delivery from 24/25 onwards. One-off, non-recurrent, target percentage reduction of costs can be challenging to sustain and replicate year on year and therefore to be beneficial to the future financial sustainability of the Council it is important this process identifies more transformative projects. The MTFP currently assumes that savings of £1.1m in 23/24 and £1.9m in latter years is achievable, based on historic trends of less than 100% delivery it may be more realistic to include contingency to respond to this.

As part of the 2024/25 Medium Term Financial Strategy (MTFS) the Council has taken a new approach to savings with the 'Fit for the Future' financial resilience programme and the previous FSP has been discontinued. Based on the new savings approach the current forecasts see reserves being replenished from 2026/27 onwards. In response to the specific bullet points:

Management comments

- The Council is already in the process of undertaking a fundamental review of the affordability and deliverability of the capital programme alongside development of the new savings programme;
- The Council has entered phase 2 of the devolution programme and is in discussions with various organisations and town and parish councils regarding devolution of areas such as grounds maintenance and toilets;
- A review of phase 1 of the FSP has already been undertaken which has informed the Fit for the Future programme as follows;
- Transfer of discretionary services is now the last thing in terms of priority areas for delivery of savings and efficiencies as opposed to the fundamental pillar;
- The programme is diversified across several different workstreams including 1. Operational efficiencies 2. Increased focus on treasury management activities 3. Review of grants and contributions 4. Review of contracts 5. Income generation through areas such as fees and charges 6. Shared services 7. Devolution of services;
- Most of the savings proposals have been phased for delivery over the next 3 years to counter the effect of optimism bias, with the savings anticipated to come from shared services for example being based on delivery of 50% of the target in 2024/25, 75% in 2025/26 and then full delivery in 2026/27; and
- The Council is in the process of developing a Digital and Customer Strategy which is due to be adopted in May 2024 which will support the identification and prioritisation of transformation projects to help further support the Council's medium-term financial position.

Improvement recommendations – Financial Sustainability

Improvement Recommendation 2

Greater attention needs to be focussed on ensuring the capital programme delivers as planned as this has experienced significant slippage in 22/23 and has now been paused pending a review of the entire programme. In order to improve deliverability the Council should prioritise the below during this review:

- Development of a clear project management framework as a key tool for managing all projects in the capital programme. Train staff in relation to using this framework to ensure it embeds and is used consistently
- Prioritising the full affordability review and option appraisal of the capital programme for completion in 23/24 to ensure that the programme remains viable, with the aim of reducing further slippage in the medium term due to delays and reduce cost overruns
- Whilst acknowledging that housing is a key priority within the corporate plan, the Council will need to ensure, when reviewing the programme, that it considers capital schemes that contribute to the achievement of a range of its corporate priorities
- Alongside the Capital Strategy and Programme the Council would benefit from an asset management plan as this will assist in planning disposals alongside new projects, will help identify funding from capital receipts and ensure that assets are not used for longer than their useful life by developing a replacement plan.

Page 75

At Q1 of 23/24 £2.4m has been spent on capital projects to date which is 8% of revised 2023/24 capital budget within the first 3 months, this would suggest that slippage of the programme continues given this 25% of the way through the year. Common causes of continual slippage of this kind are a lack of adequate underlying governance and project management arrangements including a project management framework, communication plan and monitoring framework for each project for which there are clear roles and responsibilities established between project teams and finance. Internal Audit undertook a review of the Capital Programme in year and it received limited assurance, the findings concur with these common causes.

Summary findings

The Council has taken the decision to pause all Capital projects that are not already in train, such as the infrastructure element of the Blackfriars Housing project, in order to undertake a full option appraisal of all projects in the programme. This will allow the Council time to develop appropriate governance arrangements for when the programme re-starts as well as to test specifically assumptions in the original business cases against the current external financial situation.

Both the Strategy and Capital Programme include significant investment in new housing (both market, affordable and temporary accommodation) which links directly to a key priority in the Council's Corporate Plan.

There is currently no Asset Management Plan in place, this has been recognised by the Council and early draft developed by the CFO with the assistance of the Head of Housing, it is currently pending review by the Senior Leadership Team (SLT) but was not in place in 22/23.

Management comments

The Council is in the process of undertaking a fundamental review of the affordability and deliverability of the capital programme. In response to the specific bullet points:

- A new project management framework has been developed and is being used for projects across the Council to ensure a consistent approach;
- The Council has employed additional resource for a 6 month period to ensure that the review is progressed in a timely manner with reports anticipated to Committee for decision making regarding which schemes to progress and which to stop based on a full viability appraisal;
- Schemes will be considered based on how they support the Council's corporate priorities as well as their viability; and
- An initial framework has been produced within which the Council will develop a Strategic Asset Management Plan (SAMP).

Improvement recommendations – Financial Sustainability

Improvement Recommendation 3

The Council should review and update the capital programme monitoring process to ensure the information provided is sufficient to inform reliable decisions. The updates that should be considered, once the capital programme is mobilised following its ongoing affordability review, include:

- Ensuring that the capital programme monitoring information presented to members includes the year end forecast position, and the impact of the in year performance on the forecast, consistently so that this is transparent and decisions can be made earlier in year to address below target performance
- Considering more frequent reporting and monitoring of the capital programme than quarterly to reflect the increased risk that a track record of slippage in the programme demonstrates. This will ensure that slippage can be addressed in a timely manner.
- A regular stand-alone agenda item on the Blackfriars Housing Project covering non-financial KPIs, financial KPIs and progress against key milestones in the project plan. We would expect that the same framework could then be applied to future phases of the project as it progresses

Page 76

Summary findings

At Q1 of 23/24 £2.4m has been spent on capital projects to date which is 8% of revised 2023/24 capital budget within the first 3 months, this would suggest that slippage of the programme continues given this 25% of the way through the year. There is no information on the forecast position or the expected impact of in year performance on the year end forecast against the £27m programme for 23/24 and therefore this information could be improved.

Quarterly reporting is sufficient provided the capital programme has limited risk, at the end of 22/23 the programme is significantly behind plan by £150m and schemes paused while a full affordability review is undertaken.

The Blackfriars Housing Project has raised several member questions and required a paper to Cabinet in July 23 to provide background, clarifications and updates on the project due to lack of clarity around the costs to date of the project and its various elements. There was only one paper prior to this in relation to the project in the 22/23 year.

Management comments

Several improvements have been made to the capital budget monitoring during the 2023/24 financial year as follows:

- The updated capital programme appendix included within the quarterly budget monitoring reports includes the forecast year end position and the body of the report has been expanded to include more detail regarding the progress of various schemes;
- The capital programme is currently undergoing a fundamental review given the current economic position and increased cost of borrowing which will lead to further slippage. However this has been explained to Members on several occasions and they are aware that this review is taking place. Various updated reports are expected to come through to Committee and the Corporate Programme Board over the coming months with an update in relation to the key schemes; and
- There have been two separate reports on the Blackfriars scheme which have gone through Cabinet between July and November 2023.

Improvement recommendations – Financial Sustainability

Improvement Recommendation 4

The Council should review the budget setting process for 24/25 to ensure that all future risks, and their financial impact, are clearly understood by members.

Summary findings

The potential financial risks which the Council could face in the coming year are implicit within the 23/24 budget, as opposed to being separately identified as a stand-alone item for member discussion. Good practice would be to separately recognise the potential future risks so these can be tracked over the year to understand how they are emerging, taking action as required. The budget focusses on cost pressures, as opposed to risks. Cost pressures are built into the budget and funded, where as risk is the potential future scenarios the Council may need to plan for that have not yet emerged, and so the Council would benefit from additional analysis in this respect which considered probability and potential financial impact so that the Council can prepare in advance should the risks identified crystallise.

Risks recognised within the budget relate to uncertainty in relation to business rates reform in the medium term, the under delivery of the Financial Stability Programme in recent years and the need to increase delivery to reduce pressure on reserves and in relation to slippage in the capital programme (including the revenue impact of this in future years). There is limited evidence of consideration of some common risks in the sector, as well as those specifically to Rother. Examples are the costs of climate change plans, risks associated with the housing company performance which may financially impact the Council, inflation over and above that planned for and the cost of living crisis.

Management Comments

The 2024/25 Medium Term Financial Strategy (MTFS) includes a detailed risk assessment contained within appendix 5 of the report [which can be accessed here](#). It also includes supporting sensitivity and scenario planning update (appendix 6).

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Governance



We considered how the Council:

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

Risk Management and Internal Audit

As noted in our report 21/22 reporting the Council fundamentally reviewed and finalised in September 2022, its risk management processes with support from Zurich. This included an updated Risk Management Policy which underpins how the Council identifies and monitors potential risks to achieving its objectives. Prior to September 2022, the policy was last updated in February 2020. This is an example of the Council ensuring key policies are regularly updated.

We reviewed the updated risk management processes as part of our work in 21/22 and made some improvement recommendations. The Council has made progress on addressing these (see 'Follow Up' section).

With effect from April 2023, the role of Risk Management Co-ordination passed to the Corporate Programme and Improvement Manager, from the Internal Audit Manager. The change does ensure that Internal Audit can more readily maintain its independence from Council processes which it ultimately reviews. The responsibility for identifying and managing risks remains, rightly, with Senior Management.

Internal Audit remains consistent from the prior year and is provided inhouse, headed by an Internal Audit Manager. The results of Internal Audit reviews provide useful information about how effectively the Council meets quality standards in various services, and the effectiveness of the system of internal control across the Council. For the 22/23 year the results of reviews carried out include 5 limited assurance reports compared to 3 in the prior year and therefore is suggestive of a potential decline in quality and controls. These were in Capital Programme, Procurement, Community Infrastructure Levy, Property Investment and Public Conveniences Cleaning Contract. Therefore there is a commonality that issues sit within Capital which is also an area we have raised improvement recommendations elsewhere in this report. The vast majority of the expected controls are in place (only four of the 64 control objectives examined during the period had not been "met" at least in part) and most of the "limited" assurance ratings given in 22/23 were a result of the number of smaller issues found rather than a complete failure of the internal control environment, there being only 2 high priority recommendations made.

The limited assurance reports have not caused Internal Audit to modify their year end overall opinion of the Council, as such we do not believe there to be a failure of standards.

However, Internal Audit have stated that although arrangements are adequate and effective overall they have expressed concern this opinion may change in future years if the number of limited/minimal assurance ratings continue to rise and therefore serves as an early warning sign that response to the recommendations raised within the reports should be prioritized. This is taking place, led by the Chief Executive and Senior Leadership Team, and as a result Internal Audit have confirmed many of the issues raised in the limited assurance reports have been addressed in year.

The Public Sector Internal Audit Standards require the Audit Manager to undertake periodic self-assessments of the effectiveness of Internal Audit to provide assurance to the Council. In March 23 the Internal Audit Manager reported this assessment to the Audit and Standards Committee. The review identified no new action points for 23/24 and concluded that there is a high level of effectiveness overall.

In addition to self-assessment, the Standards also require an external (peer) assessment to be carried out at least once every five years. The last peer review was completed in 2016/17 and a review was required in 22/23.

This has since been arranged, in 23/24, and undertaken by the Chief Internal Auditor at Lewes DC and Eastbourne BC and was reported to the Committee in June 23. The overall finding is that "Rother's Internal Audit function "generally conforms" with the standards" and therefore is a positive result with no significant issues identified. Although this was completed after the year end it is a retrospective review and so does provide assurances over the 22/23 arrangements.

The peer review makes a total of six recommendations (referred to as 'remedial actions' in the report). All of these are relatively minor in nature, but they provide some useful ideas as to how the Internal Audit Service can work towards full conformance with the Public Sector Internal Audit Standards. With the exception of one recommendation, all of the points made in the report have been accepted and will be implemented. Moreover, two of the recommendations had already been addressed prior to the report being issued. A revised Quality Assurance and Improvement Programme action plan has been produced to incorporate actions to be taken following the peer review. We recommend this is monitored via the 23/24 Internal Audit progress reports so members are aware of the progress being made by Internal Audit and can hold the function to account as required.

Governance (continued)

Internal audit progress continues to be reported to the Audit and Standards Committee quarterly. The frequency is sufficient and appropriate detail is provided within each progress report to allow members to understand the key findings within each review. The progress reports are summarised and audit recommendations are not included in full. Where there are recommendations that are high rated or relating to limited assurance reports the Committee would benefit from receiving a tracker to allow it to assess progress against them and hold relevant services to account. Only two high risk recommendations were made in 22/23, which is a relatively low number, but there was an increase in the number of limited assurance rated reports.

Progress reporting confirms that only 73.6% of the 22/23 Audit Plan was completed due to challenges faced by the Internal Audit Team during the year. This included a higher than usual volume of audits with serious control issues and long-term absences both inside and outside of the Team, which led to audit overruns.

Three planned audits did not take place and two governance audits (Debtors and ICT Governance) were still in progress at the end of the financial year. Of those not yet started 2 were included in the 23/24 plan and one was assessed as no longer required in its current form. Although Internal Audit had a challenging year the overall results of its work in 22/23 enabled the Audit Manager to give a positive opinion on the Council's control environment and there was sufficient coverage to do so. We note that audits completed covered a range of operations and services and so no significant gaps were apparent in the assurances provided.

Page 79
21/22 we raised an improvement recommendation that the Council needed to explore ways to foster better engagement from audit teams in relation to long standing internal audit recommendations. There are 2 recommendations raised in 18/19 and 5 raised in 21/22 outstanding. All audit recommendations made in 2019/20 and 2020/21 have been resolved. Of the 7 recommendations from prior years that are outstanding 6 are in progress and only 1 not started. In line with Members' wishes, those officers with longstanding recommendations which showed little or no signs of movement in the last nine months were asked to give reasons for the delay. The act of escalating the matter, first to the Senior Leadership Team and then to Members, appears to have had the desired effect of motivating officers to take action where no progress had previously been made resulting in the positive progress reported at year end.

The Council continues to recognise the need to clear old recommendations as an action within its own Local Code of Corporate Governance review, which it undertook against its own internal governance arrangements in the year, and therefore should continue to monitor progress via that action plan. Discussions with officers has confirmed that the Senior Leadership Team (SLT) are now taking ownership of the recommendations and liaising directly with Internal Audit to ensure all recommendations are dealt with in a timely manner going forward.

Alongside reviews of processes and controls the Internal Audit function also monitor whistleblowing incidents and provide counter fraud services. A total of 13 whistleblowing cases were reported to the Audit Manager in 22/23.

As in previous years, the vast majority of these focused on either Benefit/Council Tax Fraud or Housing Issue/Tenancy Fraud. All cases were initially reviewed by the Audit Manager and then either referred to the relevant Council officer for further investigation or reported to the appropriate authority. The number is half of that of 21/22 (which was already a reduction on 20/21) and therefore shows positive improvement.

Counter fraud investigations have primarily focuses on council tax, business rates and the Community Infrastructure Levy (CIL) cases. However, before any savings/additional income can be realised Internal Audit are reliant on colleagues in Revenues and Benefits and Planning to follow up the cases referred to them. A total of 20 cases were referred for further investigation in 22/23 but this has only generated £5,588 worth of additional income to date as the majority of the cases are yet to be pursued. None of the council tax and business rates cases referred were concluded during the year due to a combination of resourcing issues (now resolved) and a marked increase in the time taken by the Valuation Office Agency (VOA) to band/rate properties. The need to take action on CIL referrals has also been an issue for some time but the Planning Service are now beginning to take action. Internal Audit are therefore hopeful that the savings/additional income generated in the next financial year will be far greater as a result of the referrals in the pipeline. Given the financial benefits, the Council should explore ways to prioritise concluding these investigations in a timely manner in 23/24 (Recommendation 5).

Reviewing Arrangements

In 21/22 the Council engaged with the Local Government Association (LGA) Peer Review to review their governance arrangements and standards. This resulted in several recommendations, which the Council continues to work towards. The recommendations did not highlight weaknesses in arrangements, rather improvements that could be made to achieve best practice. Progress was presented to new members in September 23, following elections in May 23. The Council expects to revisit the recommendations in 23/24 with the aim of responding to all in full as well as engaging with LGA to return and review whether the response has been satisfactory. The LGA re-review will provide evidence as to the effectiveness of the Council's response.

Within the 22/23 year the Council has undertaken an internal review of how it meet the principles of good governance against the Local Code of Corporate Governance 22/23.

Governance (continued)

This was presented to the Audit and Standards Committee alongside the Annual Governable Statement (AGS) for challenge. It focussed on circa 85 behaviours and how the Council is meeting them, along with sources of evidence. The review is comprehensive and a key source of assurance that the Council is well run and is demonstrating the behaviours associated with good governance.

The review identified 12 actions across the 85 behaviours reviewed. Within each behaviour, even where there are recommendations, there is evidence that the Council is at least partially complying with each behaviour and the recommendations are aimed at achieving best practice rather than correcting poor governance.

The recommendations identified by the Council concur with our recommendations in 21/22 or our findings in 22/23. Monitoring the implementation of the recommendations made by the Council's own review is important (Recommendation 6).

We reported our VFM work in 21/22 in January 23. Whilst we have seen some progress in responding to recommendations, many are currently outstanding. Furthermore, some recommendation from 20/21 are still unaddressed. Timeliness of response by the Council could be improved. Discussion with officers confirm this is a timeliness issue, rather than a lack of acceptance or engagement, due to challenges related to savings and capital being prioritized (Recommendation 7).

Standards and Behaviours

The Council has had a Member Training and Development Strategy in place since 2007 as part of its commitment to ensure appropriate standards are upheld at the Council. The Strategy sets out how the Council will support its elected Members in the pursuit of good governance. The strategy is updated every 4 years with the latest update being in May 2022.

Member training is timely. Following the local elections in May 23, member training took place in July 23. Training has covered many elements of the role to ensure individuals have skills in the relevant services they will preside over. Within the training modules viewed there is a clear focus on the behavioural aspect of the role, setting the correct one and expectation from the outset.

The Monitoring Officer and Deputy Monitoring Officer take a lead in ensuring that appropriate training/ awareness briefings are delivered to members and Parish Councillors.

The Monitoring Officer and Deputy Monitoring Officer provided two on-line training sessions based on the Local Government Association's (LGA) Model Code of Conduct with the Parish and Town Council across the district, however it was noted that attendance was only 8% and therefore to ensure maximum effectiveness the Council should explore ways to foster greater engagement in training and other communications from Parish Councillors (Recommendation 8).

A new requirement has been included in the Constitution, to report a summary of the ethical standards matters considered by the Audit and Standards Committee during the preceding 12 months, to Full Council. The intention is to raise the profile of such matters, predominantly focusing on members and Parish Councillor complaints. At June 23 the number of complaints was 24 of which 4 have been dismissed and 16 resolved locally. Of the 4 requiring further investigation 1 has been dismissed and another has resigned with 2 still under investigation. The number under investigation is deemed minimal and therefore not evidence of a pervasive issue and shows the Council's own arrangements are effective in dealing with issue of a more minor nature. In monitoring the complaints, the Committee considers whether there are any emerging patterns and whether there are any specific training needs that can be met to address the common issues. The issues range across several themes such as disclosure of confidential information, bullying and harassment, lack of respect, misuse of position, non-declaration of interests and bias and disrepute.

We do note that the complaints monitoring in these reports focusses on negative feedback, however the Council could equally learn from positive feedback and how that could be extended to benefit the Council more widely. The Council may wish to explore ways to obtain and report such feedback. The Council's own review against the behaviours in the Local Code of Corporate Governance concurs with this sentiment and includes an action to consider implementing procedures to capture and share positive feedback and compliments alongside the complaints process.

Decision Making

Council staff and members are bound by the Constitution which clearly sets out roles, responsibilities and the process by which decisions should be made. With the capital programme experiencing slippage, overspends and an ultimate pausing of the full programme while affordability is reviewed we investigated whether decision making in relation to overspends had been upheld. Specifically, as questions were raised in Council meetings, we looked at the Town Hall Renaissance Project and the Blackfriars Road Infrastructure Project.

Governance (continued)

The Constitution requires the Chief Finance Officer (CFO) to obtain authorisation from Council for individual schemes where the estimated expenditure exceeds the capital programme provision. It also requires that if at any time it is believed that the cost of any capital scheme is likely to exceed the estimate as shown in the approved capital expenditure programme by more than £25,000 of the approved amount, the Chief Finance Officer shall report the anticipated overspend to Cabinet.

In February 2021 Cabinet recommended to Full Council, which was subsequently approved, a budget of £460k to fund the detailed designs for the future of the Town Hall at the Bexhill site to allow a planning application to be submitted. To date the expected total cost is £857k and therefore an overspend of £417k. The Council has been presented with revised budgets in relation to the Capital Programme at individual scheme level, including this project, through the budget setting process and budget monitoring process, each time these are presented approval has been recommended by Cabinet and duly approved at Full Council. The February 23 budget setting report included an updated budget for the project of £775k and the Q1 23/24 budget monitoring subsequently updated this to £856k with another £1k anticipated in year. There is no departure from the Constitution as the Constitution currently requires all revisions to forecast spend to be authorised by Council. This is being met via the budget monitoring and budget setting documentation which includes the budget, spend and extensions to budgets for all projects and is approved by Full Council.

Although there is no breach of the Constitution members may benefit from greater oversight and transparency, where schemes are significantly overspending, or significant extensions to originally approved budgets are required. This could be achieved if these projects were highlighted for separate consideration in existing reporting or presented within a stand-alone paper. Officers and members would need to liaise to determine what they would determine to be 'significant' in terms of a forecast budget revision threshold or overspend. In doing so the Council may wish to consider whether the current constitutional requirement to approve all forecast budget revisions is appropriate or whether a suitable percentage tolerance threshold should be applied. This would require a review and update of the Constitution (Recommendation 9).

Blackfriars Infrastructure Project

Rother Housing Company, the Council's wholly owned subsidiary, is responsible for delivering 1000 homes by 2037. The first site identified for development is the Blackfriars site in Battle. Prior to any housing development taking place, for which planning permission is pending, works to build a supporting road infrastructure is required and is currently in progress. In late 2019, Homes England's Panel approved Homes Infrastructure Funding (HIF) grant funding of £8.7m for the project and at this point the total cost of the infrastructure scheme was valued at £11.5m, consisting of the HIF funding and £2.8m in land acquisition costs to be funded by borrowing.

Members approved a budget of £11.5m and this has been included in the Council Capital Strategy since 19/20 and performance has been reported via the budget monitoring and outturn reporting framework.

Due to delays and complexities with the project it has been reprofiled within the capital programme. Reports confirm that £6.4m of the budget has been spent to date and due to reprofiling £5.1m is expected to be spent in 23/24, with no further expenditure in later years. As such at this stage there is no evidence of overspends on the project. The HIF funding is covering a key contract of £4.75m with a civil engineering contractor, as well as other smaller contracts to complete the scheme, up to the total available funding. The scope of the civil engineering contract has been altered with additional elements, such as utilities being added. It is our understanding that although this increases the cost of this individual contract it is being managed within the overall HIF funding envelope.

The road is approximately 30% complete at the time of writing and expected to be fully complete in September 24, therefore there may be further reprofiling of the project within the Capital Programme. The housing element of the project is monitored separately within the capital programme which is appropriate as this is different element that is yet to start as planning permission is pending.

The project has generated much member interest and several member questions seeking clarification at Council meetings. At times the information provided has lacked clarity and consistency, especially in relation to costs of the project to date, where several contradictory figures have been discussed. This lack of clarity has been borne out of the fact that, other than the capital programme monitoring, there is limited reporting to Council or Cabinet on the project specifically, making it difficult to monitor. We have raised a recommendation to this effect within the Financial Sustainability section of the report.

In order to respond and rectify the lack of clarity around the project, and respond to member questions, the CFO took a detailed paper to Cabinet in July 23. This included the accurate figures in relation to the project and has been useful in confirming that the Council has not overspent on the agreed budget to date. Discussions with officers have confirmed that a further update on the project is expected to be presented to members in November 23. There was not adequate transparency in 22/23 in relation to this project but this is expected to be rectified in 23/24 and our improvement recommendation in Financial Sustainability responds to this.

Conclusion

Overall, although we have identified areas for improvement in arrangements, these represent actions to be taken to ensure best practice in ensuring robust governance and do not represent a weakness in current arrangements

Improvement recommendations – Governance

Improvement Recommendation 5

Given the financial benefits, the Council should explore ways to prioritise concluding ongoing investigations, resulting from Internal Audit's counter fraud work, in a timely manner in 23/24.

Summary findings

A total of 20 cases were referred for further investigation in 22/23, as a result of Internal Audit's counter fraud work, but this has only generated £5,588 worth of additional income to date as the majority of the cases are yet to be pursued. None of the council tax and business rates cases referred were concluded during the year due to a combination of resourcing issues (now resolved) and a marked increase in the time taken by the Valuation Office Agency (VOA) to band/rate properties. The need to take action on CIL referrals has also been an issue for some time but the Planning Service are now beginning to take action. Internal Audit are therefore hopeful that the savings/additional income generated in the next financial year will be far greater as a result of the referrals in the pipeline.

Management comments

At present the teams are struggling for capacity to progress this work, discussions will however be held with the relevant service managers to try and ensure these areas receives increased priority wherever possible.

Improvement Recommendation 6

The Council should develop a formal action plan resulting from the findings of their internal review of governance arrangements including target dates, owners for each action and report progress to the Audit & Standards Committee in a tracker so that progress can be monitored, assurances gained and owners held to account as required.

Summary findings

Within the 22/23 year the Council has undertaken an internal review of how it meet the principles of good governance against the Local Code of Corporate Governance 22/23. The review identifies 12 actions across the 85 behaviours being reviewed. Many of the findings concur with findings as a result of the our VFM work and Internal Audit reviews.

Management comments

The Council will develop an action plan and tracker to support the monitoring of the actions arising from the Annual Governance Statement and Local Code of Corporate Governance review. This will be monitored by the Senior Leadership Team. A named officer (the Corporate Programme, Risk and Improvement Manager) will be responsible for the plan and ensuring actions are delivered within set timescales; they will report to Audit and Standards Committee.

Improvement recommendations – Governance

Improvement Recommendation 7

The Council should identify ways to increase its response rate to outstanding Value for Money recommendations from prior year reports in 23/24.

Summary findings

Many of the improvement recommendations raised in 21/22 through our VFM work are still unaddressed in 22/23, these are aimed at supporting the Council in achieving best practice in its arrangements. Although we have seen some progress, timeliness of response could be improved. A consideration is the timing of the recommendations being made in January 23 and therefore limited opportunity to respond in the 22/23 year as this was the final quarter. However, there are still some recommendations from 20/21 where we also made this observation and remain outstanding. Discussion with officers confirms this is a timeliness issue, rather than a lack of acceptance or engagement, due to challenges related to savings and capital being prioritized. However we would recommend that the Council seek to increase its response rate to these recommendations in 23/24

Management comments

The Council is introducing a tracker to monitor progress against these actions which will include a named officer with responsibility for delivering within set timescales (see response to recommendation 7 above).

Improvement Recommendation 8

The Council should explore ways to foster greater engagement in training and other communications from Parish Councillors to ensure that maximum effectiveness of these communications is achieved and consistency of training between the Council and affiliated Parish and Town Councils.

Summary findings

The Monitoring Officer and Deputy Monitoring Officer provided two on-line training sessions based on the Local Government Association's (LGA) Model Code of Conduct with the Parish and Town Council across the district, however it was noted that attendance was only 8%.

Management comments

The Council will advertise and engage widely when appropriate on-line training sessions are provided, ultimately the Council cannot force town or parish Councillors to attend these events. This year, being an election year for Rother District Council (RDC) has meant the focus has very much been on our own induction processes. However, now the initial induction programme has concluded all town and parish Councillors have been invited to a session on planning issues in December; the session will be recorded and forwarded to all town and parish Councillors. Moving forward we will however ensure that any appropriate on-line briefings / training delivered to elected RDC Members is offered to parish and town councils if this is at no additional cost to RDC in an attempt to further increase participation. Elected Members will be reminded to promote this opportunity when they attend the relevant parish and town council meetings within their Wards and officers likewise when attending the Rother Association of Local Council meetings.

Improvement recommendations – Governance

Improvement Recommendation 9

To ensure greater transparency in approving significant overspends, or increases in budgets, for capital projects members may benefit from greater oversight by highlighting these projects for separate consideration in existing reporting or presented within a stand-alone paper. Officers and members would need to liaise to determine what they would determine to be 'significant' in terms of an overspend or forecast budget revision threshold. In doing so the Council may wish to consider whether the current constitutional requirement to approve all budget revisions is appropriate and whether a balance of good governance and use of member time could be focused on approving changes to the most financially unsustainable schemes, with less significant amount approvals delegated to appropriate officers. This would require a review and update of the Constitution.

Summary findings

The Constitution currently asks that all forecast budget revisions on capital projects are authorised by Council and this is achieved via the budget monitoring and budget setting documentation which includes the budget, spend and extensions to budgets for all projects and these are approved by Full Council annually, Cabinet have sight of budget monitoring quarterly also. However member questions have at times highlighted a lack of transparency and clarity regarding the budget and actual spend of some projects which could be addressed via changes to current reporting.

Management comments

Several improvements have been made to the capital budget monitoring during the 2023/24 financial year (see recommendation 3 above). Where capital budgets require amendments there is now greater focus on these, and their approval, within the budget monitoring reports which will address this recommendation. There is already ability with on the Constitution to make amendments within certain tolerances but where this is undertaken updates will be provided to Committee as part of the next budget monitoring report.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives where it commissions or procures services assesses whether it is realising the expected benefits.

Page 85

Non-Financial Reporting

The Council continues to monitor operational performance via Key Performance Indicator (KPI) reporting to Cabinet and Overview and Scrutiny Committee. The format of these reports has not changed since the prior year. As such our recommendation to include additional information in this reporting to help members understand what is being done in response to below target metrics and identify who is accountable remains relevant for 22/23 (see 'Follow Up' section for prior year recommendations).

The current KPIs have been criticized by Members as being more reflective of performance of the district than the performance of the Council itself and matters that are within the Council's direct control. The Council undertakes a refresh of its KPIs annually ahead of the financial year but has the opportunity through the monitoring process to update these throughout the year as required. To address the criticism the Council plans to update the performance reporting via a wholesale shift back towards corporate operations and service delivery. Therefore there is evidence that KPIs are updated to ensure they are reflective of the Council's operations and of benefit to its decision makers, they have taken on board the work of the Overview and Scrutiny Committee demonstrating their role is effective.

The proposed indicators for 23/24 are greater in number than previous monitoring years - 26 KPIs are being proposed and are broken down into eight service areas compared to 14 in the previous year. All KPIs remain aligned to the Corporate Plan and so work towards achieving the objectives of the Council. In addition it has been proposed for 23/24 that an annual State of the District report is provided to the Overview and Scrutiny Committee so that the shift in the KPI reporting does not hinder the ability of members to understand performance in the context of its locality. This should ensure a full suite of information is being provided to decision makers to enable informed decisions about individual services.

KPI reporting is supposed to be reviewed by Cabinet and Overview and Scrutiny quarterly, although evidence shows this took place for 3 of the 4 quarters of 22/23, with Q1 not being reviewed in 22/23 or 23/24. At the end of 22/23 6 of the 14 metrics were red rated and not performing on target. 5 of these were red rated at Q2, with improvement observed at Q3 where only 2 were red rated.

As such actions being taken are having a positive impact and will need to embed to ensure this is felt consistently. To allow actions to be taken at the earliest opportunity, and maximising the time they have to embed, the Council should ensure that KPI monitoring takes place each quarter, as planned, would be beneficial to allow action to be taken earlier in the year and impact performance prior to year end. This is consistent with a recommendation made in the prior year (see 'Follow Up' section for prior year recommendations).

Benchmarking

In 21/22 we made use of the annual RA return forms (budgeting costs) for 22/23 sent by each council nationally to Department for Levelling Up, Homes and Communities (DLUHC), to compare unit costs of Council services with all other district councils. The tool highlighted three services which had very high comparative unit costs which was driving an overall directorate level high unit cost – Homelessness, Street Cleansing and Waste Collection. Due to the timeframe with which DLUHC operates in publishing data the RA data for 22/23 continues to be the latest available, with the RO (Outturn) data expected later in the year. As such the budget data for 22/23 continue to be relevant and so we have followed up whether the Council's response to targeting these high cost services continues to be effective.

Homelessness:

The Council has continued to take action in the area of homelessness, particularly temporary accommodation, in order to tackle the overspend on an ongoing basis. In January 23 the Council approved the update of the Temporary Accommodation Investment Strategy (TAIS) which determines the approximate number and types of property the Council will target for use as temporary accommodation alongside how these properties will be purchased, managed, repaired and maintained. The strategy focusses on the purchasing, refurbishing and providing accommodation in-house which reduces reliance on private sector provision which tends to be more expensive and over which, the Council has no control on quality.

Improving economy, efficiency and effectiveness (continued)

The Council has struggled to secure sufficient numbers of freehold tenure flats to accommodate single people and smaller families with children and observes that there is a market surplus of residential property that has a commercial retail element as part of the freehold. The Strategy has been updated to allow the purchase of such properties. The potential risk of re-sale or re-let and exit from these has been recognised and as an alternative would seek commercial residents, charities and other voluntary organisations in this situation. These actions demonstrate the Council tackling both the supply of accommodation and the cost of accommodation simultaneously.

The 22/23 outturn confirms that homelessness and temporary accommodation continues to be a cost pressure from a capital and revenue perspective. Temporary Accommodation purchases were £7.5m under budget although the team have been active and spent £2.7m on improving over 20 properties. The Council has continued seeking additional sources of funding to expand its supply of this type of accommodation via the DLUCH Local Authority Housing Fund and have already secured and occupied one 3-bedroom house and are due to complete on at least 3 additional properties in July with this funding.

As well as focusing on the Council's own supply via the above and a housing focused capital programme, officers have sought approval from members to increase rates paid to private landlord in light of market rates. This is backed by detailed analysis which shows that this would create a net annual saving of £169,125 based on 15 properties.

The Council continues to include homelessness and TA metrics in its non-financial reporting and so these are closely monitored. There was an increase of 52% over the period in terms of preventions and reliefs of homelessness which is a positive result and demonstrates the quality of the team and their ability to bring in new prevention measures despite the increase in demand. The Council is committed to targeting resources at this area and has recruited several new dedicated homelessness prevention officers whom they are confident will improve prevention performance further. Metrics continue to be included in the 23/24 KPIs for continued monitoring.

Members are specifically updated on the Council's progress towards the Homelessness and Rough Sleeper Strategy, this has been separated from the Housing element of the strategy and this ensures it gains the specific focus required for an area of pressure for the Council. This does demonstrate progress towards achieving more affordable housing provision as well as quality of the private sector housing used but does note that due to high finance and inflationary pressures coupled with materials price increases, the delivery of affordable housing on smaller sites continue to be very challenging.

Overall positive and extensive measures continue to be focused on the increase of supply and reduction of costs within temporary accommodation and housing more generally, as well as working to prevent homelessness where possible. Given the nature of the issue the Council is limited in the actions it can take to prevent the causes of homelessness. However, prevention is deemed a cost-effective solution to homelessness in the longer term and therefore research into the specific causes locally may assist in more targeted prevention strategies and balanced with increasing the supply of accommodation, liaising with partners or other authorities who have experienced success in this area may be of benefit (Recommendation 10).

Street Cleansing:

The Council has updated its KPIs for 23/24 and no metrics on street cleansing have been included and as such the prior year recommendation to consider monitoring this service via this route remains. The service is not highlighted within the 22/23 outturn or the 23/24 budget monitoring to date, which focusses on services with significant variances. This suggests that based on total cost the service is being managed within the available budget. Street cleansing is undertaken via a contractor and therefore there are more limited opportunities for the Council to address costs directly.

Waste Collection:

The 22/23 outturn notes an overspend in Housing and Communities of £216k which was slightly offset due to reductions in operational costs of the Council's waste contract and therefore suggests an improvement, financially, since the RA data was provided. 22/23 non-financial performance was not on target within the KPI reporting for this service but has shown improvement and movement towards target over the year, as such the trajectory is more positive than when the RA data was produced and our recommendations to target this area in the service planning review has been addressed via work already undertaken.

Improving economy, efficiency and effectiveness (continued)

Service Quality

At the end of 22/23 6 of the Council's 14 KPI's were rated as 'Performance not on target and getting worse', of these 4 have worsened since both the last quarter and the same quarter last year. They predominantly relate to housing:

- number of people in temporary accommodation
- number of people on the housing register
- cost of temporary accommodation

As noted earlier, extensive measures have been taken to respond to homelessness and temporary accommodation. We do expect a time lag between these actions and the impact on performance but do note that the initiatives being undertaken do seem to be receiving positive feedback with the 22/23 Internal Audit review on Homelessness Prevention Initiatives receiving Substantial Assurance. The issues are commonplace across the sector and are not a product of any poor service standards or delivery specifically by Rother but a result of rising demand.

Housing Company – Rother DC Housing Ltd

Governance Updates:

When the Company was established in 2020 a business plan was set up covering 2020 to 2023. Full Council approved an updated Business Plan for 2022-2025 in February 2022 ensuring a relevant plan continues to be in place. Limited changes were made in this updated plan as the ambitions of the company have not changed.

In 21/22 we noted that many arrangements to monitor the company were informal in nature and therefore the opportunity to formalize these and ensure performance monitoring was more transparent, existed.

There is now a clear Company structure in place which has been formalised and is an improvement from 21/22. This structure ensures that the Board is well supported by a suite of officers including a Chief Operating Officer (COO), a Housing Development Manager and a Blackfriars Project Team as well as operational support from external providers and Council staff under Service Level Agreements (SLA) as required. The structure also incorporates clear lines of reporting and communication between the various levels of the Company structure and ultimately up to the Council as the sole shareholder of the Company. Two Officers of the company are employed by the Council, this includes the Housing Development Manager (HDM) who joined the company in 22/23.

The HDM works across both the Council and Company on the Blackfriars Project (Programme Manager). This is a positive change which ensures a link and ability to knowledge share between the two organisations.

The Council has appointed a Shareholder Representative who is the Chief Executive of the Council who has now created a Shareholder Representative Oversight Group to ensure the Housing Company's activity is governed effectively by the Shareholder. The terms of reference for this group were approved in January 23 and so have been put in place towards the end of the period.

The Company is still considered to be in a transition phase, with governance arrangements being updated and improved iteratively. In 22/23 this has been focused on developing and implementing a series of policies and strategies which were not in place in 21/22 and provides guidance on key areas such as financial instructions and risk management. A governance checklist is in place which is monitored weekly by company officers to track progress against milestones set, such as when each policy is expected to be developed by. Considering the Company was set up in October 2020, and the Blackfriars infrastructure element of the project is underway, the tracker to date is predominantly red or amber rated and therefore more progress is needed in 23/24.

Greater progress could be facilitated by sharing more regular updates on the progress of governance arrangements with the Council as the Shareholder to allow challenge and hold Company Representatives to account (Recommendation 11).

Two reports were presented to the Audit and Standards Committee in July 22 and December 22. This is an appropriate forum given that the reports focus on what had been achieved, risks and still to achieve around governance challenges which is within the remit of the Committee. However this Committee does not include all Shareholder Representatives and so sharing of progress of these arrangements could be more transparent. There is no evidence beyond December 22 of any further reporting on governance arrangements of the company to the Council which would be useful given the ongoing development of these. We note from discussion with officers that the CFO has agreed to bring an annual report on the company to members of the Committee each March in liaison with the Housing Development Manager. It would be useful for this to be shared wider than the Audit and Standards Committee to ensure all members have oversight (Recommendation 11).

Senior Leadership of the Council and Company are aware that governance of the company can still be improved and in October 22 the Counties and Capital Consulting (C&CC) were commissioned by the Board of Directors to provide a Critical Review of Rother DC's Housing Company.

Improving economy, efficiency and effectiveness (continued)

The outcome of this review will be used to help shape the strategic direction of the Company, as well as provide recommendations for the implementation of the Blackfriars scheme. This will provide a plan for ongoing improvement of the governance of the Company.

Board of Directors

Between the start of 22/23 and the time of writing there have been several changes to the Company's board of directors. The Board included 4 directors at the outset of the financial year. The Articles of Association for the Company require 3 Directors for decisions to be quorate, including one Member of the Council. Councillor Thomas has remained the Company Chairman throughout the period to present day and therefore there has been adequate member representation, which has also provided a consistent and retained knowledge of the endeavour during a transitional period.

Between June 23 and October 23 there were a maximum of 2 directors on the Company Board. The reason for the reduction was a result of Council elections, with some members not standing and therefore resigning from the Company in line with the Articles of Association requirements.

The Council was aware there was a risk of a change in membership impacting the Company structure, particularly from members choosing not to stand for re-election. We have not become aware of any decisions being taken while the company Board was not quorate with the Blackfriars infrastructure project being a work in progress. Improvements are already underway in 23/24 to improve the resilience of the Board as the Council has now approved the appointment of 2 new Non-Executive Directors (NEDs) to join the 2 existing Executive Directors on the company Board. The appointments are beneficial in terms of adding skills to the Board with consultancy, directorship and business development management skills in the housing sector amongst their experience.

Performance Monitoring

To review financial performance informal meetings take place between Company representatives and the Council Capital Strategic Partner weekly. At these meetings the Council has the opportunity to scrutinise the company cashflow, balance sheet and profit and loss statements. These outputs are formalised and shared with the Company Board and the Shareholder Representative Group quarterly. Cabinet and Overview and Scrutiny Committee through the Council's Capital Programme Monitoring review the key projects being managed by the Company.

This is high level reporting, but it does provide sufficient information for members to gauge progress, slippage, reprofiling and raise challenge as required. Overall, for the scale of the project, monitoring is relatively summarized and as such we recommend that as the housing development project progresses and the money being spent increases, that more granular monitoring of finances would be beneficial to the Company Board, Shareholder Representative Group and Council members. Each element of the project should be underpinned by a robust project plan dictated by a project framework of which financial planning is central, this should form a good basis of reporting at individual project element level.

The Company has recently recruited an external accountant in 23/24 to strengthen arrangements further and ensure that financial information being shared via the existing arrangements is robust.

In relation to non-financial performance the key formal meeting where this is shared is the quarterly Shareholder Representative Group. They receive a position statement, which is intended to update on all housing company matters, including key priority updates for the reporting period, issues requiring Shareholder direction and decisions, updates on the top 5 current risks to the project and progress against the timeline for Blackfriars Redesign Programme. This is useful information and will need to be replicated for each element of the project as it progresses. Currently the report focuses on the road aspect as that is the only element being undertaken.

There are several other informal meetings that take place between layers of the Company Structure and between Company and the Council. These take place more frequently, between weekly and monthly. However, although these structures are in place, there is no evidence of a formal set of KPIs with which to monitor operational performance against within the Company or by the Council. We recommend this is prioritised in the next Business Plan update to ensure that the Council can assess the effectiveness of the Company activities in meeting its objective to deliver 1000 homes by 2037 (Recommendation 11).

Improving economy, efficiency and effectiveness (continued)

The Council has recognised, from reviewing its own governance arrangements, that no formal Partnership Framework or guidance is in place for officers to support the process of working with partners. The purpose of the framework would be to provide guidance for identifying partnerships, as opposed to managing them once entered into. We would suggest the framework could be extended to encapsulate provisions for managing partnerships once they are entered into, such as the Town Council and Company. This would effectively formalise monitoring of performance and ensure that there are clear roles and responsibilities for monitoring effectiveness of those partnerships (Recommendation 12).

Financial Performance

Upon setting up the Company the Council agreed to extend a loan facility of £80m to the Company to fund the housing project. The project is expected to take place in several tranches with a phased draw down of the facility. The loan facility of £80m was approved by Cabinet in September 2021. The agreement requires that separate loan agreements be entered into for each residential scheme that the Company delivers, with the terms and conditions approved to the satisfaction of the finance manager. Approval of each loan has been delegated to the Chief Executive and Finance Manager, in consultation with the Portfolio Holder for Finance and Performance Management.

In 22/23 the Council provided the Company with a working capital loan of £3.06m to facilitate the initial phase of the project - building the road infrastructure for the housing development that will eventually take place at the Blackfriars site. All billed services to the Company to date are £2.9m and therefore within the facility provided.

The Company is not expecting to attract income until the project progresses further in 2025 and therefore at this stage expenditure within each agreed tranche of the loan facility is taken as positive financial performance.

The loan advanced to date is a sunk cost and has been used for professional advice and support, company overheads, staffing costs and work to date on the road infrastructure element of the Blackfriars site development. Building work has not commenced on the housing element of the project, as planning permission is pending approval.

To date contrary to the requirements of the loan facility, there has been no formal loan agreement signed by the parties to cover the initial £3.06m loan advance. The loan was, instead, released via the allowable delegations in the agreement for the overarching £80m facility. A request for a further £5m to cover costs to the end of the financial year has been requested by the Company. This has yet to be advanced to the Company and officers have confirmed that this and further loan requests will not be made until the working capital/loan agreement has been finalized, which is currently in progress.

To ensure that the Council and Company are complying with the terms of the overall loan facility it is important that a formal loan agreement for the total £8m (being the initial £3.06m in working capital and the further £5m requested to date) is drawn up. The Council should liaise with the company to understand further requests needed in the coming years so agreements can be drawn up in advance, rather than retrospectively, to ensure compliance with the loan facility terms. In addition, the Council needs to clearly track the requests for loan advances being made by the Company against a detailed budget for the project so that draw downs can be matched to key phases or activities and ensure robust control over the funding being provided (Recommendation 13).

Conclusion

Overall, arrangements to secure economy, effectiveness and efficiency are appropriate. Improvement recommendations have been made but these are suggested as methods of achieving best practice as opposed to correcting underperforming arrangements at the Council.

Improvement recommendations – Improving economy, efficiency and effectiveness

Improvement Recommendation 10

The Council should undertake research into the specific causes of homelessness locally to assist in more targeted prevention strategies. Balancing this approach with increasing the supply of accommodation and liaising with partners or other authorities who have experienced success in this area may be of benefit.

Summary findings

Overall positive and extensive measures continue to be focused on the increase of supply and reduction of costs within temporary accommodation, and housing more generally, as well as working to prevent homelessness where possible. Given the nature of the issue the Council is limited in the actions it can take to prevent the causes of homelessness. However, prevention is deemed a cost-effective solution to homelessness in the longer term.

Page 90 Management comments

The Council has an established multi-agency partnership in the East Sussex Housing Partnership (ESHP) where shared challenges, constraints and opportunities are routinely discussed. The ESHP Executive Board has recently commissioned a jointly funded ESHP Lead Officer (in partnership with East Sussex Public Health) who is developing a joint Housing, Homelessness and Rough Sleeping Strategy for the whole of East Sussex, that will complement and enhance our local strategic approaches. The Council is currently undergoing a Service Review being undertaken by Shelter, following a successful application to DLUHC, the findings of which will inform the new Homelessness and Rough Sleeping Strategy for 2025. In addition, the Council, along with neighbouring authority Hastings, are also working with the central government Levelling Up team to undertake a 'deep dive' into this area, with the initial meeting being undertaken in November 2023. The purpose of the sessions will be to help central government better understand the challenges being faced and to share and learn from best practice. The Council has also invested in its own stock to use for provision of temporary and to help better manage costs and now has more than 30 units to use for this purpose and this investment is continuing.

Improvement recommendations – Improving economy, efficiency and effectiveness

Improvement Recommendation 11

Page 91

To ensure that the governance arrangements of the Housing Company remain robust we recommend that an ongoing review and update process takes place, specifically as a result of the changes in 22/23 to focus on:

- Sharing more regular updates on the progress of governance arrangements against the existing governance checklist with the Council, as the Shareholder, to allow them to challenge and hold Company Representatives to account
- Committing to sharing the newly agreed annual report on the company more widely than the Audit and Standards Committee to ensure all members have sight of this
- Development of a set of KPIs which both the Company and Council can monitor performance of the Company. This should be prioritised in the next Business Plan update to ensure that the Council is able to assess the effectiveness of the Company activities in meeting its objective to deliver 1000 homes by 2037

Summary findings

A governance checklist is in place which is monitored weekly by company officers to track progress against milestones set, such as when each policy is expected to be developed by. Considering the Company was set up in October 2020, and the Blackfriars infrastructure element of the project is underway, the tracker to date is predominantly red or amber rated and therefore more progress is needed in 23/24.

We note from discussion with officers that the CFO has agreed to bring an annual report on the company to members of the Audit and Standards Committee each March in liaison with the Housing Development Manager, to increase the frequency with which information is received on the Company. However not all members sit on this committee and the Council as a whole is the shareholder of the Company, as such this approach would mean not all Company shareholders are being updated equally.

There is no evidence of a formalised set of KPIs with which to monitor operational performance of the Company by Company Officers or by the Council.

Management comments

An internal Council audit in relation to the Housing Company governance has been completed and is due to be considered by the Audit and Standards Committee in December 2023. As part of audit recommendations, the Company will be undertaking its own audit next year. A report including governance arrangements has also been considered by Cabinet in November and which will be further considered by Full Council in December. An annual report has been agreed to be provided to the Audit and Standards Committee in March of each year to update on the Company performance over the previous year. All reports to this Committee ultimately go through to Full Council thereby ensuring transparency will all Members. This has been supplemented by 2 Member briefings in July and October 2023. A revised Housing Company Business Plan is being drafted and will include greater detail on performance monitoring going forward to include an agreed set of KPI's. This will be routinely monitored via the quarterly Shareholder Representative Group meetings and performance reported via the annual Audit and Standards Committee in March

Improvement recommendations – Improving economy, efficiency and effectiveness

Improvement Recommendation 12

When developing its Partnership Framework the Council should ensure this includes provisions for regular and formalised monitoring of partnerships, such as the Town Council and Company, once they are 'on-boarded' to ensure that there are clear roles and responsibilities for monitoring effectiveness of those partnerships

Summary findings

The Council has recognised, in reviewing its own governance arrangements, that no formal Partnership Framework or guidance is in place at the Council for officers to support the process of working with partners. When developed this would be providing guidance aimed at identifying partnerships.

Management Comments

This will be included when approving the final framework

Improvement Recommendation 13

In order to ensure that the Council and Company are complying with the terms of the overall loan facility provided to the Housing Company it is imperative that a formal loan agreement for the total £8m is drawn up with immediate effect. This will ensure that the working capital funding already released via allowable delegations (£3.06m) and a further request for £5m are covered by the required agreements. The Council should liaise with the company to understand further requests needed in the coming years so agreements can be drawn up in advance rather than retrospectively in future.

In addition the Council needs to clearly track the requests against a detailed budget for the project so that draw downs can be matched to key phases or activities to ensure robust management of the funding being provided

Summary findings

Upon setting up the Company the Council agreed to extend a loan facility of £80m to the Company in order to fund the housing project. The loan was approved by Cabinet in September 2021 and agreement requires that separate loan agreements be entered into for each, to date there have been no such agreements drawn up yet £3.06m working capital loan has been provided to the company. The road infrastructure element of the project is progressing and the Company are requiring an additional £5m drawdown from their facility to continue to the project, however the formal agreements are not yet completed to allow this. The Council has yet to release this additional £5m loan advance pending completion of the required agreement.

Management comments

The Working Capital Agreement (WCA) is in the final stages of being agreed with the Housing Company, which will be further supported by an over-arching Development Loan Agreement. It is anticipated that the WCA will be in place by the end of the calendar year with the overarching agreement to follow. All drawdowns are tracked against the Company cashflow projections to ensure robust monitoring of the payments against projected activity and key milestones.

Follow-up of previous recommendations

Recommendation	Date raised	Type of recommendation	Progress to date	Addressed?	Further action?
1 Financial Sustainability - The Council should review the assumptions in the budget and MTFP to ensure they are realistic	21/22	Improvement	A full review of assumptions has taken place as part of the 23/24 budget setting process and our work in the Financial Sustainability section has concluded that assumptions across income and non-pay expenditure are realistic. Pay inflation is considered to be optimistic in relation to the 23/24 pay award announcements, in percentage terms.	Partially	To be followed up in 23/24 in relation to the 24/25 budget setting process.
Financial Sustainability - The Council needs to prioritise exploring ways to increase the deliverability of the Financial Stability Programme (FSP) in order to protect the delivery of future services and reserves. Some factors to consider in achieving this include: 1. Greater oversight of the programme more frequently, at individual scheme level and by decision makers at the top tier of the organisation 2. Increased focus on identifying recurrent, rather non-recurrent one off, savings within the programme 3. Increasing the frequency, intensity and formality of liaison with Bexhill Town Council to progress transfer of discretionary services at a faster rate 4. Undertake post implementation reviews of savings schemes within the programme once they have been delivered (in full or partially)	21/22	Improvement	1. This remains unaddressed in 22/23, with the caveat that a key source of under delivery is the devolution of services which is well reported within the budget monitoring reports. 2. The Council does not report on the split of non-recurrent to recurrent savings within the target within its savings monitoring to Cabinet and so this is unaddressed in 22/23. 3. Although negotiations remain ongoing with the Town Council Phase One remains in complete and at risk of being ceased. 4. There is no evidence of post implementation reviews taking place	No	To be followed up in 23/24 in relation to the 24/25 budget setting process.

Follow-up of previous recommendations

Recommendation	Date raised	Type of recommendation	Progress to date	Addressed?	Further action?
3 Financial Sustainability - The Council should establish a detailed action plan to replenish reserves over the medium term and ensure this is closely monitored as a stand-alone item by the Senior Leadership Team (SLT), Overview and Scrutiny Committee (OSC) and Cabinet with a clear method to hold relevant budget holders to account, given the potentially significant impact on service delivery of sustained reserves usage. Whether the frequency of review of this action plan is sufficient should also be considered.	21/22	Improvement	A detailed information pack regarding finances was presented by the CFO at the recent member away day to clarify the medium term financial position and associated budget gap. It confirmed the impact on reserves should the budget gap not be reduced, as well as the FSP not being delivered. This will be a reduction in reserves below the Council's £5m threshold in 25/26. As such the Council has begun the Service Planning Review to identify savings and income generation for delivery in 24/25 and it is expected this will be reported through the budget monitoring once initiated.	No	To be followed up in 23/24 in relation to the 24/25 budget setting process.
4 Financial Sustainability - A workforce plan or people strategy, aligned to the corporate plan and MTFS should be prepared, formally approved and circulated to appropriate officers	20/21 and 21/22	Improvement	Initial steps have been taken but to date no plan is yet in place. The phased approach to introduce this is expected to be completed at the end of 23/24.	No	To be followed up in 23/24 in relation to the 24/25 budget setting process.

Follow-up of previous recommendations

Recommendation	Date raised	Type of recommendation	Progress to date	Addressed?	Further action?
<p>Governance - The Council should consider ways in which it can strengthen the annual budget setting process, including:</p> <p>6 1. Exploring ways to foster greater collaboration with budget holders</p> <p>2. Incorporating the use of scenario planning</p> <p>3. Extending the use of sensitivity analysis beyond the Financial Stability Programme</p>	21/22	Improvement	<p>1. Initial budget proposals in January 23 for 23/24 confirm that Managers are completing service plans for their areas of budget responsibility. Plans include savings proposals, which were discussed with Members. Therefore there is evidence of a more collaborative approach. In 23/24 the Council are initiating a Service Planning Process whereby each service will produce an action plan for efficiencies, savings and how they will deliver services and this will directly impact the budget, this is a starting point for even greater collaboration and has already commenced.</p> <p>2. Improvements have been implemented in the early draft of the 24/25 MTFS which includes Appendix 6: Sensitivity and Scenario Planning.</p> <p>3. There is limited evidence of this within the budget as whole across a range of assumptions. In the prior year this was undertaken in relation to the Financial Stability Programme (FSP) to demonstrate the impact of under-delivery on reserves, this has not been continued and considering the FSP is under delivering would be beneficial for the members to understand.</p>	Partially	Point 3 to be followed up in 23/24.

Follow-up of previous recommendations

Recommendation	Date raised	Type of recommendation	Progress to date	Addressed?	Further action?
7 Governance - The Council should review the format of the budget monitoring reports presented to Senior Leadership Team and Cabinet to ensure that they contain sufficient relevant information to allow members to hold services to account, in particular the Council should consider including actions being taken in relation to negative variances.	21/22	Improvement	For the most part actions and next steps are not included, however we note in the Q1 23/24 monitoring report that the most significant deficits (and one surplus but a result of capital slippage) do have information included. Therefore there is some improvement in the information for the most significant variances and we are happy to suggest the recommendation has been responded to.	Yes	No
8 Governance - To further enhance the risk management process the Council should consider: 1. Increasing the frequency with which the Audit & Standards Committee review the Corporate Risk Register 2. Ensuring that Cabinet receive the Corporate Risk Register at least annually 3. Ensuring that each service develops and maintains its own service level risk register 4. Continually reviewing the format of the risk register, following external consultation, to ensure it continues to remain fit for purpose	21/22	Improvement	1. The Council has no red rated risks in 22/23 and the frequency of review should reflect the risk profile. We suggested the frequency should increase in the prior year due to the fact that the number of red rated risks had increased in year, given the reduction in risk profile we would suggest the Council can continually assess if the regularity of review is sufficient but based on the current profile we accept twice a year as appropriate. 2. We have not noted the Risk Register being presented as a stand alone item in 22/23 or 23/24 to date to Cabinet and therefore this remains a recommendation as it was also raised last year. 3. New Service Plan templates have recently been introduced which require all Heads of Service/Service Managers to record and monitor their operational risks in a risk register. These help improve the identification and mitigation of the day to day risks in the different service areas. 4. Notable changes between the July 22 register and the January 23 register have been made to improve transparency. The changes made include adding columns to record the dates of the current and next review, and a column showing the target score – i.e. the maximum risk appetite score for the specific category of risk and ensuring that controls, as well as mitigations are noted so decision makers are aware of actions in place. We accept the improvements and highlight the need to link risks to corporate objectives and direction of travel remain.	Yes	No

Follow-up of previous recommendations

Recommendation	Date raised	Type of recommendation	Progress to date	Addressed?	Further action?
<p>Governance - In order to maximise the effectiveness of the Internal Audit service in supporting the Council's risk management arrangements the Council should explore ways that it can increase the responsiveness to longstanding internal audit recommendations. The Internal Audit service should also prioritise obtaining an external review of its effectiveness to ensure it is compliant with relevant standards and the Council can continue to be assured of its effectiveness.</p>	21/22	Improvement	<p>There are 2 recommendations raised in 18/19 and 5 raised in 21/22 outstanding. All audit recommendations made in 2019/20 and 2020/21 have been resolved. Of the 7 recommendations from prior years that are outstanding 6 are in progress and only 1 not started. In line with Members' wishes, those officers with longstanding recommendations which showed little or no signs of movement in the last nine months were asked to give reasons for the delay. However, the very act of escalating the matter, first to the Senior Leadership Team, and then to Members, appears to have had the desired effect of motivating some officers to take action where no progress had previously been made and this has resulted in the positive progress reported at year end. Therefore although the recommendations are not fully closed there has been sufficient movement and effective escalation to members via Internal Audit reporting, naming officers and actions taken to allow accountability. The Council continues to recognise the need to clear old recommendations as an action within its own Local Code of Corporate Governance review. Discussions with officers has confirmed that the Senior Leadership Team (SLT) are now taking ownership of the recommendations and liaising directly with Internal Audit to ensure all recommendations are dealt with in a timely manner going forwards.</p> <p>The last peer review was completed in 2016/17 so a further external assessment was overdue as at the end of 22/23. This has been arranged and undertaken by the Chief Internal Auditor at Lewes District and Eastbourne Borough Councils and was reported to the Committee in June 23. The overall finding is that "Rother's Internal Audit function "generally conforms" with the standards" and therefore is a positive result with no significant issues identified. Although this was completed after the year end it is a retrospective review and so does provide assurances over the 22/23 arrangements</p>	Yes	No

Follow-up of previous recommendations

Recommendation	Date raised	Type of recommendation	Progress to date	Addressed?	Further action?
10 Governance - The Council should consider implementing a rolling schedule of committee effectiveness reviews	21/22	Improvement	<p>The Audit and Standards Committee has undertaken an effectiveness review of itself, this was presented in July 23 and used CIPFA tools to do so. As the Committee had not completed the self-assessment process before, a session was facilitated by the Interim Chief Finance Officer during April 2023 to allow the Committee Members to discuss and complete the first draft of the assessment template and supporting action plan. Whilst it was acknowledged that the timing was not ideal due to the impending elections in May, it was felt that the current Committee Members would be able to assess the previous year's performance, whereas new incoming Members would not. It is positive to note that several previous Committee Members have again gained seats on the Committee and that the same Chair is in place. The assessment has also been reviewed by the Audit Committee Independent Person and comments reflected where appropriate to ensure that it is not biased and is reflective of actual performance.</p> <p>We would recommend good practice would be to undertake this effectiveness review with sufficient regularity to capture significant changes in membership and to facilitate lessons learned in appropriate time for them to be implemented. The Council recognise that undertaking a regular review of its performance against best practice ensures that the Committee has properly assessed the way in which it discharges its duties and plan to re-review in March 24. This report is only reported to the Committee and may wish to be shared with Cabinet/Council to give them assurance of the effectiveness and work of the Committee. Review of other committees on a rolling basis would also be useful to provide the same assurance given the success of this review.</p>	Yes	No

Follow-up of previous recommendations

Recommendation	Date raised	Type of recommendation	Progress to date	Addressed?	Further action?
<p>3E's - The Council should consider ways it can enhance the monitoring of non-financial performance. This could includes:</p> <p>1. Adhering to a programme of at least quarterly reporting of performance against operational performance metrics to Cabinet</p> <p>2. Including information on the actions to respond to and the responsible individual for underperforming metrics within the KPI reporting to Cabinet</p> <p>3. Including within the KPI reporting, or as a separate exercise, a Council-wide approach to benchmarking performance with similar entities</p>	21/22	Improvement	<p>1. KPI reporting is supposed to be reviewed by Cabinet and Overview and Scrutiny Committee quarterly, 3 of the 4 quarters have been presented in 22/23 with Q1 not being received by members. No Q1 reporting is available for 23/24 either.</p> <p>2. The KPIs included in the reporting includes summarised information to highlight target performance, actual performance and trends but there is limited information on the actions proposed to be taken and who is accountable. Given that at 21/22 Q4 performance has an alert status for the majority of KPIs this additional information would be useful to help members understand what is being done in response and by who to ensure that some action is actually taken.</p> <p>3. We did not find evidence of this through our review of papers or within the performance reporting. KPIs were updated for 23/24 but there has been no inclusion of benchmarking as a result of this review or as a separate exercise. The Council has undertaken a review of their governance arrangements against Local Code of Corporate Governance behaviours and within this has recognised benchmarking as an area for improvement. It is recognised that while the Council has undertaken some service reviews and benchmarking, these aspects should be considered more corporately to provide additional management information in relation to decision making and performance.</p>	No	To be followed up in 23/24
<p>3E's - The Council should ensure that the action plan to respond to recommendations from the Local Government Association (LGA) Peer review is monitored regularly by a relevant committee.</p>	21/22	Improvement	<p>Members were updated on progress at their Away day in September 23. Discussions with Officers confirm that the Council expects to revisit these recommendations in 23/24 to respond in full as well as engaging with LGA to return and review whether the response has been satisfactory by the Council. Therefore initial response is positive but actions need to embed, the LGA re-review will provide vital evidence as to the effectiveness of the response</p>	Yes	No

Follow-up of previous recommendations

Recommendation	Date raised	Type of recommendation	Progress to date	Addressed?	Further action?
<p>3E's - The Council should use the Service Planning Review process, taking place in 23/24, to explore ways that it can target reduction of both unit cost and demand in services which are producing comparatively high unit costs when compared to other districts. These areas are homelessness, street cleansing and waste collection. Where services are delivered by contractors (waste collection) this process should be used to liaise with those contractors to explore potential efficiencies and where operational metrics are not currently monitored in relation to these areas (street cleansing) the Council may wish to consider including these within their performance KPI reporting to track impact of any actions.</p>	21/22	Improvement	<p>Street Cleansing: The Council has updated its KPIs for 23/24 and no metrics on street cleansing have been included and as such the prior year recommendation to consider monitoring this service via this route remains. The service is not highlighted within the 22/23 outturn or the 23/24 budget monitoring to date, which focusses on services with significant variances. This suggests that based on total cost the service is being managed within the available budget. Street cleansing is undertaken via a contractor and therefore there are more limited opportunities for the Council to address costs directly. However, liaising with the contractor to identify possible efficiencies within the terms of their contract would be beneficial.</p> <p>Waste Collection: 22/23 non-financial performance was not on target within the KPI reporting for this service but has shown improvement and movement towards target over the year, as such the trajectory is more positive than when the RA data was produced and our recommendations to target this area in the service planning review has been addressed via work already undertaken.</p> <p>Homelessness: Overall we can see positive and extensive measures continue to be focussed on the increase of supply and reduction of costs and working to prevent homelessness where possible, although given the nature of the issue the Council is limited in the actions it can take to prevent the causes of homelessness. However, prevention would seem to be the most cost effective method, and we have raised a recommendation to encourage this approach.</p>	Partially	See Recommendation 11 in relation to homelessness.

Follow-up of previous recommendations

	Recommendation	Date raised	Type of recommendation	Progress to date	Addressed?	Further action?
14	3E's - Whilst the Council is in a transition phase of transferring discretionary services to Bexhill Town Council, it should consider instilling a regular agenda item at Cabinet to update members on the progress of the negotiations until all services, agreed as part of the Financial Stability Programme, are fully transferred.	21/22	Improvement	Transfer of services to the town councils has stalled and is being updated through budget monitoring as negotiations are still ongoing with a risk that the programme will cease, as such the recommendation from last year is superseded	Yes	No
15	3E's - The Council should continually review governance arrangements between themselves and Rother DC Housing Company to ensure they remain fit for purpose, including reviewing the appropriateness of the use of Council staff delivering services at the company on the independence of decision making and more regular and detailed reporting of company performance to the Council.	21/22	Improvement	Several improvements noted in relation to the Housing Company governance arrangements as detailed on tab 'Housing Company' due to ongoing review of these and iterative changes and improvements. Review of how governance arrangements have changed and embedded has resulted in more specific recommendations for 22/23	Yes	See Recommendation 12 for 22/23 specific recommendations
16	3E's - Consideration should be given to developing a programme of service reviews using such tools as benchmarking to identify best practice. Firstly, it could compare its performance reporting (in terms of number and types of KPIs against other Sussex Districts) to determine whether others are capturing and reporting useful information the Council is not. Secondly, the Council could actually compare the performance of existing KPIs against other Councils (starting in Sussex initially to determine whether the exercise is useful).	20/21 and 21/22	Improvement	The Service Planning Review is taking place supported by the CFO to identify cost savings and income generation opportunities in 23/24 with the aim of mobilising successful proposals in 24/25. This is currently in progress with proposals in excess of target being submitted by services for review by budget holder, members and finance which remains ongoing.	Yes	No

Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its 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
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

International Standards on Auditing (UK)

- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

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

Audit opinion on the financial statements

Based on the work undertaken to date, we anticipate issuing an unqualified opinion on the Council's financial statements.

Audit Findings Report

More detailed findings can be found in our AFR, which will be reported to the Council's Audit and Standards Committee early in 2024.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Council's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office. This work will be completed following the audit of the financial statements. The Council's expenditure and assets are below the £2bn threshold for a detailed audit of the return.



Appendices

Appendix A: Responsibilities of the Council

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

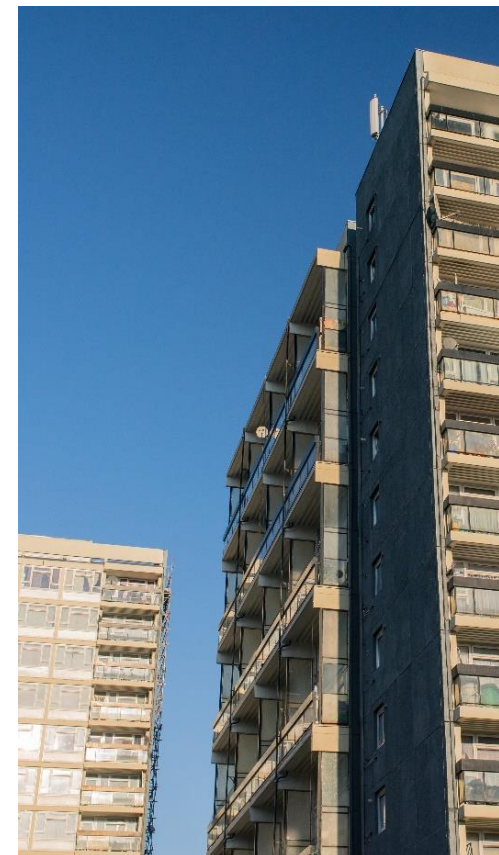
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

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



Appendix B:

An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	See relevant sections

Page 105

The Audit Findings for Rother District Council

Year ended 31 March 2022

Rother District Council
December 2023

Page 107



Contents



Your key Grant Thornton team members are:

Darren Wells

Key Audit Partner

T 01293 554120

E Darren.J.Wells@uk.gt.com

Raymund Daganio

Audit Manager

T 01273 835100

E Raymund.L.Daganio@uk.gt.com

Section

- 1. Headlines
- 2. Financial statements
- 3. Value for money arrangements
- 4. Independence and ethics

Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees
- E. Audit Opinion
- F. Management Letter of Representation

Page

- 3
- 5
- 16
- 18

- 21
- 24
- 25
- 31
- 32
- 37

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit and Standards Committee.

**Name : Darren Wells
For Grant Thornton UK LLP
Date : 4 December 2023**

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Rother District Council (‘the Council’) and the preparation of the Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Page 109

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice (‘the Code’), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements including the Annual Governance Statement (AGS) and the Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We reported the findings of the 2021/22 audit to members in March 2022. At that time we highlighted ongoing work in respect of the valuation of property, plant and equipment, awaiting responses from management to audit challenge. We have also undertaken additional work in respect of the pension fund triennial valuation. The Council is a scheduled/admitted body to East Sussex Pension Fund. The latest triennial valuation for East Sussex Pension Fund at 31 March 2022 provides updated information for the net pension liability on the Council's balance sheet, particularly in respect of membership data and demographic assumptions. Having considered Section 3.8 of the CIPFA Code and IAS 10 - Events After the Reporting Period we considered that the triennial valuation would contain information that better reflects conditions that existed as at 31 March 2022. Management obtained a revised report from the actuary, detailing what impact this updated information had on its net pension liability disclosures at 31 March 2022. This revised report showed that the impact was material and so management adjusted the financial statements accordingly.

Additional audit work has been required in respect of this issue, including obtaining assurance in respect of updated membership data, considering the reasonableness of revised assumptions and estimates and checking the accuracy of management's adjustments to the financial statements. Updates in this report to the position reported to members in March are shown in underlined text for ease of identification.

Our audit work was undertaken remotely during October-March. Our findings are summarised on pages 5 to 15. We have identified adjustments and amendments to notes to the financial statements. These are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is complete and there are no matters of which we are aware that would require modification of our audit opinion Appendix E.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our audit opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have completed our VFM work, which is summarised on page 17, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management. As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing 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 for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have completed our audit of your financial statements and we will issue an unqualified audit opinion as detailed in Appendix E.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan.

Page 112

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,189,000	This is approximately 2% of gross revenue expenditure.
Performance materiality	892,000	Calculated as 75% of headline materiality. This is a measure used in audit of testing based upon our assessment of the likelihood of a material misstatement in the financial statements.
Trivial matters	59,400	This has been calculated based upon 5% of your headline materiality.



2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan

Commentary

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

To address the risk we:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions

Our audit work has not identified issues in respect of this risk. However we raised two control recommendations in relation to journals process. Refer to Appendix A.



2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of the pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£11.3m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation.

To address the risk we:

- Updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls;
- Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- Assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

Our audit work has not identified issues in respect of this risk other than the unadjusted overstatement of £374k in pension fund net liability. Refer to Appendix C.

Further in July 2023, the Council obtained a revised IAS 19 report from the actuary following the updated triennial valuation report for 2022. This resulted in increase in net defined pension liability as at 31 March 2022 from £11.3m to £18m which have been reflected on the revised statement of accounts.

Revenue cycle includes fraudulent transactions (rebutted)

Under ISA 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and nature of the revenue streams at Rother District Council, we have determined that the risk of fraud arising from revenue recognition on the remaining revenue streams can be rebutted, because:

- There is little incentive to manipulate revenue recognition
- Opportunities to manipulate revenue recognition are very limited
- The culture and ethical frameworks of local authorities, including Rother District Council, mean that all forms of fraud are seen as unacceptable.

There are no changes to the assessment reported in our Audit Plan. We have not identified any issues in this regard.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings and Investment Properties

The Council regularly revalues its land and buildings to ensure that the carrying value is not materially different from the current value at the financial statements date. Investment properties are revalued annually at fair value.

These valuations represent a significant estimate by management in the financial statements.

To address the risk we:

- Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- Evaluated the competence, capabilities and objectivity of the valuation expert;
- Wrote to the valuer to confirm the basis on which the valuation was carried out;
- Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation;
- Tested revaluations made during the year to see if they had been input correctly into your asset register; and
- Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

On the initial audit findings report we reported in the July 2023 Audit and Standards Committee meeting, we noted that the review of two asset valuations was underway with outstanding audit queries. This is related to:

- 5.71 ha of land in Mount View street which the Council acquired in 2021/22. A portion of this land (4.04ha) will be sold to NHS body post year end, was valued at £2.9m and the remainder (1.67ha) will be used for residential development and is valued at £2.5m as at 31 March 2022. We have now concluded on this. The portion of land valued at £2.9m was reclassified to assets held for sale and Note 27 (Events after the balance sheet) was amended to reflect the transfer of land to NHS body post year end.

- The second is land in Blackfriars which is categorised as a surplus asset. This was valued at £4.5m in 2020/21 and is valued at nil in 2021/22. The valuation method remains consistent at fair value in both 2021/22 and 2020/21. This asset is currently held for future housing development and is intended to be transferred to Rother DC Housing Company Ltd. A second valuation was obtained in July 2023 but incorrect land area was used by the valuer. Third and final valuation was therefore obtained by the management in October 2023 for this property using the best use of the land with a valuation of £595k. This has been adjusted to the statement of accounts. We have also concluded on this and assessed the revised valuation to be reasonable.

No issues identified on the valuation of investment properties.

Risk of fraud in expenditure recognition (rebutted)

We consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). As most public sector bodies are net spending bodies there may be an incentive to manipulate expenditure to meet targets or budgets. The risk of material misstatement due to fraud relating to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition.

Having considered the risk factors and the nature of the expenditure streams at the Council, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited;
- the culture and ethical frameworks of local authorities, including the Council, mean that all forms of fraud are seen as unacceptable.

There are no changes to the assessment reported in our Audit Plan. We have not identified any issues in this regard.

2. Financial Statements - Other risk

Risks identified in our Audit Plan

Existence/accuracy of infrastructure asset balances and associated accumulated depreciation charged

The CIPFA Code of Practice on Local Authority Accounting states that Infrastructure assets shall be measured at depreciated historical cost. Historical cost is deemed to be the carrying amount of an asset as at 1 April 2007 (i.e. brought forward from 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment.

We identified a risk that the carrying value of infrastructure assets is not appropriate given the nature of how the assets are held on the balance sheet and monitored through the asset register.

Commentary

The inherent risks which we identified in relation to infrastructure assets were:

- an elevated risk of the overstatement of Gross Book Value and accumulated depreciation figures, due to lack of derecognition of replaced components
- a normal risk of understatement of accumulated depreciation and impairment as a result of failure to identify and account for impairment of infrastructure assets and an over or understatement of cumulative depreciation as a result of the use of inappropriate useful economic lives (UELs) in calculating depreciation charges.

We have been working with CIPFA and the English Government to find both long-term and short-term solutions which recognise the information deficits and permit full compliance with the CIPFA Code. It has been recognised that longer-term solutions, by way of a Code update, will take several years to put into place and so short-term solutions are being put in place in the interim. These short-term solutions include the issue of a Statutory Instrument (SI) by government. The English SI was laid before Parliament on 30 November 2022 and came into force on 25 December 2022. CIPFA issued an update to the Code for infrastructure assets in November 2022 and has issued further guidance in January 2023 in relation to useful economic lives (UELs).

We have completed the following work focusing on the Council's current year's infrastructure assets:

- Updated our understanding of the processes and controls put in place by management to ensure that the useful economic lives for infrastructure are set at an appropriate length;
- Updated our understanding of the processes and controls put in place by management to ensure that infrastructure assets which have been replaced are identified and written out of the fixed asset register and financial statements as replacement additions are made; and
- Obtained understanding how management complies with the CIPFA Code of Practice in how it accounts for infrastructure assets.

Based on our work, we are satisfied that the Council has:

- appropriately removed the gross book value and accumulated depreciation from its disclosures adding a new disclosure setting out opening net book value and any in-year movements
- not identified any prior period adjustments requiring disclosure in the accounts.
- complied with the application of useful economic lives (UEL) of infrastructure assets in accordance with SI and the requirements in the CIPFA Code.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management’s approach	Audit Comments	Assessment
<p>Land and Building valuations</p> <p>PPE: Other land & buildings NBV £47,418,000</p> <p>PPE: Surplus assets NBV £2,260,000</p> <p>Investment properties NBV £13,379,000</p>	<p>The Council’s accounting policy for Property, Plant and Equipment (PPE) assets (including surplus assets) is at Note 1 (section 16) and for investment properties, at Note 1 (section 12). Both policies cover accounting and valuation process.</p> <p>The Council’s assets are typically fully revalued on a 5 year programme, but the Council arranged for a full revaluation of its land and property (including its investment property) as at 31 March 2022 two years after the previous full revaluation. The exercise was undertaken by external valuers Wilks Head and Eve Chartered Surveyors.</p> <p>Other land and buildings comprises specialised assets such as leisure centres which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.</p> <p>The total year end valuation of land and buildings was a net increase of £5.9m from 2020/21 (£41.5m) while the investment properties was a net increase of £1.7m from 2020/21 (£11.5m).</p>	<p>The Council engaged Wilks Head and Eve for the valuation of land and buildings and investment properties. We considered and completed the following in the course of our audit:</p> <ul style="list-style-type: none"> - assessment of management’s expert; - Impact of any changes on the valuation method; - consistency of estimate against Gerald Eve report; - reasonableness of movement in estimates; - adequacy of disclosure of estimate in the financial statements; and - evaluated classification of investment properties. <p>Based on the valuation report, the valuer has not reported material valuation uncertainty for both other land and buildings and investment properties due to quantum of market evidence that support the valuation.</p> <p>We have not identified issues in respect of the valuation of land and buildings and investment properties.</p> <p>In terms of land and building and surplus assets valuations, we noted that following:</p> <ul style="list-style-type: none"> - Audit misstatements (see Appendix C) <ul style="list-style-type: none"> - Errors on calculation of valuation resulting in £170k understatement on two samples and £219k overstatement for one sample with a net impact on land and building of £49k. - Land in Mount View Street - £2.9m reclassifications to assets held for sale. This has been adjusted by the management. Post balance sheet event note also amended to reflect this. - Land in Blackfriars – Revaluation adjusted to £590k from nil. Management have made the adjustment in the accounts. - Control failures (see Appendix A) <ul style="list-style-type: none"> - Assets revalued have no identifier to easily match what’s on the fixed asset register - Lack of clear dialogue and instructions to valuer to ensure valuation basis used is correct. 	<p><u>We consider management’s process is appropriate and key assumptions are neither optimistic or cautious</u></p>

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability – £18,051,000	<p>The Council's net pension liability at 31 March 2022 is £18m (PY £22.6m).</p> <p>The Council recognises and discloses the retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19 'Employee Benefits'.</p> <p>The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2023 for the period as at 31 March 2022. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<p>We have considered and completed the following in the course of our testing:</p> <ul style="list-style-type: none"> Assessment of management's expert; Assessment of actuary's approach taken, based on the full valuation to confirm reasonableness of approach; Use of PwC as auditor's expert to assess actuary and assumptions made by actuary – the table compares your Actuary's assumptions <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.60%</td> <td>2.55% - 2.60%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>3.20%</td> <td>3.05%-3.45%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.20%</td> <td>3.05%-4.45%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>21.1 / 22.1</td> <td>20.5 - 24.4</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>24 / 25.5</td> <td>23.4 - 26.4</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Completeness and accuracy of the underlying information used to determine the estimate Impact of any changes to valuation method Reasonableness of the Council's share of LPS pension assets. Reasonableness of increase/decrease in estimate Adequacy of disclosure of estimate in the financial statements 	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.60%	2.55% - 2.60%	●	Pension increase rate	3.20%	3.05%-3.45%	●	Salary growth	3.20%	3.05%-4.45%	●	Life expectancy – Males currently aged 45 / 65	21.1 / 22.1	20.5 - 24.4	●	Life expectancy – Females currently aged 45 / 65	24 / 25.5	23.4 - 26.4	●	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	2.60%	2.55% - 2.60%	●																								
Pension increase rate	3.20%	3.05%-3.45%	●																								
Salary growth	3.20%	3.05%-4.45%	●																								
Life expectancy – Males currently aged 45 / 65	21.1 / 22.1	20.5 - 24.4	●																								
Life expectancy – Females currently aged 45 / 65	24 / 25.5	23.4 - 26.4	●																								

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Page 119

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit & Standards Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Council which is appended in this report.
Confirmation requests from third parties	We sought external confirmations from relevant banks and financial institutions to support our view of the Council's yearend cash and investment balances. We received positive confirmation for all balances. There are no issues to report.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA [UK] 570).

Page 120

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none">• the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities• for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none">• the nature of the Council and the environment in which it operates• the Council's financial reporting framework• the Council's system of internal control for identifying events or conditions relevant to going concern• management’s going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none">• a material uncertainty related to going concern has not been identified• management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and the Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that work is not required as the Council does not exceed the threshold.</p>



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Page 122



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

5. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit service was identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Estimated Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	£14,663	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £14,663 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

Appendices

A. Action plan – Audit of Financial Statements

We have made 7 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2022/23 audit. The matters reported here are limited to those deficiencies we identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 127</p>	<p>We noted two users who posted on the accounting system that have unbalanced amounts of journals with net variance of £40. As per management this resulted from system error that wasn't investigated further on the grounds of materiality.</p>	<p>Whilst the difference on the unbalanced user journal transactions are clearly trivial, management should ensure that systems controls are designed effectively to avoid future errors on journals being posted. This includes a control that would prevent journals to be posted if the debits and credits don't match on each journal and by each user.</p> <p>Management response</p> <p>The system prevents unbalanced journals happening both when they are done manually and uploaded from a template. It would accept up to 5p difference if it was a result of calculation roundings. The controls are there in place and this particular case was an abnormal situation due to a system glitch.</p>
	<p>We noted multiple journal entries in the general ledger's listing (specifically on Income SI category) that have no descriptions. As management confirmed, the system does not allow users to include journals descriptions for this type of transactions. The system only automatically post descriptions that are not clear and have no meaning.</p>	<p>It is fundamental that journals regardless of the amount or number of lines, should be posted with clear descriptions as this provides quick overview of what these journals are being posted for. This is designed to spot errors that can be useful in management's review process of journals before being posted. Management should consider putting a description function for all types of journals and to understand why the system is not allowing descriptions to be recorded for this type of journal.</p> <p>Management response</p> <p>The lack of narrative on Sundry Income Debtor invoices is a result of a system design on Accounts Receivable which does not transfer the narrative from the face of the invoice (SI Order) into the Text field on the General Ledger. This has been investigated with a Unit 4 Users group and is accepted as a system limitation. Detail on the type of transactions is already available through the use of Account, Cost Centre, Location and Product code descriptions, but we are investigating the possibility of having the narrative there as well. At the moment it is impossible without significant additional/duplicated data entry work by the Accounts Receivables officer.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements, cont'd

Assessment	Issue and risk	Recommendations
Page 128	<p>Based on our valuation testing, we noted two land held within fixed assets register that will either be developed, sold or transferred in the future. One relates to a land in Mount View street acquired in 2021/22 for which a portion will be sold to an NHS body while the remaining is planned to be developed for commercial use. The other land in Blackfriars is planned to be transferred to a housing company set up by the Council for local housing purposes. While we can see Cabinet minutes demonstrating the decision of the committee for the planned use of these assets, there is no documented dialogue and instructions provided to the valuer to ensure valuation basis is correct. This should include a tracker to show different stages of the decisions held for these land. Management confirmed that the intended use of these assets specifically the land in Blackfriars has not been steady depending on the best use at a point in time and will also depend on the viability study undertaken by the housing company. It is therefore crucial that decisions on stages of the plan of the asset is maintained which should also outline the outcome of decisions, actions to be taken and timescale.</p>	<p>Management’s valuation team is well aware about the decisions for these assets but It is important that the concrete plan for the assets are demonstrated not just on the final stages of approval but also in the form of a tracker showing the decisions made, planned and/or alternative actions, and timescale on when will these be achieved. From the auditing perspective, this also provides an understanding on the use of the asset as it affects the assessment on the valuation method that should be applied.</p> <p>Management response</p> <p>These two complex projects evolved over the years and while the Council is comfortable that all the decisions taken around these schemes are accurately reflected within the reports presented and minutes provided it is acknowledged that we need to ensure continual dialogue between the finance and property teams along with the valuers so that everyone is clear on the current progress of developments to ensure valuations can be accurately reflected. We are continually improving the management, monitoring and reporting of the overall capital programme using a standardised approach to ensure all changes are captured and well documented so these improvements to communications will be included as part of this ongoing work.</p>
	<p>NNDR Provision : Figures for the threat report were not updated for year under audit. The Council accounted for the NNDR provision on the basis of last year threat report figures for 2017 list. This resulted in provisions understated by £42k.</p>	<p>As part of the financial reporting process, management should ensure that up-to-date reports are being used in estimating their general provisions.</p> <p>Management response</p> <p>We are doing work this year to improve our working papers for the collection fund to prevent such an omission from happening in the future. We are also taking steps to communicate better with the VOA and Analyse Local and there is a project to standardize the approach to NNDR provision by BAs across the county.</p>
	<p>On our valuation testing, we noted that there is no distinct identifier in terms of name for assets per valuation report versus what’s on the Council’s fixed asset register and to the corresponding ownership documents.</p>	<p>We recommend management to include identifier or references to each item on the fixed asset register and folders maintained for each individual asset where corresponding evidence can be kept in order. This will make the review process easier and in ensuring supporting evidence can be pulled out easily. As discussed with management this is being addressed for 2022/23.</p> <p>Management response</p> <p>We are aware of this problem and there is a reconciliation exercise ongoing to standardise the descriptions of assets between the information given out to valuers, the fixed asset register maintained by Finance and the descriptions used on the Financial system. The list of properties has already been sent to the valuers in their old format, but we will endeavour to either map those old name or translate them to the new agreed descriptions.</p>

A. Action plan – Audit of Financial Statements, cont’d

Assessment	Issue and risk	Recommendations
	<p>Management confirmed that all FTE quarterly reports in 2021/22 were submitted to National Statistics however we did not see evidence of FTE report submission for the quarter ended June 2021.</p>	<p>This document provides strong evidence to support completeness of FTE being disclosed to the financial statements and is therefore important to be kept on file.</p> <p>Management response</p> <p>We will stress to HR the importance of those records to be retained and passed on to Finance and ask them to diarise sharing this information with Finance either at year end or as and when it is submitted.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 129</p>	<p>During the audit, we noted that elections staff cost was inconsistently recorded in different codes. Some of which were posted using basic salary account code while others were posted in employee benefit expense codes.</p>	<p>We recommend that separate code be used for other employee remuneration to easily track expenditures of different nature. This would also help the Council when analysing fluctuations on account level basis.</p> <p>Management response</p> <p>It is true that all these costs are recorded under Basic salary costs, and are thus not easily distinguishable from other regular staff costs, but they only affect 5 distinct Elections cost centres associated with specific elections. They are not easily distinguishable on the system because a decision was made at set up stage that employee information would be restricted on the general ledger. The information can be obtained on request by authorized staff from the Payroll Module. We will, however, check with HR and payroll if for better visibility and transparency purposes the relevant PDs could be attached to a different, separate Account code set up on the system specifically to capture such elections costs which would not have been incurred if elections were not taking place in the particular year.</p>

B. Follow up of prior year recommendations

We identified the following issues in the audit of Rother District Council's 2020/21 financial statements, which resulted in 1 recommendation being reported in our 2020/21 Audit Findings report as partially addressed. We have followed up on the implementation of our recommendation and noted this to have been addressed.

Page 130

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Inclusion of sensitivity analyses in disclosure on estimation uncertainty</p> <p>Under IAS1 there is a need for the sensitivity analysis disclosures to be considered for all significant estimates. Note 4 includes a sensitivity analysis quantifying the potential impact of changes to the assumptions used in calculating the net pension fund liability. However, there is no sensitivity analysis for other estimates referred to at Note 4. We recommended that in future years where an estimate requires a disclosure at Note 4 then this should include a sensitivity analysis on the impact of changes to assumptions.</p>	<p>In 2020/21, the Council partially addressed this recommendation leaving the disclosure on sensitivity analysis for asset revaluations for 2021/22. This has now been reflected in the 2021/22 statement of accounts and therefore resolved.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

We have identified the following adjusted audit misstatements which we are required to report to those charged with governance.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000
<p><u>Classification error on land in Mt. View Street</u></p> <p>The land in Mt. View Street is divided into three phases. The first two phases (or portions) are intended to be transferred to an NHS body while the remainder of the site could be developed for residential and some neighbourhood retail use, in line with the outline planning consent.</p> <p>During 2022/23, the Council entered into an option agreement with an NHS body to transfer portions of land through sale. This is the first phase of the site which has been successfully transferred to an NHS body and consideration received by the Council in February 2023. The fair value of the land as at 31 March 2022 was £2,053k while the consideration received was £2,363k. The second phase is expected to be transferred after 12 months post year end and is valued at £877k as at 31 March 2022. The option agreement covers five periods although the transfer is expected to occur as soon as the funding is secured by the NHS body.</p> <p>The Council has reclassified the first phase of site as assets held for sale (current) for £2,053k while the second phase was reclassified to assets held for sale (noncurrent) for £877k.</p>	-	<p>Assets held for sale (current) - 2,053</p> <p>Assets held for sale (noncurrent) - 877</p> <p>PPE - (2,930)</p>	-

C. Audit Adjustments, cont'd

Impact of adjusted misstatements, cont'd

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000
<u>Valuation error on Land in Blackfriars</u>	559	559	-
<p>The land in Blackfriars was initially valued at nil at 31 March 2022 (£4.5m at 31 March 2021) as a surplus asset. Based on initial valuation report, the cost to construct was more than the expected sale resulting in the nil value. The valuation was based on housing development plan for this land but this is dependent on the outcome of an ongoing viability study. At the time of our audit, the viability study has not been completed and therefore a firm finalised plan on the intended use of land has not been established. According to the Code, management should assess the highest and best use of the land. This will determine the appropriate valuation method to apply. Management discussed this with their property team and the external valuer to determine the alternative use of the land and to compare what the best use is. A revised valuation was then provided by the external valuer using the land value on its current state based on market comparison approach. For the development site, the external valuer used the suggested rates by VOA. Undeveloped land value or the development site is derived from the VOA amenity land schedule as there is very limited evidence of amenity land being sold between parties as typically it will be for redevelopment. In calculating the valuation, the external valuer, based on their judgement reduced the multiplier due to the current state of the land. This resulted in the revised valuation of the land to £559k. We have assessed inputs and assumptions used by the external valuer and have concluded these to be reasonable.</p>			

C. Audit Adjustments, cont'd

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Liquidity risk disclosure amendment in financial Instruments note for inclusion of interest cost along with principal amount. The maturity analysis disclosed under liquidity risk section of financial instruments disclosure in Note 20 does not include the interest element of loans over the contractual maturities in both current year and prior year.	Amendments proposed to correct error in the contractual maturities disclosed in both current and prior year. Management response Agreed to adjust.	✓
Through discussions with the management, adjustments were made to the CIES however this was not reflected on the Expenditure and Funding Analysis (EFA) note. This relates to account G1206 that's normally expense and therefore mapped to expenditure lines. This has been corrected in the updated accounts to reclassify the amount to income line. There is nil impact on the net income.	Amendments proposed to correct error in EFA note. Management response Agreed to adjust.	✓
Error on the amount of "Change in covid grants held for Government" line for 21/22 within Statement of Cash flows which was shown as £14,774k but should have been £2,713k. This amount was incorrectly brought forward from PY comparative but overall has no impact on the net amount of cash flows.	Amendments proposed to correct statement of cash flows. Management response Agreed to adjust.	✓
In Note 19, the Council included narrative about the nature of S106 grants but it's not done for new grants S106 Worsham farm (£747k) which leaves the undisclosed nature of S106 grants above the materiality.	Amendments proposed to provide disclosure on the nature of capital grants received in advance. Management response Agreed to adjust.	✓

C. Audit Adjustments, cont'd

Misclassification and disclosure changes, cont'd

Disclosure omission	Auditor recommendations	Adjusted?
<u>As per IAS1 there is a need for the sensitivity analysis disclosures to be considered for all significant estimates. This was not disclosed for the depreciation expenses.</u>	<u>Amendments proposed to comply with the requirement of the Code.</u> Management response <u>Agreed to adjust.</u>	✓
<u>The Council amended Note 27 Events after the balance sheet events to reflect the adjusting events related to the subsequent transfer of land in Mt. View Street to an NHS body.</u>	<u>Amendments proposed to comply with the requirement of the Code.</u> Management response <u>Agreed to adjust.</u>	✓

C. Audit Adjustments, cont'd

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit & Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Reason for not adjusting
<p>Errors in land and building valuations calculations</p> <p>For three of the samples selected, we noted errors in the calculation of valuation by the values as follows:</p> <ul style="list-style-type: none"> - Land at Mount View street, Variance noted between our recalculation and valuation provided by management. The valuer used 5.86 ha in calculating the land value as opposed to the correct land area of 5.71ha. This resulted in understatement of land valuation by £79k. - Public convenience at Dog Hill The valuer in his calculation incorrectly used the amount for "Developed Land" as a basis for calculating value per land as opposed to "Undeveloped land" which this asset falls under. This resulted in an overstatement of land valuation by £219k. - Land at Love Lane Rye The total area as per recalculation by management is 1.779 ha while the valuer has only considered an area of 1.17 ha for their calculations resulting in a net valuation gap of £91,350. <p>The net impact of above misstatements is overstatement on the valuation of land and building by £49k and corresponding overstatement on revaluation reserve.</p>	-	PPE - 49	-	The Council has not adjusted as this is below materiality.

C. Audit Adjustments, cont'd

Impact of unadjusted misstatements, cont'd

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Reason for not adjusting
Understatement on the pension fund asset	374	374	(374)	The Council has not adjusted as this is below materiality.

IAS 19 assurance letter was received from the pension fund auditors on 15 February 2023. No exceptions was noted other than the £12.9m understatement in the valuation of pooled investments, pooled property investments and pooled equity of the pension fund. We have calculated the portion of misstatement allocated to Rother DC based on its asset percentage of 2.29% over the total asset of the pension fund. The allocated variance to Rother DC is therefore £374k. In effect, the pension fund net liability is overstated by the same amount as at 31 March 2022.

D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Scale fee	£40,459	<u>£40,459</u>
Ongoing increases to scale fee first identified in 2019/20		
Increased FRC challenges	4,500	<u>4,500</u>
PPE		
pensions	200	<u>200</u>
New issues from 2020/21		
ISA 540 and journals testing	5100	<u>5100</u>
Value for Money audit – new NAO requirements	9,000	<u>9,000</u>
Other	6,675	<u>0</u>
Issues in 2021/22		
additional work on PPE valuation due to errors noted		<u>8,260</u>
additional work on pension valuation including work on updated triennial valuation report		<u>4,000</u>
Total audit fees (excluding VAT)	£65,934	<u>£71,519</u>
Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Housing benefit subsidy claim	£14,663	<u>£14,663</u>
Total non-audit fees (excluding VAT)	£14,663	<u>£14,663</u>

None of the above services were provided on a contingent fee basis. This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

E. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Council with an unmodified audit report

Independent auditor's report to the members of Rother District Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Rother District Council (the 'Authority') for the year ended 31 March 2022, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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 Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and 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

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

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 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.

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

The responsibilities of the Chief Finance Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements' section of this report.

E. Audit opinion, cont'd

Other information

The Chief Finance Officer is responsible for the 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. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report 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; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities, the Authority 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 authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance 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 Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Standards Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

E. Audit opinion, cont'd

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003, the Local Government Act 1972 and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.

- We enquired of senior officers and the Audit and Standards Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and

- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

- We enquired of senior officers, and the Audit and Standards Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, fraudulent revenue recognition and fraudulent expenditure recognition.

- Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Chief Finance Officer has in place to prevent and detect fraud;

- journal entry testing, with a focus on unusual journals made during the year and the accounts production stage for appropriateness and corroboration;

- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations;

- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation

- knowledge of the local government sector

E. Audit opinion, cont'd

- understanding of the legal and regulatory requirements specific to the Authority including:

- the provisions of the applicable legislation
- guidance issued by CIPFA, LASAAC and SOLACE
- the applicable statutory provisions.

• In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, 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 for the year ended 31 March 2022.

We have nothing to report in respect of the above matter

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied 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 have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Rother District Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

E. Audit opinion, cont'd

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

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 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Page 142

Signature:

Name: Darren Wells, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date:

F. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP

[Click here and enter office address]

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION}

Dear Sirs

Rother District Council

Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Rother District Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of the net pension liability, the valuation of land and buildings, the valuation of investment properties and surplus assets, depreciation, provisions, fair value estimates, year-end accruals and credit loss allowances. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

F. Management Letter of Representation, cont'd

- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. The prior period adjustment disclosed in Note 20 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.
- xv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
 - a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and

preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

xvi. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.

xvii. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

xviii. We have provided you with:

- a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.
- xix. We have communicated to you all deficiencies in internal control of which management is aware.
- xx. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xxi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

F. Management Letter of Representation, cont'd

- xxii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxiii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiv. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxv. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxvi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Page 145

Annual Governance Statement

- xxvii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxviii. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Standards Committee at its meeting on [ENTER DATE].

Yours faithfully

Name.....

Position.....

Date.....

Signed on behalf of the Council

Rother District Council

Report to:	Audit and Standards Committee
Date:	4 December 2023
Title:	Statement of Accounts 2021/22
Report of:	Duncan Ellis, Interim Chief Finance Officer
Purpose of Report:	To consider and approve the Council's Statement of Accounts for the financial year ending 31 March 2022.
Officer Recommendation(s):	It be RESOLVED : That the Council's 2021/22 Statement of Accounts be approved.

Introduction

1. The Accounts and Audit Regulations 2003 require the Council's accounts to be approved every year by the Council or its delegated Committee. Members will recall that the draft Statement of Accounts for 2021/22 was reported to, and noted by, Audit & Standards Committee on 26 September 2022 (Minute AS22/29 refers).
2. The draft accounts included a Narrative Report on the Council's financial performance during 2021/22 and the Annual Governance Statement approved by this Committee at its meeting on 27 July 2022 (Minute AS22/21 refers). The Council's external auditors, Grant Thornton, had not commenced their audit at that time so the Committee were unable to approve the accounts.
3. A further report was considered by the Committee at its meeting on 20 March 2023 (Minute AS22/54 refers) alongside the external audit report from Grant Thornton (Minute AS22/53 refers) who, at that time, had completed most of their fieldwork. There were however a couple of outstanding issues which had yet to be resolved at the time of that report.
4. While the officer report did agree a delegation to approve any further changes, it has been necessary for the external auditors to bring back a final report for 2021/22 (elsewhere on this agenda) and on that basis final Committee approval for the sign off of the 2021/22 accounts is sought.

Audited Statement of Accounts – 2021/22

5. Grant Thornton have now completed their fieldwork on the 2021/22 accounts. Their Audit Findings Report is shown elsewhere on the agenda and sets the final issues arising from the audit.
6. As the report of the external auditors outlines the final issues, those are not replicated again within this report.

7. This report therefore seeks final approval of the Statement of Accounts for 2021/22, [a link to which can be found on the Council's website](#), subject to the opinion of the external auditor.

Conclusion

8. It is recommended that the Committee approve the 2021/22 Statement of Accounts.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No

Interim Chief Finance Officer	Duncan Ellis
Report Contact Officer:	Aleksandra Janowicz, Principal Accountant
e-mail address:	aleksandra.janowicz@rother.gov.uk
Appendices:	None
Relevant Previous Minutes:	AS22/29 AS22/21 AS22/53 AS22/54
Background Papers:	None
Reference Documents:	None

Rother District Council

Report to:	Audit and Standards Committee
Date:	4 December 2023
Title:	Internal Audit Report to 30 September 2023
Report of:	Gary Angell, Audit Manager
Purpose of Report:	To report on Internal Audit activity in the second quarter of 2023/24, and to provide a progress update on the implementation of audit recommendations made in earlier periods.
Officer Recommendation(s):	It be RESOLVED: That the Internal Audit report to 30 September 2023 be noted.

Introduction

1. The Council is required to ensure that it has reliable and effective internal control systems in place. The adequacy of these systems is tested by both Internal and External Audit.
2. The Council's Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards. It is a requirement of these Standards that we report to the Audit and Standards Committee on audit matters and any emerging issues not only in relation to audit, but also to risk management and corporate governance.

Current Position

3. Progress on the 2023/24 Audit Plan is currently running at least 5-6 weeks behind schedule due to major overruns on the Blackfriars Spine Road Project and Housing Company Governance audits. Both had proven to be far more complex than was originally anticipated and this has delayed other audit work. This delay also means that it will now be necessary to postpone the Licensing audit until 2024/25 as this particular review could not take place as planned in Quarter 1 owing to data migration issues. It is hoped that the rest of the Plan can still be delivered by reducing the coverage on some of the Governance Audits, which have just commenced.

Summary of Activity to 30 September 2023

4. Two audit reports were issued in the quarter. A third report (Housing Company Governance), which was completed in September 2023, but not issued until October 2023, is also included in this report because of its relevance to the Blackfriars development.
5. All three reports received negative assurance ratings, with ICT Asset Management providing limited assurance, and the Blackfriars Spine Road Project and Housing Company Governance only receiving minimal assurance, our worst category of assurance. The reasons for arriving at these

assessments, and the main issues found, are outlined in the Executive Summaries which are reproduced in Appendix A. Full details of all high risk recommendations made and management's response to them are also included for information.

Implementation of Audit Recommendations

6. Each quarter, Members are updated on the progress made on implementing the audit recommendations reported at previous meetings. Appendix B shows a summary of the current position.
7. There are currently 15 recommendations in the 'Old Years' section. Five of these are the same items reported previously and a further 10 cases in respect of recommendations made in 2022/23 have been added this quarter. The Audit Manager raised awareness of all these recommendations at a Senior Leadership Team meeting on 25 October and some recent progress has been made in most cases.
8. An update on the five oldest recommendations is given below.
 - **Procurement** (October 2018) – Progress is stalled as we continue to wait for Legal Services to produce a draft Service Level Agreement (or Inter Authority Agreement) for the East Sussex Procurement Hub. This was chased again by the Interim Deputy Chief Executive on 23 October 2023.
 - **ICT Governance** (April 2019) – Progress on the draft ICT Disaster Recovery Plan continues with version 3 currently being worked on following feedback from the Head of Digital and Customer Services and the Audit Manager.
 - **Data Protection** (June 2021) – (1) The Data Protection Officer (DPO) has now obtained information from all departments that hold special category data and will be updating our Privacy Policy accordingly. (2) The DPO is in the process of updating the privacy notices for the few activities identified at the audit that are not currently covered.
 - **Estates Income** (June 2021) – The service administrator has made progress in updating the ePIMS asset register database, entering new data and ensuring existing data is up to date. It is estimated that this work will be completed by the end of November 2023.
9. Only four recommendations had been made in the current year up to 30 June 2023. Half of these have already been resolved and the rest are work in progress.

Audits Planned Next Quarter

10. The audits currently scheduled to take place in the fourth quarter of 2023/24 are as follows:

January 2024	Creditors
	ICT Governance
February 2024	Treasury Management
	Payroll
March 2024	Debtors

11. The timing of some of these audits may however be pushed back depending on workload.

Conclusion

12. Progress on the 2023/24 Audit Plan is currently running behind schedule, primarily due to overruns on two audits. Some audit coverage may therefore need to be reduced to ensure that the rest of the plan is achievable.
13. Three audits were completed in the second quarter of 2023/24, all of which received negative assurance ratings.
14. Progress on the outstanding audit recommendations continues to be monitored.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No

Chief Executive:	Lorna Ford
Report Contact Officer:	Gary Angell, Audit Manager
e-mail address:	gary.angell@rother.gov.uk
Appendices:	A – Audit Reports issued during Quarter to 30 September 2023 B – Summary of Progress on Recommendations Made up to 30 June 2023
Relevant Previous Minutes:	AS23/31 Internal Audit Report to 30 June 2023
Background Papers:	None.
Reference Documents:	None.

ICT ASSET MANAGEMENT AUDIT

Service Manager: Mark Adams

Officer(s) Responsible for Implementing Recommendations: Graham McCallum, Tom Alexander and Tom Martin

Overall Level of Assurance: **LIMITED**

Purpose and Objectives

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

Control Objectives

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

An up-to-date inventory is maintained of all ICT equipment, which includes details of the individual each item has been allocated to.	P
Deliveries of new ICT equipment are recorded in the inventory on receipt and are held in a secure area until required.	P
Checks are in place to ensure that leavers ICT equipment is returned promptly to the Council.	P
Redundant ICT equipment is removed from the inventory and locked away until securely disposed of.	M

Level of Assurance

Based on the findings from the audit, we have determined that only limited assurance can be given on the overall governance arrangements owing to the many discrepancies found with data held on the ICT Asset Management database and mobile phone records.

The issues found include examples of:

- New equipment that was not allocated an RSN (asset number) and was subsequently issued.
- Equipment issued with an RSN but not recorded on the ICT Asset Management database.
- Equipment currently held by someone other than the allocated user.
- Lax controls over the return of equipment when users leave the Council, especially in respect of agency workers and consultants. Some equipment

may never have been returned. (NB - It is the line manager's responsibility to ensure that all equipment is returned.)

The audit also found that there are 50 mobile phones in circulation that have not accessed the network in over six months. Each phone costs the Council £108 per year in contract fees regardless of usage. This means that up to £5,400 could be saved annually if this equipment is no longer required. Even greater savings could be achieved if the handsets were recovered and reallocated to other users rather than purchasing new phones.

The reason the audit found so many issues may well be linked to the COVID-19 pandemic and its immediate aftermath. In particular:

- There was no formal handover when the officer who previously recorded the ICT assets retired in March 2020, because this coincided with the first COVID-19 lockdown.
- Most people were expected to work from home during the lockdown, meaning that a lot of equipment was taken home by staff and the IT department were not necessarily informed of this.
- A large number of laptops had to be procured and configured to enable officers to work from home and it is likely that the urgency of this work meant that some equipment was not correctly recorded on the database.

Two significant office moves have also taken place since March 2020, and this too may have resulted in database updates being overlooked when office equipment moved from one department to another.

Nevertheless, the ICT Asset Management database and mobile phone records now badly need to be brought up to date, and it is recommended that a comprehensive review is carried out with priority given to tracing valuable, portable equipment first - e.g. laptops, tablets, and mobile phones.

The report also recommends that:

- Action be taken to ensure that all new equipment is allocated an asset number upon receipt and the RSN sticker attached to the device.
- Departments should be recharged the replacement cost of any ICT equipment that is not returned when their staff leave.
- Agency workers and consultants using Rother ICT equipment should be required to sign documentation when they receive it, stating that they will return the equipment when their contract ends, and that failure to do so will result in them being billed for the replacement costs.
- Agency workers and consultants should be recorded as such on the database along with the name of the line manager requesting their equipment. Monthly reports should then be sent to confirm that they continue to be employed by the Council and where not, what action they have taken to ensure the equipment has been returned.
- At the next mobile contract renewal (December 2023), the IT department should consider removing all devices that have not accessed the network for a period of six months or more unless there is a valid reason for this (e.g. the phone is held for emergency planning or is in storage awaiting re-allocation).

The need to improve and enforce leaver procedures is a corporate issue and will be raised separately with the Corporate Management Team by the Audit Manager.

In view of the issues found with the overall accuracy of the database records, this report could easily have been given a minimal assurance rating. However, we have decided not to do so on this occasion, as whilst the current situation is unsatisfactory, we believe that most ICT equipment is being correctly recorded at the time it is issued. The main problem appears to be keeping track of equipment once it is in circulation, and control in this area will need to improve once the records are brought up to date.

Executive Summary

Overall, the control objectives are considered to have only been partially met. We have made six medium and two low risk recommendations to management all of which are aimed at enhancing the governance arrangements and/or improving value for money.

Internal Audit Service
July 2023

Levels of Assurance:

Good	Strong controls are in place and are complied with.
Substantial	Controls are in place, but improvements would be beneficial.
Limited	Improvements in controls or in the application of controls are required.
Minimal	Urgent improvements in controls or in the application of controls are required.

Management Update – November 2023

The Head of Digital and Customer Services can confirm that a lot of work has taken place following the audit to reinstate robust practices around our ICT asset management.

Delivery of new IT assets

Once a new asset is received it is stored in a secure location (only accessible by IT) and the asset does not leave the room until it has been given an RSN number and added to the ICT asset register on KACE. A service desk officer will perform this task once a week. Our Infrastructure and system developers are currently working on an electronic asset stock log – this will keep a real time log of all assets stored in the IT Stock cupboard along with basic stock items (e.g. mice, keyboards, headsets). The asset stock log will automatically update when an item is allocated to a user and also has the ability to create alerts when there is low stock of core items such as keyboards.

IT Asset Audit (amnesty)

There will be an ICT asset audit to re-establish who has been issued monitors (as during COVID-19 there was a mass allocation to staff without recording the asset to an individual). An electronic questionnaire is planned to be issued in December 2023 to ask all staff for the RSN for all their equipment and includes docks/monitors/mobile/laptops. All items allocated to new staff are fully recorded on the asset

management system and going forwards this issue will not occur again. Completion of this task will be by 31 March 2024.

Mobile Phones

We are currently undertaking a mobile phone asset review and awaiting information from our phone provider to confirm device usage. Following this, we will be contacting all managers where there has been an extended period of device inactivity and ending the need for a mobile phone. We are currently reviewing our mobile phone contract which is up for renewal and want to ensure we contract based on need rather than commission based on the previous contract.

Mobile phone assets are recorded in two places; the KACE asset register and our Sophos device management system. A discrepancy between the two systems has been identified and this is caused when an officer leaves and their phone is passed directly to a new member of staff by the department rather than being handed back to IT for it to be recommissioned and reallocated. This results in an inaccurate record of who the phone is allocated to. A new process for returning phones is being implemented as part of the leaver process. This will use Sophos device management to automatically prevent the leaver's phone from being used if it is handed out directly by the department, meaning it will need to be returned.

Agency Workers/Consultants

Currently, a monthly report is produced by IT regarding agency workers/consultants where all relevant managers are then asked to confirm if the agency officer or consultant is still working for Rother. If they are not, their network account is disabled, and a leaver process will need to be completed. A timeframe for the return of equipment does need to be established (ideally within two weeks of leaving the post) before escalation to their manager. The Head of Digital and Customer Services can confirm that if high value items are not returned then Rother does seek to recoup the cost of these items.

Leaver Process

There have already been improvements introduced. There are two forms that need to be completed; a HR leavers form and an IT leavers form. The IT form is for the closing of network accounts and returning of IT items. The HR form is for the physical return of security passes, car park permits, etc. A reminder has been added to both forms to advise that both need to be completed. Ideally, all items should be returned on the last day of employment or a maximum of two weeks from the leaving date. The Head of Digital and Customer Services will be working with HR and IT to see how this can be implemented and will look to recover the value of these items from final salary payments, if needed.

Going forwards a new process is being worked on to try and automate many of the manual steps. This should also help to ensure that managers approve all requests for additional equipment and are required to provide a cost code for each purchase to be allocated to. This will mean that departments are correctly charged for their items, and it will provide for better budgetary control.

BLACKFRIARS SPINE ROAD PROJECT AUDIT

Service Manager: Nicola Mitchell/Senior Leadership Team

Officer(s) Responsible for Implementing Recommendations:

Operational Issues: Nicola Mitchell, Sasha Kulidzan and Amy Fearn

Corporate Issues: Ben Hook and Duncan Ellis

Overall Level of Assurance: **MINIMAL**

Purpose and Objectives

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

Background Information

The Blackfriars development is in two parts; the construction of the spine road and the housing development. The responsibility for the first part, including all infrastructure costs, rests with the Council. The housing development is the responsibility of the Rother DC Housing Company, the Council's arm's length housing delivery vehicle.

The site had been identified as an area for potential housing development for many years and although housing companies had acquired parcels of land, development had stalled. The Government then made infrastructure funding available to local authorities to facilitate the building of homes on these types of site.

In February 2018, the Council was informed that it had provisionally been awarded £3.24m in grant funding by the Ministry for Housing, Communities and Local Government (MHCLG) as part of the Housing Infrastructure Fund (HIF) marginal viability fund to finance the construction of the road and related infrastructure necessary to develop 200 homes. This was subsequently increased to £8.7m by Homes England in late 2019 following their acceptance of the uplift in costs. Without this funding and without the intervention of the Council, the site would have remained unviable and undeveloped, depriving the Battle community of much needed homes. However, the HIF grant came with an expectation on Homes England's part that the project would be completed within defined milestones.

Scope of Audit and Limitations

The sole focus of this review has been on the delivery of the spine road. An Internal Audit review of the Housing Company's governance arrangements will be undertaken shortly, as part of a separate exercise.

The Blackfriars Spine Road Project has proven to be a particularly complex development and the audit has been made even more challenging by:

- the loss of corporate knowledge due to staff turnover in both the Project Team and in Finance;

- the recent change of Employer’s Agent; and
- the Internal Audit Team’s need to familiarise itself with the terms and conditions of a NEC4 Engineering and Construction Contract as used by the main contractor.

Nevertheless, the staff currently involved in the project have been very helpful and have endeavoured to fill in these knowledge gaps wherever they can.

It should be noted that Internal Audit was already well aware of some of the problems with the delivery of this project prior to commencing this review. However, the purpose of this audit is not to apportion blame for past shortcomings, but to highlight the main issues currently facing the Council, which if addressed, should help improve the chances of the spine road being successfully delivered so that housing development can commence.

Control Objectives

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

Appointment of Main Contractor – The work was tendered for and let in accordance with Procurement Procedure Rules and Financial Procedure Rules.	M
Contract Payments – Contract payments are effectively monitored and paid in accordance with the contract terms. Site inspections are carried out by a quantity surveyor who evaluates the value of work carried out on the main contract and certifies this prior to any stage payments. Work to other contractors is procured in accordance with Procurement Procedure Rules and work is checked prior to payment.	P
External Funding – Grant funding conditions are adhered to and being closely monitored. Grant receipts are monitored to ensure they are correct.	N *
Monitoring and Reporting of Works, Costs and Project Risks – The project is monitored to reduce the risk of overspends and slippage. Any overspends or project delays are reported promptly to senior management and to Members.	N

* Grant funding and receipts are being monitored but this control objective is shown as ‘not met’ because milestones have been missed, putting the funding at risk. This point is explained in more detail below in the **Audit Findings and Recommendations** section.

Level of Assurance

Based on the findings from the audit we have determined that despite recent improvements in control, only minimal assurance can be given on the overall governance arrangements owing to the seriousness of the issues found. These are explained below.

Project Overview

To date, a number of issues have affected the delivery of the Blackfriars Spine Road Project. These include:

- A lack of corporate knowledge and experience in delivering such a large-scale development at the outset of the project. This situation was further exacerbated by the early departure of the original Project Manager.
- Pressure to meet HIF grant milestones. The need to make progress in order to meet these milestones meant that the project commenced (and continued to progress) when certain costs were unknown or unclear.
- The failure of the original Employer's Agent to adequately monitor the delivery of the main contract which led to performance issues. NB - The company concerned has since been replaced.
- The challenging nature of the site itself (being on relatively steep ground with wooded areas and containing protected species and potential areas of archaeological interest). All of which have resulted in project delays and additional cost.
- A substantial increase in the overall cost of the project. This is largely due to unforeseen changes in the economic and commercial environment (e.g. the UK exiting the EU, the COVID-19 pandemic, and world-wide inflationary pressures, etc.) and their effect on the cost of building materials, labour and borrowing. However, project management issues and other factors such as changes in the requirements for embankment works and drainage, and greater than anticipated land acquisition and professional fees have all contributed to the additional cost.

The control issues facing this project are therefore multi-faceted and have occurred over a long period of time, involving many agencies, staff, and consultants.

Recent Improvements

Whilst this audit has identified a number of weaknesses in control, it should be acknowledged that the Council appears to be in a much stronger position than it was six months ago. It has worked to address the onsite issues and quantify the full extent of the current budgetary overspend, a new Employer's Agent is now in place, and progress on the project is being closely monitored.

Audit Findings and Recommendations

The recommendations made in this report are categorised as either operational issues (to be resolved by the Project Team) or corporate issues (to be addressed by the Senior Leadership Team). All of the following matters are operational issues unless otherwise stated.

High risk recommendations have been made concerning:

- **Grant Funding Agreement** – The latest deadline set by Homes England to complete the spine road works and draw down the funds was 31 March 2023. This date has now passed despite numerous Change Requests having been sent to Homes England since July 2022. Homes England have now issued a Reservation of Rights letter, requesting an urgent action plan be prepared detailing amended milestones, the final drawdown date of funds and other relevant information. This has now been sent, but until such time these new arrangements are agreed, there is a risk that the £8.7m HIF grant could be

withdrawn as the Council has failed to reach its agreed milestones. Furthermore, any new agreement is likely to have a final drawdown date of 31 March 2024, after which time, no further funds will be paid out. An audit recommendation was therefore made for management to finalise the arrangement as soon as possible and ensure that the final drawdown date is both achievable, and closely monitored.

- **Capital Programme Reporting (Corporate Issue)** – Management did not report the overspend on this project when it was first known. While it is accepted that the true extent of the overspend may not have been fully evaluated at the time of the February 2023 Capital Programme Update, officers would have been aware at that stage that the overspend was significant and this should have been formally reported to Cabinet. Instead Members were briefed internally while officers actively worked to find savings elsewhere in the project. Cabinet has since been updated about this issue in July 2023, but given the magnitude of the overspend, which is currently forecast to be £7.2m [now £7.9m], the audit recommends that future capital overspends must be promptly reported to Cabinet in accordance with Financial Procedure Rules. Management accept this point but state that they did not do so sooner in this case because of the complexities of the project and the need to ensure that the correct figures were reported.

Other issues identified at the audit include:

- **Utilities Infrastructure Provider** – It was unclear at the time of the audit whether Networkx Utilities, the company providing the utilities infrastructure, was acting as a subcontractor of the main contractor, Breheny Civil Engineering, or whether a separate contract was required. However, the Consultant Project Manager has since confirmed that the costs incurred to date by Networkx Utilities only relate to preliminary design work commissioned via a Project Management Instruction. The Consultant Project Manager also advised that a separate legal agreement with Networkx Utilities is currently being drafted and that they would not be permitted to start onsite until it is signed.
- **Appointment of Consultants (Corporate Issue)** – Consultants/agency workers have been employed throughout most of the project to assist with its monitoring and delivery, but none have been appointed in accordance with Procurement Procedure Rules (PPRs) to ensure best value. Financial Procedure Rules state that the appointment of consultants should be made in accordance with PPRs, and the East Sussex Procurement Hub advise the same, but this appears to be at odds with current working practices. Management has therefore agreed that further legal advice will now be sought regarding the procurement of this type of work.
- **Reporting Arrangements** – The need to regularly update Members on the physical progress of this project. An audit recommendation is made for more formal reporting.
- **Risk Register** – The need to monitor and update the RDC project risk register. It is understood that a separate risk register is also kept in the Corporate Programme Board documentation and this information will need to be transferred across.

- **Budgetary Control (Corporate Issue)** – The budgetary monitoring spreadsheets should be updated to include £2.5m of approved spend in relation to land purchase costs. The omission of this item from financial records would appear to be an oversight and management have advised that this has now been corrected.
- **Contingency Sum (Corporate Issue)** – No contingency sum was included in the initial budget for the spine road, but it would have been prudent to have done so given the uncertainties regarding cost at the start of this project. Management accept this point and have agreed that contingency sums and realistic budgets for support costs will be included in future projects.

The only other issues found were minor in nature and were dealt with in the report.

Executive Summary

Overall, the control objectives are not considered to have been met and we have made two high, six medium and two low risk recommendations to management in order to improve the governance arrangements. All high risk recommendations and management's response to them will be included in the quarterly report to the Audit and Standards Committee.

Internal Audit Service
August 2023

Levels of Assurance:

Good	Strong controls are in place and are complied with.
Substantial	Controls are in place, but improvements would be beneficial.
Limited	Improvements in controls or in the application of controls are required.
Minimal	Urgent improvements in controls or in the application of controls are required.

Management Update – November 2023

Since the audit was undertaken, Officers have already progressed action to reduce the audit risks identified. Updates have been provided below for Members to demonstrate progress since the completion of the audit in respect of the main recommendations. In summary, the two main risks identified relating to grant funding and capital programme reporting are both expected to be resolved by end of December 2023, subject to Homes England’s reporting timescales. Progress has also been made on all the remaining items.

Grant Funding Agreement

It is not untypical for projects to experience delays when receiving central government grant; it is important therefore to be open and transparent with funders to share challenges and the reasons for delays and minimise any risk of clawback. To this end, an Action Plan to include the previous Change Request information was submitted within the required timescales. Officers have responded to various clarification queries since this time Homes England is now finalising its report and an update is expected imminently to confirm the outcome of the extended HIF funding milestones and request for additional funding.

Capital Programme Reporting (Corporate Issue)

Significant work has progressed to ensure Members are fully informed of the financial position of the Blackfriars Programme. This included the above mentioned Cabinet report in July updating Members of the project finances, also required to progress the loan arrangements with the Housing Company. Additionally, a Member briefing was held in October and included a full update on both the housing and infrastructure project. Followed by a Cabinet report in November, to regularise the Infrastructure budget of £21m. The recommendations included in the report were approved and remain subject to Full Council approval in December. Regular meetings are held between the Shareholder Representative and Leader of the Council to update on key financial changes.

Utilities Infrastructure Provider

Legal has been instructed and the first part of the Networkx Utilities agreement is nearing completion. This is currently being updated to reflect the new housing layout changes. The agreement is expected to be signed by end of December 2023. The second part of the utility's agreement will follow separately via the Housing Company, relative to the utility connections from the road to the houses. This remains subject to planning approval of the new redesign and will progress next year.

Appointment of Consultants (Corporate Issue)

Following this audit recommendation, Officers have agreed that in future, consultancy/agency services will be procured via a recognised procurement framework.

Reporting Arrangements

The Blackfriars programme is presented to the Corporate Programme Board and Member Board quarterly. The website is updated monthly with activity in the last month and planned upcoming works.

Risk Register

A detailed risk register is regularly updated by the Employers Agent and overseen by the Project Manager. High level programme risks are now reported via the Shareholder Representative group. A Programme Risk register is being developed and will be incorporated into the Corporate Programme Board reporting accordingly.

Contingency Sum (Corporate Issue)


A 5.5% contingency of the Infrastructure project has been incorporated within the £21m budget reported to Cabinet in November to be ratified by Full Council in December.


High Risk Recommendations and Management Responses

The recommendations below arise from audit findings which carry a **High** risk and which have resulted in the control objective not being met (**N**). Management's response to the recommendation is also included and where the recommendation or an alternative action which will satisfy the control objective is agreed, an implementation date is shown. Progress against these recommendations will be included in the quarterly report to Audit and Standards Committee.

CORP = Corporate issue

Page 162

Audit Ref	Finding/Risk	Recommendation	Risk	Management Response
3.1	<p>Finding</p> <p>A Grant Funding Agreement is in place with Homes England regarding the Housing Infrastructure Funding (HIF) and confirms the final drawdown date for funds. A Deed of Amendment was seen at the audit which confirmed that the grant availability period had been extended by one year to 31 March 2023.</p> <p>This date has now passed, despite repeated contact by the Housing Development Manager requesting an amendment. Homes England have now issued a Reservation of Rights letter to the Council, requiring an urgent action plan be prepared detailing amended milestones, the final drawdown date of funds and other relevant information. Until such time as this is formalised, there is a risk that the funding could be withdrawn as the Council has failed to reach its agreed milestones. Furthermore, any new agreement is likely to have a final drawdown date of 31 March 2024, after which time, no further funds will be paid out.</p>	<p>Management should provide Homes England with a revised action plan as soon as possible and ensure that the final drawdown date is both achievable, and closely monitored.</p>	<p>High</p> 	<p>The Corporate Policy & Projects Manager advised that the action plan required by Homes England is being drafted by the Housing Development Manager and will be completed within the stipulated timescale of five working days.</p> <p>The Housing Development Manager will then monitor the situation to ensure that:</p> <ol style="list-style-type: none"> 1) Homes England agree the Council's action plan and formalise any changes to the final drawdown date of funds. 2) Cashflow is continually monitored to ensure all funds are drawn down before the final drawdown date. <p>Agreed Implementation Date</p> <p>7 August 2023 for submission of action plan to Homes England. [Implemented]</p> <p>31 March 2024 for the final draw down.</p> <p>Responsible Officer</p> <p>Amy Fearn</p>

Audit Ref	Finding/Risk	Recommendation	Risk	Management Response
	<p>Risk</p> <p>Withdrawal of the HIF grant, or failure to drawdown funds within the specified period of time, leading to a large funding deficit and significant financial loss to the Council.</p>			
<p>4.4 (1) CORP</p>	<p>Finding</p> <p>A recommendation was made at last year's Capital Programme Audit to ensure capital programme overspends were reported in accordance with Financial Procedure Rules. This recommendation was accepted by management at the time. However, the overspend on this project was not reported to Cabinet in February 2023. It is acknowledged that the full extent of the overspend may not have been fully evaluated at this point, but officers would have been aware that the overspend was significant and this should have been reported to Members.</p> <p>Risk</p> <p>Lack of transparency; increased risk that budgets may not be effectively monitored and controlled; missed opportunity for early intervention.</p>	<p>Budgets must be effectively monitored, and capital overspends exceeding £25,000 must be promptly reported to Cabinet in accordance with Financial Procedure Rules.</p>	<p>High</p> 	<p>The Blackfriars project has been complex and challenging. Management felt that the reporting of overspends on this particular project needed to be accurate and credible before being formally reported.</p> <p>Members were informed in meetings once the true extent of the overspend had become clear. Management are also now actively looking at different ways in which further savings could be made on the project as a whole.</p> <p>Nevertheless, it is accepted that budgetary overspends should be reported to Cabinet in accordance with Financial Procedure Rules and this will be done in future.</p> <p>Agreed Implementation Date</p> <p>30 September 2023</p> <p>Responsible Officer</p> <p>Duncan Ellis</p>

HOUSING COMPANY GOVERNANCE AUDIT

Service Manager: Shareholder Representative Group

Officer(s) Responsible for Implementing Recommendations: Statutory Officers Group, Shareholder Representative Group, Duncan Ellis, and Joe Powell

Overall Level of Assurance: **MINIMAL**

Purpose and Objectives

The purpose of the audit is to provide strategic, organisational, and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

Background Information

The Rother DC Housing Company Ltd (formerly Alliance Homes (Rother) Ltd) was set up by the Council in October 2020 with the principal aim of increasing all forms of housing supply in Rother, to include delivery of much needed affordable housing.

The Housing Company is currently working in partnership with the Council to develop the Blackfriars site in Battle.

Scope of Audit and Challenges

This audit focuses on the governance arrangements in place for the sole shareholder of the Housing Company i.e. Rother District Council. It is not concerned with the Housing Company's internal procedures except where they impact on these governance arrangements.

This audit has proven to be extremely challenging because of:

- Limited documentation provided by the Shareholder's side (the majority of the evidence examined during the audit was obtained from the Housing Company).
- Changes of personnel. The composition of the Strategic Management Team/Senior Leadership Team has changed several times since the Housing Company was first set up and a new Chief Executive (Shareholder's Representative) is now in place.
- Difficulty in determining who made certain decisions and in what capacity. Two members of the Shareholder Representative Group have also acted as Chief Operating Officer (COO) for the Housing Company at some point, in addition to their existing Council duties, and all officers currently responsible for administering the Housing Company also split their time between the Housing Company and Council business.

Limitations on Coverage

Whilst the Blackfriars housing development is the primary focus of the Housing Company at present, and the complexities of this undertaking and its funding arrangements will no doubt have influenced the Council’s approach to governance, the development is not specifically covered by the audit. This is because a separate Internal Audit review of the Blackfriars Spine Road Project (covering the Council’s obligations regarding the delivery of this development) has already been completed.

The arrangements for the transfer of ownership of the Blackfriars site were not covered either since the land valuation, which would enable the transaction to be completed, is yet to be agreed.

Finally, the report does not consider the Community Infrastructure Levy liability or Section 106 obligations on the Blackfriars site as these will be the responsibility of the Housing Company.

Control Objectives

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

<p>Business Case and Company Structure – A business case has been made setting out the key aims and objectives of the Housing Company; its aims and objectives are consistent with the Council’s overall strategy; and the risks involved in establishing a stand-alone company have been properly assessed</p>	<p>N</p>
<p>Shareholder Responsibilities – As the sole shareholder, the Council is sufficiently scrutinising the Housing Company’s activity to ensure that its investment is protected.</p>	<p>P</p>
<p>Governance Arrangements – The Housing Company has developed its own controls, policies, and best practice to ensure that its risk management and corporate governance processes are effective.</p>	<p>P</p>
<p>Financial Procedures and Budgetary Monitoring – The Housing Company has its own financial procedure rules and procurement procedure rules, and its accounting and banking arrangements are separate to those of the Council; income and expenditure is monitored on an ongoing basis and reported to the Board.</p>	<p>N</p>

Level of Assurance

Based on the findings from the audit we have determined that only minimal assurance can be given on the overall governance arrangements owing to the seriousness of the issues found.

Audit Findings and Recommendations

High risk recommendations have been made concerning:

- **The Company's NCA Status** – The audit raises concerns about whether the Housing Company is currently operating as a Contracting Authority (CA) - i.e. bound by public procurement rules, or as a Non-Contracting Authority (NCA) which allows for greater commercial freedom. This is an important distinction as it has implications both for compliance with public procurement rules and Council policy.

Management state that it has always been their intention for the Housing Company to operate on a commercial basis, however, proper consideration does not appear to have been given to how this would be achieved before the Housing Company began trading. Moreover, certain aspects of the Housing Company's operation (e.g. only building new homes on Council-owned land of marginal viability, and its current reliance on the Council for financial support) do not appear to be characteristics of a commercial enterprise. Consequently, the Housing Company now wishes to remove key clauses from the Articles of Association and draft Shareholder Agreement which would potentially reduce the level of control that the Council has over the Housing Company, but which could also make its NCA status clearer.

Given the varied legal advice that has been received over the years in relation to the Housing Company's NCA status and the more forensic analysis which could be anticipated if this were challenged in the courts, the report recommends that management should carry out a detailed risk analysis of the current status of the Company, and any implications for the delivery of current and future housing projects in order to determine the best way forward. This will be reviewed by the new Statutory Officers Group comprised of the Head of Paid Service, S151 Officer, and Monitoring Officer.

- **Loan Arrangements** – To date, the Housing Company has borrowed £2.9m from the Council in multiple tranches over a period of more than 12 months. However, no loan agreements are currently in place for any of these loans and the Housing Company will shortly be looking to borrow more. The Council should recharge the Housing Company at a commercial rate to comply with UK subsidy rules. The audit therefore recommends that the Council formalise the arrangements for doing so as soon as possible and starts applying interest on the borrowing to date. Management has already taken steps to address this and has drafted a Working Capital Agreement to cover the borrowing to date and the Housing Company's operational costs in 2023/24 which they hope to finalise by December 2023. A separate Loan Agreement will also be introduced by March 2024 to cover future borrowing.

Other issues identified at the audit include:

- **Draft or Incomplete Documentation** – Key documentation (i.e. the Shareholder Agreement, Service Level Agreement, Working Capital Agreement and Loan Agreement) have still not been finalised despite the Housing Company having been incorporated almost three years ago. Various recommendations have therefore been made to address this. NB – Whilst the draft Shareholder Agreement was agreed by Cabinet in July 2020, it has never been signed and sealed, and the Housing Company are now looking to amend it.

- **Records of Meetings** – The minutes of the Shareholder Officer Group seen at the audit were found to be lacking in detail and did not provide a clear record of what was discussed or the action points arising. Action has since been taken to correct this issue.
- **Conflicts of Interest** – A draft Conflicts of Interest Policy has been produced by the Housing Company focusing on conflicts relating to the Housing Company itself. However, there is currently no policy covering potential conflicts between the Council and the Housing Company especially in respect of officers who work for both organisations, or who have worked for one or other of the organisations in the recent past. The audit recommends that the Council should produce its own Conflicts of Interest Policy to cover such issues.
- **Internal Audits** – There is no legal requirement for the Housing Company to carry out internal audits. However, the report recommends that the Council request that the Housing Company considers undertaking periodic internal audits to give assurance that it is operating in a sound control environment and is taking action to correct any failures in internal control.
- **Procurement** – The Housing Company does not currently have a Procurement Policy. The only scrutiny that the Council has is on contracts awarded over £10m where shareholder approval is required before the Housing Company can proceed. The report recommends that the Housing Company urgently produces a Procurement Policy to ensure that best value is obtained when using public funds and to safeguard against fraud and error.
- **Monitoring of Operational Costs** – The operational costs of the Housing Company are projected to increase significantly in 2023/24 but this aspect is not specifically reviewed by the Shareholder Representative Group (SHRG). Management confirmed that the Company's operational costs have been subject to scrutiny from the Council, particularly when drawing up the draft Working Capital Agreement. However, they accept that this scrutiny should be documented in future by including a standing item in future SHRG meetings.
- **Share Capital** – Inconsistencies were found between the statement of share capital shown on documents held at Companies House, the issued share certificates and the share capital shown on both the Housing Company and Council's financial records. To date, a total of 100,001 £1 shares have been issued, but this is not accurately recorded in either the Council or Housing Company records. The report recommends that action is taken to ensure that these records reflect the true shareholding.

The only other issues found were minor in nature and were dealt with in the report.

Executive Summary

Overall, the control objectives are not considered to have been met and we have made two high, eight medium, and one low risk recommendations to management in order to improve the governance arrangements. All high risk recommendations and management's response to them will be included in the quarterly report to the Audit and Standards Committee.

Internal Audit Service

Completed: September 2023

Issued: October 2023

Levels of Assurance:

Good	Strong controls are in place and are complied with.
Substantial	Controls are in place, but improvements would be beneficial.
Limited	Improvements in controls or in the application of controls are required.
Minimal	Urgent improvements in controls or in the application of controls are required.

Management Update – November 2023

Since the audit was undertaken, Officers have already progressed action to reduce the audit risks identified. Updates have been provided below for Members to demonstrate progress since the completion of the audit in respect of the main recommendations. In summary, necessary actions on the two high risk items are due to be completed by end of December 2023, and progress is underway to address the remaining eight medium risk items.

The Company’s NCA Status

The importance of the Housing Company sustaining a non-contracting status has been previously reported to ASC in December 2022. During August this year, the Council instructed Bevan Brittan legal services to undertake an independent assessment of the Company’s status. This included a review of the Company’s governance documents and governance arrangements Bevan Brittan confirmed that the Company has an industrial and commercial character, meaning the Company would be ineligible for contracting authority status and, as a result, is ‘non-contracting’. This is principally because the Company (i) aims to make a profit, (ii) operates in normal market conditions; and (ii) bears the risks associated with its activities. The Company is also expected to be financially independent (with any loan provided by the Council to be on market terms) which is being regularised under the Working Capital Agreement being progressed, as set out in the July 2023 Cabinet report (Minute CB23/19 refers) included under the second high risk audit item below.

In addition, the Bevan Brittan assessment prompted the Council to undertake a more formal review of its governance arrangements with support from Bevan Brittan, in partnership with the Housing Company and its legal team Trowers & Hamblins. The review was also prompted by a request from the Company’s legal team Trowers & Hamblins, to consider some updates to the Articles and Shareholder Agreement to support the Company’s Non-Contracting Authority status, and underline that the business of the Company is to operate as a commercial company.

A set of amendments, and a consideration of any risks to the Council has been undertaken with the support of Bevan Brittan. The outcome was a number of amendments to the Articles of Association and Shareholders Agreement, that were recently approved by Cabinet.

Loan Agreements

The principle of a loan facility was first previously approved by Cabinet totalling £80m to support delivery of the Company's business plan (Minute CB21/29 refers) on 6 September 2021. All parties have always understood that all monies provided to the Company by the Council is to be loaned at a commercial rate of interest. The existing funding arrangement is currently being formalised into a Working Capital Agreement (WCA) to regularise company spend to date and up to March 2024 (up to £10m) was approved at July Cabinet 2023.

Finance has since issued a draft Working Capital Agreement (WCA). This is now being considered by the Company's legal team and currently remains on track to complete by end of December this year.

Working Capital Agreement

See above update. To complete by end of December 2023.

Service Level Agreement

The draft Service Level Agreement has been agreed by both parties in principle and will be signed imminently. As has previously been reported to ASC in July and December 2022, it has been challenging for all parties to prioritise formalising the service level arrangements into a formal agreement, in the context of a range of operational challenges associated with the Blackfriars project.

Signing of Shareholder Agreement

The Company recognises that the original Shareholder Agreement (SHA) should have been signed at the same time as the Articles were approved and incorporated on Companies House. This issue was both known and recorded in the Company's own risk register at the time. The subsequent advice from the Company's legal advisers, Trowers & Hamblins, was to amend the SHA, before signing. This was to strengthen the Company's Non-Contracting Authority status and the proposed amendments and final signing is expected to complete by end of December, as outlined under the first high risk item above.

Conflicts of Interest

The Council is working with its HR team to develop a policy.

Internal Audits

The Housing Company acknowledges this recommendation and will be commissioning its own audit during 2024 for the financial year 2023/24, as well as using the outcome of this audit to continue to improve the existing governance arrangements.

Procurement

The Company acknowledges that a procurement policy is required, and progress has been made to develop this policy by end of December.

It should be noted that since the Company's inception, the Company has always sought to achieve best value by undertaking a tender process for high value contracts, outlined and agreed by the Board on a case-by-case basis.

Monitoring of Operational Costs

It should be noted that since the departure of the Council's accountant working on behalf of the Company in November 2022. The Company were unsuccessful with recruitment for some months, due to a high demand and lack of accountancy services available.

Monitoring practices have improved as summarised below. This has largely been because of the Company commissioning new accountants (Kreston Reeves) in July of this year, standardising the Company's approach to accounting, with improved software. This has been overseen and supported by the Council's Interim Strategic Capital Finance Partner and Interim Chief Finance Officer.

Other actions taken to improve monitoring of operational costs;

- Papers circulated to the SHRG ahead of the 13 October 2023 meeting to include a Profit & Loss statement.
- Finance reports provided on request to include; Management report, Balance Sheet and Profit & Loss statements.
- End of year accounts in progress. Draft to be shared imminently with the Shareholder, to be provided by Kreston Reeves.
- Draft Cashflow shared and being updated to include the new housing delivery Option 2) required to underwrite the WCA above.
- Finance procedure agreed for future monitoring purposes.


Share Capital

The company acknowledges these discrepancies and is taking appropriate action to update records to reflect the true shareholding accordingly.


High Risk Recommendations and Management Responses

The recommendations below arise from audit findings which carry a **High** risk and which have resulted in the control objective not being met (**N**). Management's response to the recommendation is also included and where the recommendation or an alternative action which will satisfy the control objective is agreed, an implementation date is shown. Progress against these recommendations will be included in the quarterly report to Audit and Standards Committee.

Page 171

Audit Ref	Finding/Risk	Recommendation	Risk	Management Response
1.1	<p>Finding</p> <p>A Cabinet report produced in December 2019 detailed the Council's rationale for setting up a Housing Company. The report looked at the broad aims of the Company but also stated that the governance arrangements for the Company would be brought back to Council at a later date following consultation with Members. No evidence of this was seen at the audit.</p> <p>The Company's status as either a Contracting Authority (CA) or Non-Contracting Authority (NCA) was not discussed in this initial report. This was an important issue to consider in relation to the adherence of procurement rules.</p> <p>Given the varied legal advice that has been received over the years in relation to the Company's NCA status and the more forensic analysis which could be anticipated if this were challenged in the courts, Management should carry out a detailed risk analysis of the current position to determine the best way forward.</p> <p>The Council's significant investment in the Company in relation to the Blackfriars</p>	<p>Management should carry out a detailed risk analysis of the current status of the company, and any implications for the delivery of current and future housing projects in order to determine the best way forward. Legal, financial and procurement risks must all be assessed, and further independent advice may need to be obtained.</p> <p>Depending on the outcome of the aforementioned recommended risk analysis, the Council may need to consider revising its policy to deliver 1,000 new homes by 2035, to ensure compliance with procurement rules.</p>	<p>High</p> 	<p>The Statutory Officers Group will look to carry out a review to determine the best way forward in order mitigate the risk to the Council as much as possible.</p> <p>Agreed Implementation Date</p> <p>To be confirmed by the Chief Executive based on the availability of Linda Walker, the new Interim Monitoring Officer.</p> <p>Responsible Officer</p> <p>Statutory Officers Group</p>

Audit Ref	Finding/Risk	Recommendation	Risk	Management Response
	<p>development is an especially relevant factor. The Company’s status as either a CA or NCA is determined by law, based on how the Company operates and behaves. Council officers and Members need to be aware of the significant political and financial risks for this project and the extent to which Council oversight may be more limited if the Company is operating as an NCA.</p> <p>Furthermore, depending on the outcome of the aforementioned recommended risk analysis, the Council may need to consider revising its policy to deliver 1,000 new homes by 2035, to ensure compliance with procurement rules.</p> <p>Risks</p> <p>Legal challenge if the Company has not been adhering to public procurement rules; affordability and financial risks as the Company is wholly reliant on loan funding which should be charged at a commercial rate; a potential lack of financial control if the Council cedes to the Company’s wishes to remove certain reserved matters; the impact of high inflation and high interest rates on the Company’s business plan.</p>			

Audit Ref	Finding/Risk	Recommendation	Risk	Management Response
4.5	<p>Finding</p> <p>As at 31 March 2023, the Company had borrowed £2.9m from the Council in multiple tranches over a period of more than 12 months. However, no loan agreements were in place for any of these loans.</p> <p>The Council should recharge the Company at a commercial rate for these loans to avoid any subsidy implications. There have previously been two draft loan agreements which have never been signed.</p> <p>A Working Capital Agreement has now been produced in draft form which will cover the borrowing to date and the Company's operational costs in 2023/24. It had been hoped that this would be signed by the end of July 2023, but this remained unsigned as at 3 October 2023.</p> <p>A draft Loan Agreement has also been produced for future borrowing which it is hoped will be signed by the end of the year.</p> <p>Risks</p> <p>The Council is losing interest income until such time as the loan arrangements are formalised; potential legal disputes with the Company; potential breaches of subsidy rules.</p>	<p>Given that there have been two previous draft loan agreements and neither of these were ever progressed, a recommendation is made to ensure that both the Working Capital Agreement and Loan Agreement are agreed and signed as soon as possible, and the Council then applies interest to the borrowing to date. Management should also ensure that the agreements adhere to subsidy rules.</p>	<p>High</p> 	<p>The Working Capital Agreement is a work in progress and the Interim Strategic Capital Finance Partner is currently looking at moving this forward.</p> <p>The Loan Agreement is still on course to be finalised by the end of the financial year.</p> <p>The S151 Officer advised that adjustments for accrued interest at the proposed interest rate have been made in the Council's accounts.</p> <p>Agreed Implementation Date</p> <p>December 2023 for Working Capital Agreement and March 2024 for the Loan Agreement.</p> <p>Responsible Officer</p> <p>Duncan Ellis</p>

Summary of Progress on Recommendations Made up to 30 June 2023

Old Years: Audit recommendations made in 2018/19 (2), 2021/22 (3) and 2022/23 (10)

Previous quarter's performance shown in brackets.

Risk	Issued		Implemented		Work-in-Progress		Not Started	
High	6	(4)	5	(4)	1	(0)	0	(0)
Medium	99	(64)	91	(60)	8	(4)	0	(0)
Low	72	(46)	64	(45)	6	(1)	0	(0)
Total	177	(114)	162	(109)	15	(5)	0	(0)
			91.5%	(95.6%)	8.5%	(4.4%)	0%	(0%)

Note – All audit recommendations made in 2019/20 and 2020/21 have been resolved.

Breakdown of the five oldest (pre-2022/23) audit recommendations by Service Manager:

Mark Adams (Head of Digital and Customer Services)

- ICT Governance (2018/19) – issued 12/04/19. Recommendation to produce a new ICT Disaster Recovery Plan (Medium).
- Data Protection (2021/22) – issued 25/06/21. (1) Recommendation to determine which Council systems hold special category data and to confirm that there is a lawful basis for processing such data (Medium) and (2) Recommendation to establish if privacy notices still need to be produced for certain processes (Low).

Duncan Ellis (Interim Deputy Chief Executive)

- Procurement (2018/19) – issued 05/10/18. Recommendation to formalise an SLA for the service provided by the East Sussex Procurement Hub (Medium).

Joe Powell (Head of Housing and Regeneration)

- Estates Income (2021/22) – issued 30/06/21. Recommendation to update the tenancy details stored on the ePIMS asset register database to correct the discrepancies found at the audit and to ensure it is properly maintained from now on (Medium).

Current Year: Audit recommendations made in 2023/24 (up to 30 June 2023)

Risk	Issued	Implemented	Work-in-Progress	Not Started
High	0	0	0	0
Medium	1	0	1	0
Low	3	2	1	0
Total	4	2	2	0
		50.0%	50.0%	0%

AUDIT AND STANDARDS COMMITTEE**WORK PROGRAMME 2023 – 2024**

DATE OF COMMITTEE	SUBJECT
<p align="center">Monday 4 December 2023</p>	<p>Part A – Standards Reports</p> <ul style="list-style-type: none"> • Code of Conduct Complaints Monitoring and other Standards Matters • Rother District Council owned accommodation complaints and tenant satisfaction report • Dispensation Policy • Discontinuance of Complaints <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Grant Thornton – Audit Findings For Rother District Council 2021/22 • Grant Thornton – Annual Report 2022/23 • Statement of Accounts 2021/22 • Internal Audit Report to 30 September 2023
<p align="center">February 2024 - TBC</p>	<p>Part A – Standards Reports</p> <ul style="list-style-type: none"> • Local Government and Social Care Ombudsman Complaints Monitoring • Debate Not Hate: Ending Abuse in Public Life for Councillors <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Grant Thornton – Audit Findings Report 2022/23
<p align="center">Monday 25 March 2024</p>	<p>Part A – Standards Reports (none scheduled)</p> <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Grant Thornton – Audit Progress Report and Sector Update • Grant Thornton – Annual Audit Report 2022/23 • External Auditor - External Audit Plan 2023/24 • Internal Audit Report to 31 December 2023 • Internal Audit Plan 2024/25 • Review of Internal Audit 2023/24 • Risk Management Update • Property Investment Strategy Update • Treasury Management Update • Self-Assessment Annual Review • Annual Report from the Rother DC Housing Company Shareholders Representative Group
WORK PROGRAMME 2024 – 2025	
<p align="center">Monday 17 June 2024</p>	<p>Part A – Standards Reports</p> <ul style="list-style-type: none"> • Local Government and Social Care Ombudsman Complaints Monitoring

	<ul style="list-style-type: none"> • Code of Conduct Complaints Monitoring and other Standards Matters • Draft Annual Report to Council – Ethical Standards Matters <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Internal Audit – Annual Report and Opinion 2023/24 • 2023/24 Statement of Accounts – Audit Planning Risk Assessment
Wednesday 24 July 2024	<p>Part A – Standards Reports (none scheduled)</p> <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Audit and Standards Committee Annual Report • Statement of Accounts 2023/24 • Annual Governance Statement 2023/24 • Treasury Management Update – 2023/24 Outturn • Treasury Management Update
Monday 30 September 2024	<p>Part A – Standards Reports (none scheduled)</p> <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • External Auditor – Audit Progress Report and Sector Update • Internal Audit Report to 30 June 2024 • Treasury Management Update • Risk Management Update
Monday 2 December 2024	<p>Part A – Standards Reports</p> <ul style="list-style-type: none"> • Local Government and Social Care Ombudsman Complaints Monitoring • Code of Conduct Complaints Monitoring and other Standards Matters • Self-Assessment of Rother District Council Owned/Leased Accommodation Complaints Handling <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • External Auditor – Audit Findings Report 2023/24 • Internal Audit Report to 30 September 2024
Monday 24 March 2025	<p>Part A – Standards Reports (none scheduled)</p> <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • External Auditor – Audit Progress Report and Sector Update • External Auditor – Annual Audit Report 2023/24 • External Auditor - External Audit Plan 2024/25 • Internal Audit Report to 31 December 2024 • Internal Audit Plan 2025/26 • Review of Internal Audit 2024/25 • Risk Management Update • Property Investment Strategy Update

	<ul style="list-style-type: none">• Treasury Management Update• Self-Assessment and Annual Review• Annual Report from the Rother DC Housing Company Shareholders Representative Group
--	---

This page is intentionally left blank