



# NORWICH City Council

**Committee name:** Audit

**Committee date:** 17/07/2024

**Report title:** External Audit VFM Interim Report 2021/22 and 2022/23

**Portfolio:** Councillor Kendrick, cabinet member for an open and modern council

**Report from:** Interim Director of Finance (S.151)

**Wards:** All wards

## OPEN PUBLIC ITEM

### Purpose

This report presents the External Audit Value for Money (VFM) Interim Report 2021/22 and 2022/23.

### Recommendation:

It is recommended that the committee:

- (1) reviews the attached report from the council's external auditor;
- (2) confirms its understanding and agreement to the report that there are no significant risks or weaknesses identified in relation to Financial Sustainability and Improving economy, efficiency and effectiveness.
- (3) Notes the significant risk under Governance in respect of the regulatory notice issued by the Regulator of Social Housing.

### Policy framework

The council has five corporate priorities, which are:

- A prosperous Norwich.
- A fairer Norwich.
- A climate responsive Norwich.
- A future-proof Norwich.
- An open and modern council. This report meets the "An open and modern council" corporate priority.

This report meets all the corporate priorities.

## Report details

### Introduction

1. This report sets out the external auditors VFM Interim Report 2021/22 and 2022/23 for discussion and agreement with the audit committee.

### Key points to note

2. The following significant matters are covered in the report:
  - (a) On page 7 of the report the table summarises that there are no significant risks or weaknesses identified in relation to Financial Sustainability and Improving economy, efficiency and effectiveness.
  - (b) The table on page 7 also shows that there was significant risk under Governance, in respect of the regulatory notice issued by the Regulator of Social Housing. Since the regulatory notice was issued the Council developed a Compliance Improvement Plan and this weakness has been addressed and the council requested removal of the regulatory notice in November 2023. The Regulator of Social Housing removed the regulatory notice in December 2023.

### Consultation

3. The purpose of the external audit VFM Interim Reports is to consult with members of the audit committee and officers on the outcome of the work undertaken. No additional consultation has taken place.

### Implications

#### Financial and resources

Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2024-29 and budget.

4. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan and Budget.
5. There are no proposals in this report that would reduce or increase resources.

### Legal

6. There are no other specific legal implications arising from this report.

### Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	None identified
Health, Social and Economic Impact	None identified
Crime and Disorder	None identified

Children and Adults Safeguarding	None identified
Environmental Impact	None identified

## **Risk Management**

Include operational, financial, compliance, security, legal, political or reputational risks to the council

<b>Risk</b>	<b>Consequence</b>	<b>Controls Required</b>
Compliance, reputational risks associated with failure to publish audited accounts by statutory deadline	Ability to give confidence to users of the council's financial statements is reduced	Publication of information advising when accounts will be published and reasons for delays.

## **Other Options Considered**

7. There are no alternative options to this report.

## **Reasons for the decision/recommendation**

8. The committee is recommended to review and note the attached report from the council's external auditor which sets out the VFM Interim Report for 2021/22 and 2022/23.

## **Background papers:**

None

## **References:**

None

## **Appendices:**

EY VFM Interim Report 2021/22 and 2022/23

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# Norwich City Council

## Value for Money Interim Report

Years ended 31 March 2022 and 31 March 2023

28 June 2024



Audit Committee  
Norwich City Council  
City Hall  
St Peter's Street  
Norwich  
NR2 1NH

28 June 2024

Dear Audit Committee Members

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

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

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

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

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 16 July 2024.

Yours faithfully

David Riglar  
Partner  
For and on behalf of Ernst & Young LLP  
  
Encl.



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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psaa.co.uk/auditquality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to Audit Committee and Management of Norwich City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and Management of Norwich City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and Management of Norwich City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary





# Executive Summary

## Purpose

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

The purpose of this interim commentary is to explain the work we have undertaken during the period 01 April 2021 to 31 March 2023 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit years 2021/22 and 2022/23. The NAO has confirmed that where VFM reporting is outstanding for more than one year, the auditor can issue one report covering all years.

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

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

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

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

# Executive Summary (continued)

## Risks of Significant Weakness

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

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

We identified a significant risk related to Governance as part of our risk assessment procedures. We set out our planned response to address this risk in the table below.

Description of risk identified	Work planned to address the risk of significant weakness
<p>In July 2021, the Council has self-referred to the Regulator of Social Housing (RSH) citing non-compliance with Homes Standard on areas such as water safety, electrical safety, and fire safety. This was triggered by the internal review performed by Council on health, safety and compliance management in June 2021, where indicators of the breach has been identified.</p> <p>The RSH performed a review of the Authority's health, safety, and compliance management in relation to social housing and issued a Regulatory Notice in October 2021. The Notice determined that the Authority:</p> <ul style="list-style-type: none"><li>• has breached part 1.2 of the Home Standard, and as a consequence of the breach, there was the potential for serious detriment to Authority's tenants;</li><li>• did not have an effective system in place to allow it to meet its statutory health and safety responsibilities across range of areas.</li></ul> <p>The issue above is evidence of weaknesses in proper arrangements on Council's capability on discharging its statutory services, and how it monitors and ensures appropriate standards, such as legislative and regulatory requirements, are met.</p>	<p>Review the report from the Council's internal review, self-referral letter and the Regulatory Notice issued by the RSH and assess the pervasiveness of the findings. Our work will focus on the arrangements established and progress made during the year to address the findings.</p>

# Executive Summary (continued)


## Reporting

Our interim commentary for 2021/22 and 2022/23 is set out over pages 10 to 14. The interim commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2021/22 and 2022/23. We include within the VFM commentary below the associated recommendation we have agreed with the Council.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Auditor's Annual Report and have been updated for 2021/22 and 2022/23.

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

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
<b>Financial sustainability:</b> How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
<b>Governance:</b> How the Council ensures that it makes informed decisions and properly manages its risks	Significant risk identified in respect of the regulatory notice issued by Regulator of Social Housing to the Council following breach of Home Standard.	Significant weakness identified in respect of the regulatory notice issued by Regulator of Social Housing to the Council following breach of Home Standard.
<b>Improving economy, efficiency and effectiveness:</b> How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified



# Executive Summary (continued)

## Independence

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

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

## EY Transparency Report 2023

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

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

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





02

## Value for Money Commentary

# Value for Money Commentary

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

**No significant weakness identified**

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2022 and 31 March 2023. Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability.

During 2021/22 and 2022/23, the Council have continued to manage the impact of Covid on their finances, as well as additional challenges such as the conflict in Ukraine and the cost-of-living crisis linked to inflation. The direct financial impact of the pandemic has lessened from previous years, as the immediate business response to Covid has slowed.

The final outturn position for general fund for the 2021/22 financial year was an underspend of £2.364 million. The underspending in operations was caused by a variety of reasons, including staffing vacancies, higher than budgeted income from Central Government in respect of Covid 19 grant support, and higher recycling credits received due to higher recycling levels. For 2022/23 financial year, there was an underspend of £1.796 million. This is attributable to recruitment freeze due to a restructure within IT roles and teams, additional grant received (for homelessness, refugee support, and housing improvements) and lower levels of repair and maintenance carried out on the Council's properties.

During the year, the Council have continued to revisit and monitor financial plans to ensure they have sufficient resources to deliver services through quarterly budget monitoring reports taken to Cabinet meetings. The Council recognises the financial challenges ahead. The Council has budgeted a balanced budget in 2021/22 and 2022/23. The 2022/23 Medium Term Financial Strategy shows a budget gap over the four-year period (2023/24 to 2026/27). In order to deliver a balanced budget in the medium term, the Council needs to identify savings of £9.950 million. Service managers must identify savings within their budgets. A budget gap will exist without these savings.

At the 31 March 2023, the Council held the General Fund balance at £8.249 million, which is above the approved minimum level of £5.4 million. The Council also held General Fund Earmarked Reserves of £15.088 million. This provides a strong level of resources to mitigate financial challenges identified in the Medium Term Financial Strategy.

The Council should continue to identify, assess and respond to financial challenges to minimise the use of non-recurrent resources like reserves balances.

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

# Value for Money Commentary (continued)

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

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

The Council have continued to manage governance considerations in response to the current challenges such as the conflict in Ukraine and the cost-of-living crisis, including in partnership working and delivery of services with other local authorities. The Council reviewed the 2021/22 and 2022/23 Budget and Medium Term Financial Strategy in February 2021 and February 2022. Medium Term Financial strategy is updated during the year. Both documents were taken to the Cabinet before final approval at Full Council, which ensures that all Members are kept well informed of the process.

The Council's Annual Governance Statement sets out the core governance arrangements for the year. This demonstrates how the Council's code of governance arrangements reflect the principles of good governance. The Head of Internal Audit concluded that for the 2021/22 and 2022/23 financial years, reasonable assurance may be awarded over the framework of governance, risk management and controls at the Council.

A risk management strategy and corporate risk register has been put in place by the Council, which are closely linked to the Corporate Plan, ensuring that risks to the achievement of the Council's corporate and service priorities are identified and effectively managed. Risks on the register are reviewed quarterly at the Cabinet meetings. A risk management report is also presented to the Audit Committee twice yearly, where appropriate challenge is given to ensure that the right risks and mitigations are included.

The Council published their draft 2021/22 and 2022/23 financial statements for audit within the deadline, in line with the Audit and Accounts regulations, and advertised and held an inspection period for members of the public in line with these regulations. We confirm that the 2021/22 and 2022/23 draft financial statements were arithmetically correct, agreed to the data in the general ledger, and prepared in line with the content required by the CIPFA Code. The Council has carried out bank reconciliations during the year. Therefore, appropriate arrangements for financial reporting were in place during 2021/22 and 2022/23.

# Value for Money Commentary (continued)

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

## Significant weakness identified

In June 2021, a high-level internal review of the Council's health, safety and compliance management was performed. The Council brought in an independent expert and consultants to carry out inspections and develop a desk top compliance report to assess all the relevant compliance areas. The compliance report sets out the findings from the review which has indicated that the Council had likely breached the Home Standard. As a result of this, the Council has self-referred to the Regulator of Social Housing (RSH) in July 2021, describing the inspections performed, findings from the inspection, and the actions taken by the Council and plans for improvement going forward.

The RSH performed a review of the Authority's health, safety, and compliance management in relation to social housing and issued a Regulatory Notice in October 2021. The Notice determined that the Authority:

- has breached part 1.2 of the Home Standard, and as a consequence of the breach, there was the potential for serious detriment to Authority's tenants;
- did not have an effective system in place to allow it to meet its statutory health and safety responsibilities across range of areas.

Therefore, in respect of 2021/22, there was evidence of a significant weakness in arrangements:

- Could reasonably lead to significant impact on the quality and effectiveness of the service, and the body's reputation; and
- Identifies a failure to take action to address identified RSH findings and achieve planned progress on improvement plans to remove the regulatory notice.

**2021/22 Conclusion:** Based on the work performed, we have identified a significant weakness in the arrangements that we will be reporting by exception in relation to Council's capability on discharging its statutory services, and how it monitors and ensures appropriate standards, such as legislative and regulatory requirements, are met. The Council did not have proper arrangements in place in 2021/22 to make informed decisions and properly manage its risks.

**Recommendation:** The Council should continue to work with the regulator to deliver the compliance improvement plan, return to full compliance, and remove the regulatory notice.



# Value for Money Commentary (continued)

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

As a response to RSH findings, the Council developed a Compliance Improvement Plan (CIP) which is a structured programme of projects and activities designed to address all the matters that have been identified and shared with the regulator. A Safety and Compliance Board was also established to oversee this process. A voluntary undertaking has been agreed with RSH to ensure Council's return to full compliance. In line with this, the Council has commissioned an independent review of the progress and delivery of the voluntary undertaking to ensure that actions would be completed by the agreed dates. As of August 2023, the voluntary undertaking has not been signed off as complete however progress report shows that vast majority of the improvement plan is complete, and the trajectory of the outstanding issues has been planned and is being executed.

In November 2023, the Council has requested the removal of the regulatory notice, following a good progress on the comprehensive programme to rectify the non-compliance on areas identified. The RSH has considered the request, and they confirmed that they are satisfied that the Council addressed the areas of non-compliance which led to the issuance of the notice. RSH has taken the decision to discharge the voluntary undertaking and has removed the regulatory notice in December 2023.

Throughout 2022/23 the Council demonstrated significant progress in establishing arrangements which have led to the removal of the regulatory notice.

**2022/23 Conclusion:** Based on the work performed, the Council had proper arrangements in place to make informed decisions and properly manage its risks.

# Value for Money Commentary (continued)

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

No significant weakness identified

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code, the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2022 and 31 March 2023. Our risk assessment did not identify any risk of significant weakness in arrangements in respect to Improving economy, efficiency and effectiveness.

The Corporate Plan sets out the Council's ambitions and priorities. This includes priority activities which the Council aims to deliver, and where target delivery dates are monitored. Key Performance Indicators (KPIs) for measuring the Council's performance across a range of service areas are monitored and reported publicly on quarterly basis to the Cabinet. Depending on the performance areas, the Cabinet will have oversight of the actions that are identified and taken to address areas for improvements. In 2021/22, a new corporate board has been established, Resources, Performance and Delivery Board (RPDB), to proactively review the performance data and to identify areas where actions required, as well as making recommendations to the Corporate Leadership Team.

The Council have developed a transformation programme called 'Future Shape Norwich' which aims to support the Council in its financial sustainability and deliver a more efficient approach to customer focused service delivery.

The Council has a number of joint arrangements with other local authorities to exercise the Council's Executive and/or Non-Executive functions. Where the arrangements are to exercise the Council's statutory functions, the terms of reference and functions of these joint committees are set out within the Constitution. The Council also works in partnership with others to drive efficiency and improving the effectiveness of delivery to the communities. One of the key partnerships is the Norwich Town Deal which sees the Council working closely with local communities, partners and public or private investors to deliver major regeneration projects in the city. The partnership has put in place a Board with representatives from the partners organisations, including the Chief Executive and Executive Director of Development and City Services of the Council. The Board meets monthly to discuss the progress of the programme with the minutes being published on the website. Regular updates are also provided to Cabinet.

The Council has two wholly owned subsidiaries, Norwich Regeneration Ltd (NRL) and Norwich City Services Ltd (NCSL). Business plans for both are approval by the Cabinet following a review by the Council's scrutiny committee. The subsidiaries are governed by individual boards who meet each quarter with a shareholder panel of Council members and officers to review performance and outcomes.

**Conclusion:** Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 to enable it to uses information about its costs and performance to improve the way it manages and delivers its services.





## 03 Appendices



# Appendix A - Summary of arrangements

## Financial Sustainability

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

Reporting criteria considerations	Arrangements in place
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<p>The Chief Finance Officer is responsible for the preparation and submission of the Medium Term Financial Strategy (MTFS) for Council and Cabinet approval, and for advising on the medium-term implications of spending decisions. The MTFS provides a projection of the cost of delivering current council services over the next 5 years, alongside the expected scale of demand, income forecasts, and any estimated budget gap. To manage the budget gap, the Council identifies options to deliver savings or to generate additional income across all areas of the Council spending. The MTFS considers key assumptions including council tax and business rates, payroll, inflation, government grants, revenue contribution to capital, housing benefit, capital financing budget and short-term growth.</p> <p>The financial modelling also includes the cost to the Council of services commissioned through the Council's wholly owned companies, Norwich City Services Ltd and Norwich Regeneration Ltd, as well as the income streams generated from the Council's provision of support services and loan financing to the companies.</p> <p>The Council has identified provisional themes that underpin the budget approach to address the medium-term financial challenges, which include the consideration of the fees and charges, contracts, wholly-owned companies, service transformation, driving value from assets, inward investment and growth, and commercialisation. The MTFS maintains an approach of presenting a strategy to deliver saving requirements over a 4-year period and utilising general reserves, while maintaining the prudent minimum level of reserves which is set at £5.4 million.</p>
How the body plans to bridge its funding gaps and identifies achievable savings	<p>As part of the annual budget setting process, each service area is required to consider savings (including additional efficiencies), budget growth and capital bids. All savings and growth items are reviewed firstly by the Corporate Quality Assurance Group led by the Chief Finance Officer, and secondly by the Corporate Leadership Team (CLT) to assess the overall deliverability and impact on the Corporate plan.</p> <p>This process was strengthened in 2021/22 as a new corporate board, the 'Resources, Performance and Delivery Board' (RPDB), took responsibility for review of initial plans before reporting to CLT for final decision on projects to be incorporated into the budget. The process of identifying savings is continuous throughout the year, with Budget Managers refining and updating the opening plans throughout the budget process.</p> <p>Budget updates go to Cabinet on a quarterly basis where the revenue and capital budget status are compared to the forecasts. In addition, the Finance Team share the budget challenge slides and organise briefing sessions with Members throughout the year where they demonstrate the performance against target by Directorates and the consideration of further options in relation to priorities for closing any identified budget gaps.</p>



# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

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

Reporting criteria considerations	Arrangements in place
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The Council has a Corporate Plan which sets out its priorities over the coming three-year period and provides the performance framework to achieve these priorities. The delivery of the plan is monitored regularly with progress reported to Cabinet through the quarterly Corporate Performance Report. The impact of the annual budget and funding of future years of the Medium Term Financial Strategy (MTFS) are considered as part of the budget setting process to align the budget against the corporate priorities, ensuring that the MTFS is lined up with the Corporate Plan over the medium term and to ensure the necessary resources are in place for its delivery. While the Corporate Plan is reviewed and updated every 3 years, it is also refreshed as and when necessary to ensure it reflects the current political and economic climate.</p> <p>The new corporate plan covers the period 2022 to 2026 which sets out the Council's vision, shaped by the Norwich 2040 City Vision, as well as our ongoing response to the impacts of Covid-19.</p>
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	<p>The MTFS flows from the Corporate Plan and therefore investments are directed to specific projects to ensure the delivery of the Council's priorities. The MTFS includes both revenue (General Fund and Housing Revenue Account (HRA)) and capital spending over the medium term. It also contains the Council's Non-Financial Investment (Commercial) Strategy and the Treasury Management Strategy. These are all set simultaneously as part of the annual budgeting process to ensure consistency and sufficiency of funding. The Capital Strategy sets out the Council's budget and preliminary plan for capital investment over the next five years, covering both General Fund and HRA projects and programmes. The Capital Strategy also shows strategic links to Non-Financial (Commercial) Investment Strategy and the Treasury Management Strategy, which identifies the Council's underlying need to borrow. The Non-Financial (Commercial) Investment Strategy provides the investment principles adopted by the Council with respect to the commercial related activity, which includes investment in commercial property and equity investments. It also sets out the business model between the Council and the wholly owned subsidiary, Norwich Regeneration Ltd (NRL), and the approved lending arrangements, over which the Council are obliged to have regard to the Minister for Housing, Communities and Local Government's Investment Code and CIPFA's Prudential Code. The Council works in a partnership with a number of other local councils within the Greater Norwich Growth Board (GNGB), which provides strategic direction, monitoring and coordination of both the City Deal and Growth Programme for the Greater Norwich area. This includes the collection of Community Infrastructure Levy (CIL) and how the funding to be utilised to fund capital schemes and local schemes. The MTFS considers the funding impact in its financial plan to ensure that the CIL contributions are utilised in an efficient way to deliver the capital programme.</p>

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

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

Reporting criteria considerations	Arrangements in place
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>The Council identifies and manages risks to financial resilience through quarterly performance reports which are presented to Cabinet for discussion. The reports provide the full year forecast financial position for revenue and capital, including explanation on any significant variances identified between budget and forecast outturn at directorates level. In addition, Chief Finance Officer also reports twice-yearly on treasury management activities to the Cabinet and Council.</p> <p>The Council regularly updates its Corporate Risk Register to ensure potential risks are identified and relevant mitigation actions are implemented to address the risk.</p>

# Appendix A - Summary of arrangements

## Governance

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

Reporting criteria considerations	Arrangements in place
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<p>The Council have a Risk Management Strategy and Corporate Risk Register that are linked to the Corporate Plan, to ensure that risks to the achievement of the Council's corporate and service priorities are identified and effectively managed.</p> <p>The risk management approach adopted by the Council is based on identifying, assessing, managing and monitoring risks at all levels across its activities. Risks are normally identified through risk workshops at management team level or open discussions at team meetings. The identified risks are then assessed using the scoring matrix based on two-staged approach of current residual risk level and target risk level. Each risk has a named owner at individual post level and, where required, it will be escalated up the management chain until it reaches the level at which it can be effectively dealt with.</p> <p>A full review of risk based on Risk Management Report is undertaken on a quarterly basis at Corporate Leadership Team (CLT) to monitor the identified risks and the agreed mitigating actions in place. The Corporate Risk Register is reported to Cabinet on a quarterly basis as part of the Combined Performance Report.</p> <p>The Risk Management Report is also provided to the Audit Committee, twice yearly, to challenge the approach taken on managing the risks, and to gain assurance that the right risks and mitigations are identified. The Audit Committee is also responsible for reviewing the Council's Risk Management Strategy and the effectiveness of risk management. The Council has an Internal Audit service to help gain assurance over the effectiveness of the Council's internal controls systems, and the Head of Internal Audit provides an opinion to the Audit Committee on an annual basis.</p>
How the body approaches and carries out its annual budget setting process	<p>Budget managers are consulted in the preparation of the budgets for which they are held responsible. This includes identifying efficiencies, service transformation suggestions and income generation, which are then reviewed and agreed by the CLT, who assess both the deliverability of the projects and the financial implications.</p> <p>The Council use the prior year's budget as a base position and adjust for annual uplifts as relevant with one-off or non-recurring budgets being adjusted from the base figures. All the non-inflationary growth and savings as detailed in the opening plans will be included where appropriate.</p> <p>The Council consults the public on the proposed approach to meeting the savings target and on the potential for any Council Tax increases. The budget consultation takes form of an online survey in January.</p>

# Appendix A - Summary of arrangements

## Governance (continued)

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

### Reporting criteria considerations

### Arrangements in place

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

The Cabinet makes recommendations to the Council on the budget and policy framework. It is also responsible for overseeing the Council's overall financial performance. Budget managers are responsible for managing income and expenditure within their areas and for monitoring service performance. Budget managers conduct thorough budget monitoring each month and, as part of their oversight duties, significant budget discrepancies are also examined by the budget managers in collaboration with the corresponding member of the Corporate Leadership Team (CLT). The Chief Finance Officer (CFO) is responsible for preparing and submitting quarterly reports to the Cabinet on the Council's projected income and expenditure compared with the budget and the action required where relevant. Non-financial information such as corporate performance and risk management monitoring is also reported to the Cabinet on a quarterly basis. The report set outs progress against the delivery of the Corporate Plan priorities and key performance indicators as well as an update on Corporate Risk Register.

The S151 officer has overall statutory responsibility for the proper administration of the Council's financial affairs, including preparation of the Statement of Accounts and making arrangements for the appropriate systems of financial control. The Council published their draft 2021/22 and 2022/23 financial statements in line with the Audit and Accounts regulations. The statement of accounts are reviewed to confirm that these are arithmetically correct and agree to the data in the general ledger. The Council completes the CIPFA Disclosure checklist to ensure that the statement of accounts are prepared in line with the content required by the CIPFA Code.

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

Full Council is the key decision-making body of the Council. The Council operates an Executive form of governance, which means that Full Council appoints an Executive Leader who then appoints two to nine other councillors to form the Cabinet. The Cabinet is responsible for most day-to-day decisions and carries out all of the Council's Executive functions. It is also responsible for publishing the Cabinet Notice (Forward Plan) 28 days in advance, for all decisions by the Cabinet and key decisions to be made by officers. The Cabinet Notice enables elected members, members of the public and the Scrutiny Committee to identify which items they wish to consider and examine before they are determined. Members of the Council and the public have the right to ask questions at each ordinary Cabinet meeting. Committee papers all follow a proforma template which consider the key implications such as financial, risk and legal of the issue, in the decision making process. All papers are signed off by the relevant Executive Directors prior to publication and there is a tracker to monitor these approvals. The Audit Committee meets four times a year (as a minimum) and is comprised of members who receive appropriate training on the function and responsibilities of the Audit Committee. The Committee has clear terms of reference which emphasises its role in providing effective challenge and has an annual work plan to help ensure that it focuses on the relevant aspects of governance, internal control and financial reporting.



# Appendix A - Summary of arrangements

## Governance (continued)

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

Reporting criteria considerations	Arrangements in place
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)	<p>The Council sets out the “Code of Conduct” and the “Gifts and Hospitality for Councillors” within its Constitution. It also appoints a Standards Committee to promote and maintain high standards of conduct by members and co-opted members of the Council. The Council maintains the Register of Disclosures and Interests and Register of Gifts and Hospitality which are held by Democratic Services. The Monitoring Officer is legally responsible for monitoring the compliance of the Council’s policies and acts as the Council’s chief legal and governance advisor to ensure it operates lawfully and within the agreed Constitution. The Monitoring Officer deals with any formal complaints that are raised, and is also able to engage an independent person, if needed, to conduct investigations into alleged breaches of the Member Code of Conduct.</p> <p>The Council has a formal Anti-fraud and Corruption policy and a Whistleblowing policy in place to ensure that staff operate in accordance with relevant legislative and regulatory requires, including the acceptance of gifts and hospitality. Both policies are kept under review and updated regularly, for an example the anti-fraud and corruption policy is reviewed annually.</p> <p>The Regulatory of Social Housing (RSH) performed a review of the Authority’s health, safety, and compliance management in relation to social housing and issued a Regulatory Notice in October 2021. The Notice determined that the Authority:</p> <ul style="list-style-type: none"><li>• has breached part 1.2 of the Home Standard, and as a consequence of the breach, there was the potential for serious detriment to Authority’s tenants;</li><li>• did not have an effective system in place to allow it to meet its statutory health and safety responsibilities across range of areas.</li></ul> <p>Therefore, in respect of 2021/22, there was evidence of a significant weakness in arrangements:</p> <ul style="list-style-type: none"><li>• Could reasonably lead to significant impact on the quality and effectiveness of the service, and the body’s reputation; and</li><li>• Identifies a failure to take action to address identified RSH findings and achieve planned progress on improvement plans to remove the regulatory notice.</li></ul>

# Appendix A - Summary of arrangements

## Governance (continued)

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

Reporting criteria considerations	Arrangements in place
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests) (continued)	<p>As a response to RSH findings, the Council developed a Compliance Improvement Plan (CIP) which is a structured programme of projects and activities designed to address all the matters that have been identified and shared with the regulator. A Safety and Compliance Board was also established to oversee this process. A voluntary undertaking has been agreed with RSH to ensure Council's return to full compliance. In line with this, the Council has commissioned an independent review of the progress and delivery of the voluntary undertaking to ensure that actions would be completed by the agreed dates. As of August 2023, the voluntary undertaking has not been signed off as complete however progress report shows that vast majority of the improvement plan is complete, and the trajectory of the outstanding issues has been planned and is being executed.</p> <p>In November 2023, the Council has requested the removal of the regulatory notice, following a good progress on the comprehensive programme to rectify the non-compliance on areas identified. The RSH has considered the request, and they confirmed that they are satisfied that the Council addressed the areas of non-compliance which led to the issuance of the notice. RSH has taken the decision to discharge the voluntary undertaking and has removed the regulatory notice in December 2023.</p> <p>Throughout 2022/23 the Council demonstrated significant progress in establishing arrangements which have led to the removal of the regulatory notice.</p>

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness

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

Reporting criteria considerations	Arrangements in place
How financial and performance information has been used to assess performance to identify areas for improvement	<p>The Council has a Corporate Plan which sets the vision for the city and council over the coming three-year period. This includes priority activities which the Council aims to deliver, and where target delivery dates are monitored. This also includes set of Key Performance Indicators (KPIs) for measuring the Council's performance across a range of service areas which are monitored and reported publicly on a quarterly basis to Cabinet.</p> <p>The Cabinet receives the budget monitoring and Corporate Performance reports respectively on a quarterly basis. The reports are reviewed and discussed at the relevant meetings, including appropriate challenge by Members. Depending on the performance areas, Cabinet will have oversight of the actions that are identified and taken to address any identified areas for improvements. In addition, the Corporate Performance report also incorporates the Corporate Risk Register highlighting key corporate risks and/or emerging risks. The Corporate Risk Register is reviewed each quarter by Corporate Leadership Team (CLT) as part of its performance review and CLT provides the Audit Committee with a Risk Management report twice yearly so that the Committee can fulfil its oversight function.</p>
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>The Council has put in place a process to assess the performance of the services that it provides. This includes quarterly meetings between Heads of Services and the Performance team to track performance against the Key Performance Indicators (KPIs), and, where it is identified that performance is declining, early interventions and options are considered. Executive Directors and Heads of Service also meet up quarterly through Directorate Management Team (DMT) meetings to discuss the Performance Report in advance of the Corporate Leadership Team (CLT) Meeting, in which Executive Directors provide an update on their areas and discuss remedial actions and progress on agreed actions. In 2021/22, a new Corporate Board has been established, the Resources, Performance and Delivery Board (RPDB), to proactively review the performance data and to identify areas where actions required, as well as making recommendations to the CLT. A Corporate Performance report is presented to the Cabinet on a quarterly basis to provide the performance updates against KPIs and the commentary on output measures.</p>

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness (continued)

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

Reporting criteria considerations	Arrangements in place
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	<p>The Council has a number of joint arrangements with other local authorities to exercise the Council's Executive and/or Non-Executive functions. Where the arrangements are to exercise the Council's statutory functions, the terms of reference and functions of these joint committees are set out within the Constitution. The Council also works in partnership with others to drive efficiency and improve the effectiveness of service delivery to its community. One of the key partnerships is the Norwich Town Deal which sees the Council working closely with local communities, partners and public/private investors to deliver major regeneration projects in the city. The partnership has put in place a Board with representatives from all the partners organisations, including the Chief Executive and Executive Director of Development and City Services from the Council. The Board meets monthly to discuss the progress of the programme with the minutes being published on the website. Regular updates are also provided to Cabinet.</p> <p>The Council has two wholly owned subsidiaries, Norwich Regeneration Ltd (NRL) and Norwich City Services Ltd (NCSL). Business plans for both are approved by the Cabinet following a review by the Council's scrutiny committee. The subsidiaries are governed by individual boards who meet each quarter with a shareholder panel of Council members and officers to review performance and outcomes.</p>
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	<p>The Council sets out its contract and procurement procedures in the Constitution and officers responsible for purchasing must comply with these procedures. There is also a Procurement and Contract Management Strategy which details the Council's vision and priorities in respect of its purchasing and commissioning. The strategy is reviewed by the Scrutiny Committee who makes recommendation for Cabinet for consideration and approval. The Council also participates in the biannual review of procurement against the National Procurement Strategy, which took place in 2019/20 and 2021/22. In addition, the Council has a Procurement Team which includes members of staff holding the Chartered of Institute of Procurement and Supply (CIPS) qualification. The team is responsible for providing advice and guidance on procurement and ensuring that the contract and procurement procedures are followed.</p> <p>The Council maintains a detailed contract register for those contracts £25,000 and over and it is made publicly available. The Council currently have the following larger contracts: assets and estate management services, repairs and maintenance services, waste refuse and recycling collection. Service manager is assigned to manage each contract and ensure this is in line with the Contract Management Strategy.</p>



# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness (continued)

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

Reporting criteria considerations	Arrangements in place
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits (continued)	The Council also undertakes a monitoring assurance exercise on an annual basis where Service Managers of significant value or risk contracts are expected to complete and submit a monitoring form, highlighting any risks associated with the delivery of the contract and are reported to the Cabinet. In addition, the Corporate Risk Register also includes a risk around 'Contract Management - Governance', on which the updates are reported to the Cabinet on a quarterly basis. The Council's Internal Audit service undertakes periodic audits in this area to gain assurance to assess the levels of compliance with the strategy and procedures and to ensure the implementation of recommendations are being monitored.

# Appendix B – Summary of recommendations

## Recommendations

The table below sets out the recommendations arising from the value for money work in the years covered in this report, 2021/22 to 2022/23.

All recommendations have been agreed by management.

Issue	Recommendation	Management response
Governance - Regulatory notice issued to the Council following breach of Home Standard.	We recommend that the Council should continue to work with the regulator to deliver the compliance improvement plan to ensure return to full compliance and removal of regulatory notice.	<p>The Council developed a Compliance Improvement Plan (CIP) which is a structured programme of projects and activities designed to address all the matters that have been identified and shared with the regulator. A Safety and Compliance Board was also established to oversee this process. A voluntary undertaking has been agreed with RSH to ensure Council's return to full compliance. In line with this, the Council has commissioned an independent review of the progress and delivery of the voluntary undertaking to ensure that actions would be completed by the agreed dates. As of August 2023, the voluntary undertaking has not been signed off as complete however progress report shows that vast majority of the improvement plan is complete, and the trajectory of the outstanding issues has been planned and is being executed.</p> <p>In November 2023, the Council has requested the removal of the regulatory notice, following a good progress on the comprehensive programme to rectify the non-compliance on areas identified. The RSH has considered the request, and they confirmed that they are satisfied that the Council addressed the areas of non-compliance which led to the issuance of the notice. RSH has taken the decision to discharge the voluntary undertaking and has removed the regulatory notice in December 2023.</p>

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