

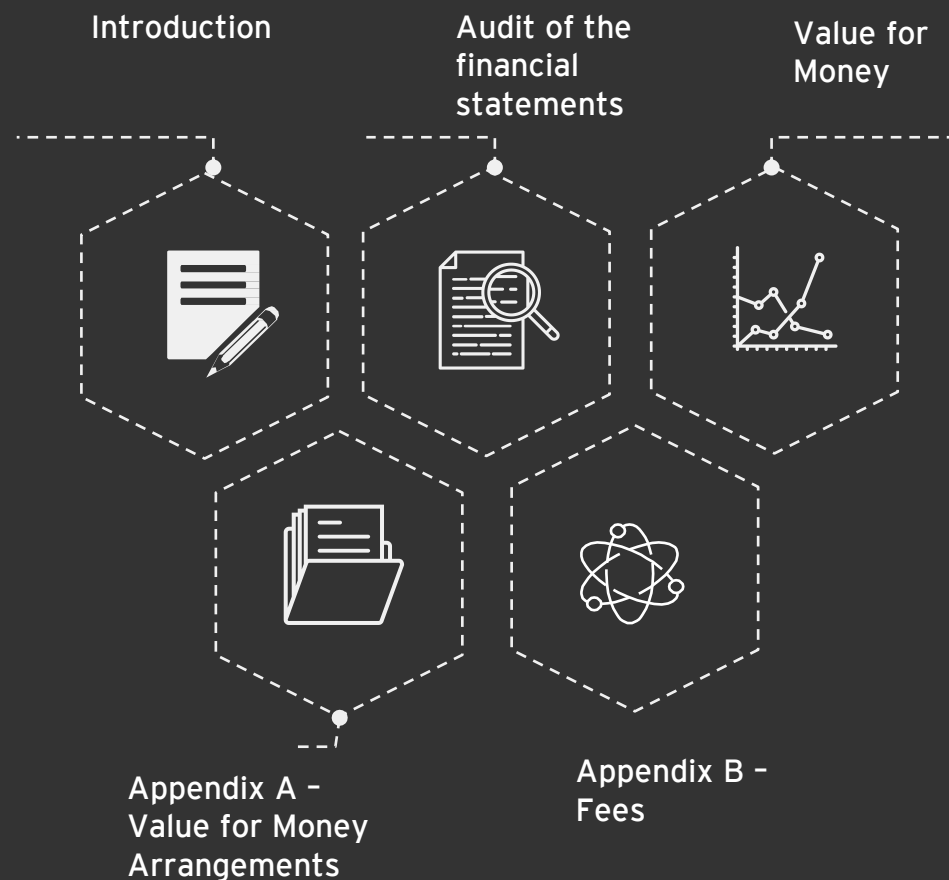
A photograph of a modern building's interior, featuring a large glass-walled atrium with a wooden floor and a white ceiling. The glass reflects the surrounding environment, including trees and other buildings. The text is overlaid on a yellow rectangular background in the upper left corner.

Great Yarmouth Borough Council

Auditor's Annual Report

Year ended 31 March 2021

Contents



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/audit-quality/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 the Council and management of Great Yarmouth Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Council and management of Great Yarmouth Borough 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 Council and management Great Yarmouth Borough 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.



Introduction

Purpose

The purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Council, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2020/21 audit work in accordance with the Audit Plan we issued in July 2022. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements of the Council and;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council and Pension Fund;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Council

The Council is responsible for preparing and publishing its financial statements, narrative statement and Annual Governance Statement. The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Introduction (continued)

2020/21 Conclusions - Great Yarmouth Borough Council

Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of the expenditure and income for the year then ended. We plan to issue our auditor's reports on 15 April 2024.
Going concern	We have concluded that the Section 151 Officer's use of the going concern basis of accounting in the preparation of the Council financial statements is appropriate.
Consistency of the other information published with the financial statement	Financial information in the narrative statement and published with the financial statements was consistent with the audited Council accounts.
Value for money (VFM)	We have identified a significant weakness in the VFM arrangements of the Council which we report on in this report. We have also included our detailed commentary on VFM arrangements in Appendix A.
Consistency of the annual governance statement	We were satisfied that the Annual Governance Statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of government accounts	Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts (WGA) return. The extent of our review, and the nature of our report, is specified by the NAO. As the Council falls below the £2 billion threshold for review as per the NAO's 2020/21 group instructions and the NAO have concluded their work on the 2020/21 Whole of Government accounts there are no further procedures required.
Certificate	We will issue our certificate alongside the audit opinion.



Audit of the financial statements – Great Yarmouth Borough Council

Key findings

The Narrative Statement and Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We plan to issue an unqualified opinion on the financial statements for the Council. We reported our initial detailed findings to the Audit and Risk Committee on the 31 October 2022 and updated our findings in our report to the Committee meeting on 15 April 2024. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk

Conclusion

Misstatements due to fraud or error

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

We have not identified any material weaknesses in controls or evidence of material management override.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Inappropriate capitalisation of revenue expenditure

In considering how the risk of management override may present itself, we conclude that this is primarily through management taking action to override controls and manipulate in year financial transactions that impact the medium to longer term projected financial position. A key way of improving the revenue position is through the inappropriate capitalisation of revenue expenditure.

We did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position through the inappropriate capitalisation of revenue expenditure

The Council has a significant fixed asset base and a material capital programme and therefore has the potential to materially impact the revenue position through inappropriate capitalisation.



Audit of the financial statements – Great Yarmouth Borough Council

Significant Risk

Conclusion

Investment property valuation

The Council's investment property totals £51.68 million as at 31 March 2021 which represents a significant balance in the Council's accounts and is subject to valuation changes and impairment reviews. Material judgements and estimation techniques are required to calculate the year-end balances.

Covid-19 is expected to continue to have an impact on valuation for properties measured at fair value (i.e. investment properties) since rental income may fall as tenants' potentially default on their rents and seek to negotiate rent reductions where they can no longer trade effectively.

There is a therefore a risk that investment property may be misstated or the associated accounting entries incorrectly posted.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

COVID-19 Grants

The Council has received a significant level of additional Government funding in relation to Covid-19.

Whilst there is no change in the CIPFA Code or Accounting Standard (IFRS 15) in respect of accounting for government grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment within the 2020/21 statements. The Council will also need to consider whether they are acting as principal or agent as this will also impact on the accounting requirements.

We identified several misstatements throughout our testing.

- A misclassification of £0.415 million relating to Market Place car park identified within investment properties, which should have been classified as land and buildings.
- A misclassification of £0.648 million relating to Market redevelopment identified within investment properties asset under construction, which should have been classified as land and buildings asset under construction.
- A £0.118 million understatement of the Market Place pay & display car park as a result of an incorrect net profits calculation.

We have not identified any other issues related to the valuation of investment property other than those noted above.

Our sample testing of Covid-19 grant funding did not identify any grants that were incorrectly classified as specific or non-specific in nature, or any grants where the incorrect accounting treatment was applied.

Our work also did not identify any grants where the Council's assessment of their role as 'agent' or 'principal' was inappropriate.



Audit of the financial statements – Great Yarmouth Borough Council

Significant Risk

Conclusion

Accounting for infrastructure assets

A national issue has been identified via the NAO's Local Government Technical Group relating to accounting for infrastructure assets. The issue is that local authorities may not be writing out the gross cost and accumulated depreciation on infrastructure assets when a major part or component has been replaced or decommissioned. The Council holds infrastructure assets at a net book value of £14.3 million which is a material balance.

We will need to understand the Councils' approach to subsequent expenditure on infrastructure assets and assess the appropriateness of gross and net book values recorded to the accounts and ensure the Council's approach is in line with the Cipfa code of Practice (the Code).

DLUHC issued a Statutory Instrument which came into effect on 25 December 2022. This allowed for a temporary change in accounting rules in this area giving authorities the option to account for infrastructure assets on a net rather than gross basis. CIPFA also released an update to the Local Authority Accounting Code and a Local Authority Accounting Panel (LAAP) bulletin was issued which provided practitioners guidance on how they should account for infrastructure assets should a Council wish to adopt the Statutory Instrument.

We have tested current and prior year additions where they are material, this resulted in identifying the periods of 2014/15, 2015/16, 2018/19 for testing. We confirmed that the additions relate to new expenditure, predominantly on Beacon Park, rather than subsequent expenditure on an asset that was already in existence.

Overall, we have concluded that infrastructure assets are not materially misstated and are accounted for in line with the Cipfa Code.

We have however noted that the Council does not have a written accounting policy for the subsequent expenditure on infrastructure. We recommend that the Council produces a written policy for this.



Audit of the financial statements – Great Yarmouth Borough Council

Higher inherent risks

Valuation of property, plant, and equipment

Land and buildings represent significant balances in the Council's accounts, totalling £323 million as at 31 March 2021. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances. There is a risk fixed assets may be under/overstated or the associated accounting entries incorrectly posted.

Conclusion

We identified a material classification error in the accounting for the Council's dwelling valuations movements. £2.832 million of net gains were incorrectly recognised in the comprehensive income and expenditure statement rather than the revaluation reserve. This was due to formula errors within the workbook that did not appropriately account for the brought forward impairment or revaluation reserve at an individual asset level. As a result, the gain/loss movement were posted to the wrong account.

We identified an overstatement of £0.668 million in the valuation of Beacon Park identified in the prior year, The asset was revalued in current year and we are satisfied that the resulting valuation at 31 March 2021 is materially accurate.

We have not identified any other issues related to the valuation of property, plant, and equipment.

Pension liability valuation (IAS19)

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the pension fund administered by the Council. The Council's pension fund deficit is a material estimated balance disclosed on the Council's balance sheet. At 31 March 2021, this totalled £73.8 million (per the draft accounts). The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement, management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

The response from the Pension Fund auditor provided assurance over the information provided to the actuary in relation to the Council. Their response did note that investment asset valuations within IAS19 report provided by the actuary were understated due to timing differences between the assumptions used by the actuary in the production of the report and the actual asset values at year end. The revised IAS 19 report from the Actuary, included updated asset values which indicated that the Council's pension liability in the draft accounts being overstated by £1.097 million. They also reported a £0.2 million difference between benefits paid by the pension fund and those included within the IAS 19 report and disclosed in the notes to the accounts.

Due to the timing of completion of the 2021/22 audit, the 2022 Norfolk Pension Fund triannual valuation report was issued before the conclusion of the audit and therefore had to be considered as a post balance sheet event. We obtained and reviewed the Pension Fund 2022 triennial report alongside the Council's IAS19 reports and considered if there was a material impact on the 31 March 2021 balances. We concluded that the triennial valuation does not provide evidence that indicates the estimate as at 31 March 2021 is not materially accurate.



Audit of the financial statements – Great Yarmouth Borough Council

Higher inherent risks

Non-domestic rates appeal provision

The Council produced group accounts consolidating the wholly owned subsidiary, Equinox Enterprises Ltd, for the first time in 2018/19 as the subsidiary is material to the financial statements. Our audit work identified a number of misstatements and amendments were required to the group accounts in both 2018/19 and 2019/20. We therefore consider that there is a risk of misstatement in the 2020/21 accounts.

In addition, the Council needs to undertake an assessment of group boundaries in relation to its investments in two limited companies with which it traded in 2020/21 (Great Yarmouth Borough Services and Great Yarmouth Norse) and any other companies in which it has an interest to establish whether it had control of the arrangements or exerted significant influence over these investees and whether they are material for the Group in 2020/21.

Debtors and creditors – accuracy of balances

Our audit testing in 2018/19 and 2019/20 identified errors in the accuracy of the debtors and creditors balances reported in the financial statements.

We reported a controls issue in our Audit Results Report for 2019/20 noting that the Council should revisit their closedown process in these areas to ensure that the audit of debtors and creditors can be completed more effectively and efficiently.

Conclusion

We have considered the Council's group assessment and agree with the assessment made. Our review of the component auditors work and their competence and independence did not identify any issues.

We have completed our testing of the completeness and accuracy of the consolidation workings and group disclosures. We identified inconsistencies between the short term creditors Note 6 and the balance sheet of £13.4 million. We also identified errors in the cashflow statement totalling £0.761 million.

Our testing identified one historic debtor balance of £0.148 million that had not been removed which overstated the balance. This was previously reported in prior years and management have now chosen to adjust.

We have also identified several other errors.

- The bad debt provision has been overstated by £0.464 million.
- A collection fund creditor has been misclassified as a debtor of £0.097 million.
- An accrual of £0.185 million has been omitted from the accounts.
- An interest payable accrual of £0.264 million has been misclassified and was moved to borrowings.



Audit of the financial statements – Great Yarmouth Borough Council

Higher inherent risks

Conclusion

Group reporting/accuracy of Group cash flow

We have identified the risk of omission and incorrect valuation of the non-domestic rates (NDR) appeals provisions as an inherent risk. It is expected that the number of appeals by businesses may have increased from prior year due to inoperability of businesses throughout the Covid-19 pandemic.

The calculation of the provision involves significant judgements and a high level of complexity. Due to the size and nature of the balance there is a risk that the provision could be materially understated.

We have no matters to report as a result of completing our planned procedures.

We concluded that the assumptions made by the Council were appropriate and the provision calculation was reasonable.

Expenditure and Funding Analysis (and CIES) restatement

The Expenditure and Funding Analysis and Comprehensive Income and Expenditure Statement (CIES) have been restated from the prior period due to internal management restructuring. We will need to review the restatements and ensure the prior year comparatives have been appropriately restated along with the prior year comparatives for the CIES.

We have completed our work in this area and have no matters to report.



Audit of the financial statements – Great Yarmouth Borough Council

Higher inherent risks

Going concern disclosure

There is a presumption that the Council will continue as a going concern for the foreseeable future and that its accounts should therefore be prepared on a going concern basis. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid and economic volatility on the Council's day to day finances, its annual budget, its cashflows and its medium term financial strategy, there is a need for the Council to ensure its going concern assessment is appropriately comprehensive.

The Council is also required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

Conclusion

We reviewed management's assessment and considered the adequacy of this along with the disclosure in the accounts by:

- Challenging management's identification of events or conditions impacting going concern.
- Testing management's assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Reviewing the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern.
- Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.
- Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties.
- Ensuring the assessment covers a period of at least 12 months from the date of audit report

Due to the elapsed time of the audit, the Council has had to update its disclosure and supporting assessment to ensure it covers a period of at least 12 months from the date of certification of the accounts. We are satisfied that the Council's updated going concern assessment and disclosures are appropriate.



Value for Money - Great Yarmouth Borough Council

We identified significant weaknesses in the Council's VFM arrangements for 2020/21.

Our VFM commentary highlights relevant issues for the Council and the wider public.

We have matters to report by exception in the audit report.

Scope

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the Council which was based on a combination of our cumulative audit knowledge and experience, our review of Council reports, meetings with officers and evaluation of associated documentation through our regular engagement with Council management and the finance team.

Reporting

We completed our risk assessment procedures and identified risks of significant weaknesses in the Council's VFM arrangements. Our subsequent work has determined that there are significant weaknesses in the Council's VFM arrangements. As a result, we had matters to report by exception in the audit report on the financial statements.

Our detailed commentary for 2021/22 is set out on the following pages. The commentary on these pages summarises our conclusions over the arrangements the Council had in place in relation to our reporting criteria (see below) throughout 2020/21. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria.

We have also considered the Council's most recent financial reporting as part of our assessment of financial sustainability and have included comment on this on the following page. In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria.

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	Significant risks identified	Significant weaknesses identified
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	Significant risks identified	Significant weaknesses identified



Value for Money (continued)

Exception Reporting on Significant Weakness

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 year ended 31 March 2022. Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability.

Our judgement on the nature of the weakness identified:

In August 2022, the Council identified a breach of regulations and completed a self-referral to the Regulator of Social Housing in relation to a failure to comply with the Home Standard with regards to Health and Safety Property Compliance and a significant number of homes not meeting the Decent Homes Standard. In October 2022, the Regulator of Social Housing published a notice confirming the occurrence of the breach. Management have since taken action to address these concerns, completing two internal audit reports into the governance of the Great Yarmouth Norse Joint Venture, as well as participating in an external review of contract arrangements. These reports identified that, in addition to the non-compliance and regulatory breach, instances of disputes on charging by Great Yarmouth Norse to the Council had occurred. These weaknesses left the Council exposed to significant budget pressures to achieve compliance with relevant standards as well as financial losses.

In forming our assessment, we have considered and reviewed:

- Internal audit reports prepared by Great Yarmouth
- Governance reviews prepared by external consultants
- Various committee and Council minutes

We have concluded that there were significant weakness in the Council's governance arrangements, in particular within the housing department, in 2020/21. The weaknesses, in particular, relate to:

- how the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency;
- how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements.
- How the body evaluates the services it provides to assess performance and identify areas for improvement
- How the body ensures its 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



Value for Money (continued)

Exception Reporting on Significant Weakness

Impact on the Council:

Since identification of the breach, management have worked with the Regulator to develop a Compliance Plan. The regulatory notice states that:

"Great Yarmouth BC has put in place a programme to rectify these failures and the regulator will therefore not take statutory action at this stage, as it has assurance that the breach of the standard is being remedied. The regulator will work with Great Yarmouth BC as it continues to address the issues which have led to this situation, including ongoing monitoring of how it delivers its programme".

The Council has included the costs required to achieve compliance with the Standard into future budgets. £1.6 million was built into the Housing Revenue Account (HRA) budget for 2023/24 to achieve full compliance, of which £1 million relates to fire safety. There were also additional costs associated with rectifying the weaknesses identified related to establishment of appropriate governance arrangements to oversee the housing service. This included £205,000 for establishing a Health and Safety Compliance Team.

As a result of internal and external reviews into Great Yarmouth Norse, it was further identified that material elements of poor contract management were present between the Council and its joint venture. The Council has taken steps to recover amounts related to these.

The weakness in arrangements exposed the Council to financial losses as a result of contract management of the joint venture. In addition, the Council incurred costs of around £205,000 to establish improved compliance monitoring, as noted above.

The Council was also exposed to reputational damage as failure to comply with the safety standards has exposed tenants to undue risk of detrimental harm.

We recommend the Council:

- Implement the recommendations from the internal audit reviews of governance arrangements in the Great Yarmouth Norse as a priority
- Continue to improve compliance reporting and availability of information on compliance to support effective decision making
- Establish more robust governance arrangements for both the set up and monitoring of joint ventures and subsidiaries providing services on behalf of the Council.



Value for Money (continued)

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

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 year ended 31 March 2021. Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability.

The Council has a robust process of estimating the recurring and non-recurring expenditure for at least four years and the funding sources for the same period. The forecast Medium Term Financial Plan (MTFP) position is reviewed in February each year to identify pressures and required savings to allocate savings targets to departments. A revenue budget is prepared with reference to the Medium Term Financial Plan and the identified pressures and saving targets. Executive Directors monitor their assigned budgets and over-runs are reported monthly to Cabinet.

The budget and Medium Term Financial Strategy approved by Council in February 2022 identified a minor budget gap in of £0.11 million for 2021/22. Management have been proactive in identifying savings programs and have built these into the 2021/22 budget.

The general fund earmarked reserves as at 31 March 2021 were £23.8 million and the general fund balance is £4.5 million. The most recent outturn report for the 2022/23 financial year shows that the general fund reserve was £4.646 million and general fund earmarked reserves were £13.027 million. The Council also had a strong level of HRA reserves of £8.66 million as at 31 March 2021 and £11.31 million as at 31 March 2023.

The Council should continue to assess savings requirements as part of the annual budget and MTFP process, and continue to identify relevant schemes to achieve the annual savings requirements and minimise the use of reserves where possible

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



Value for Money (continued)

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

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 year ended 31 March 2021. In 2020/21, we identified significant weaknesses in the Council's arrangements which require reporting by exception in the audit opinion.

These weaknesses relate to breaches of the Homes Standard Act and governance of the Joint Venture with Great Yarmouth Norse. These are discussed in detail above in the section titled Exception Reporting on Significant Weaknesses. We note that as of January 2024, the social housing regulator has lifted the breach notice with respect to the Home Standards Act, demonstrating that the Council has taken appropriate action to resolve the issue of non-compliance.

The Council has in place processes to manage the risks it faces, including the likelihood of the risks happening and the impact. These risks are reported to the Audit & Risk Committee every six months. We note, however, in the case of oversight of risks impacting the joint venture with Great Yarmouth Norse that it did not appear that sufficient reporting was occurring in a timely manner to address these risks contributing to our determination of a significant weakness in this area.

In terms of internal controls, the Council received an overall rating of 'reasonable assurance' from Internal Audit, which is the second highest level of assurance that Internal Audit may provide. During this period, Internal Audit completed six internal audit reviews, providing ratings of substantial assurance on two reports and reasonable assurance on four reports.

We have also considered the Council's approach to managing the significant capital projects in relation to the Market Redevelopment. The Council has established a wider town centre "Master Plan" which was approved by the Council in May 2017 to guide the regeneration of the town centre over the next 10 years which included consideration of the Market Redevelopment. Oversight of this Plan was facilitated through the establishment of the Partnership and Programme Board, quarterly progress reporting, and ad hoc reporting for major decision by the Head of Property Asset Management to Council. These processes demonstrate that the Council have put in place a range of oversight mechanisms which, if operating effectively, would support the Council's decision making. Some of these arrangements appear to be achieving this through regular high-level progress reporting alongside more in-depth ad hoc reports. We did, however, encounter difficulties obtaining some of the information we requested in relation to the Master Plan, indicating a lack of transparency and clarity in the operation of these process. The Council should therefore take steps to resolve these issues in order to improve the effectiveness of the Master Plan as a governance tool.

The Council put in place a number of governance arrangements in place to monitor the various stages of the Market Place redevelopment. However, in contrast to this, the Council appears to have employed minimal arrangements to monitor their contract with Pentaco, a contractor engaged for the delivery of the Market Place redevelopment who began work 29 March 2021. We understand there is now a significant overspend position on the contract, which may have been avoidable or mitigated should effective monitoring have been established. This will be considered further in our value for money assessment for 2021/22 and 2022/23.

Conclusion: Based on the work performed, the Council had significant weaknesses in arrangements in place in 2020/21 to enable it to make informed decisions and properly manage its risks.



Value for Money (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

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 year ended 31 March 2021. In 2020/21, we identified a risk of significant weakness in arrangements in place to ensure economy, efficiency and effectiveness.

As noted previously in this report, we have identified significant weakness related to breaches of the Home Standards Act and governance of the Council's joint venture Great Yarmouth Norse. These are discussed in detail above in the section titled Exception Reporting on Significant Weaknesses. We note that as of January 2024, the social housing regulator has lifted the breach notice with respect to the Home Standards Act, demonstrating that the Council has taken appropriate action to resolve the issue of non-compliance.

As part of the Market Place Redevelopment project, Pentaco Construction was procured to complete the associated construction work. It was identified that no formal contract was signed in advance of Pentaco beginning their work on 29 March 2021. The work instead was undertaken on the basis of a signed letter of intent with no evidence of a formal contract being subsequently obtained during the 2021/22 period. While it is reasonable for work to be initiated on the basis of a signed letter of intent we recommend that the Council ensure as part of its contract management terms that all letters of intent are subsequently followed up with a signed contract. The Council has appropriately mitigated the potential impacts on economy, efficiency, and effectiveness through engagement of a project manager, review of expense before payment, and increased reporting on progress. Given the timing of the initiation of the work and minimal spend in 2020/21 we have determined that there is not a weakness evident in the 2020/21 value for money arrangements. We will further consider the Pentaco contract as part of our 2021/22 VFM reporting to assess the appropriate management of the contract and spend against budget.

Conclusion: Based on the work performed, the Council had significant weakness in arrangements in place in 2020/21 to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Appendices

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria	Findings
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>This is achieved through:</p> <ul style="list-style-type: none"> ➤ The annual budget monitoring processes, including the meetings between finance and budget holders (namely Heads of Service, Directors and Budget Managers). ➤ Reports all include a financial implications section that is required as part of the report drafting process. This will note where growth is identified and options to mitigate the impact to the general fund and Housing Revenue Account. ➤ All reports (that go onto Committee and Council) are presented to the Executive Leadership Team (ELT) ahead of being included on Committee and Council agendas. ➤ The budget is preceded by the update to the Medium Term Financial Strategy (November/December). ➤ Attendance at external/sector led finance briefings and seminars, for example Arlingclose (Treasury Advisors), Pixel Finance, Cipfa, and the Local Government Association. ➤ Monitoring of the current relevant media, newsletters and bulletins as applicable.
How the body plans to bridge its funding gaps and identifies achievable savings	<p>The Council has identified key themes in its medium term financial plan to aid in bridging the funding gap. These focus on effective strategic asset management to increase investment return, driving both growth and retention of income from housing arrangements, proactive contract management and partner management.</p> <p>In the preparation of the annual budget, the Council identifies additional income and savings opportunities through a process of challenge by the officers and members.</p> <p>The above will all be considered annually alongside announcements of government funding settlements and reviews, such as the fair funding review and review of business rates.</p>
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 a five year period. The delivery of the Plan is monitored through quarterly performance reporting. Resources to ensure delivery of the plan are allocated to prioritised areas through the MTFP and annual budget setting process. As part of the budget process, capital bids are considered against the priorities of the Corporate Plan.</p>

Appendix A – Summary of arrangements (continued)

Financial Sustainability

Reporting Sub-Criteria	Findings
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>Strategic and Financial Planning reports provided to Cabinet through the budget setting process provide an overview of how the budget is aligned to organisational strategy and priorities. The budget process includes a check of establishment against budgetary provision for salaries .</p> <p>Capital budgets are set in the Capital Strategy and Programme in February each year. This also sets out how these programmes are to be funded. This is a mix of grants and contributions provided by central government, prudential borrowing and capital receipts are used to fund the programme. All borrowing is undertaken in line with the Treasury Management policy which complied with the Prudential Code.</p> <p>The revenue budget, reserves strategy, capital programme and Treasury Management plans are all developed in conjunction with one another to ensure that any financial implications are consistently incorporated and reflected. This can be seen in the reporting of these areas as they are combined in one report.</p>
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 budget and associated reports include a sections on financial implications and risks and what mitigation is in place. Mitigation exists from proactive managements of the budget through the budget monitoring processes and also the reserves that are held by the Council. The Council has adopted a policy framework for earmarked and general reserves and this is reviewed and updated annually. The policy framework includes a detailed risk assessment on the level of general reserve to be held and this has led to a change in the recommended general reserve balance held each year in response to changes to the risks identified.</p> <p>The Council holds adequate general and earmarked reserves which provide financial resilience to mitigate against factors such as unplanned changes in demand.</p> <p>As part of the year end process, earmarking of funds for specific purposes and to mitigate against future pressures is considered and recommendations made as applicable.</p> <p>Any one-off use of reserves are presented as part of the budget discussions.</p>

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria	Findings
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 maintains a Corporate Risk Register which is reviewed on a quarterly basis by the Corporate Risk Team and the ELT. The register is further considered by the Audit & Risk Committee every 6 months. The Council has also developed a Risk Management Framework and prepares an Annual Risk Management Report against this framework to assess compliance and develop actions plans. The Council has an Internal Audit function which reports on the effectiveness of internal control and follows up on appropriate implementation of recommendations to address identified risk areas.</p>
How the body approaches and carries out its annual budget setting process	<p>The annual budget setting process includes:</p> <ul style="list-style-type: none"> ➤ Consideration of pressures identified from the prior year outturn and in year budget monitoring reports; ➤ Update of the Medium term Financial Strategy, which refreshes the high level financial forecasts and takes into account the national context e.g. spending review, updates on Local Government funding etc; ➤ Management team assessment and submission of savings and additional income proposals ➤ Fees and charges review – in line with the fees and charges policy; ➤ Capital bidding process – bids are considered in line with the corporate priorities and invest to save proposals; ➤ Officer and member (Committee chairs) meetings held ahead of finalizing the budget to consider savings and capital bids that are put forward ➤ Budget reports (including fees and charges, capital strategy, investment strategy and Treasury management Strategy) presented to Policy and Resources and Housing and Neighbourhoods Committee ahead of recommending to Council. There is also review by scrutiny committee. ➤ Public consultation ➤ Further budget challenge ➤ Consideration of the final funding settlement, after which the budget is taken to Cabinet in February to recommend to Council for approval ➤ Scrutiny Committee considers budget proposals, consultation and impact assessments <p>The budget process includes taking account of the in-year monitoring position to identify recurrent pressures which need to be provided for in the following year in consultation with Finance Business Partners, Responsible Budget Officers and senior managers.</p>

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria	Findings
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	<p>Monthly budget monitoring meetings are held between service accountants and service heads/budget holders to review the in-year position and to update the financial forecast for the current year.</p> <p>For the significant capital projects, there are a number of officer and member working groups which include the following:</p> <ul style="list-style-type: none"> ➤ Status reports ➤ Financial monitoring ➤ Procurement updates as applicable <p>For the town deal and future high street projects there are individual project groups and also the overarching project.</p> <p>Non-financial performance reports are presented to Policy and Resources Committee during the year.</p> <p>Additions to the Internal Audit plan will be made in the year if required. For example, additions to the plan in 2021/22 were made in relation to concerns regarding the contract management of Great Yarmouth Norse.</p>
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	<p>All committee items are considered by the Executive Leadership Team in the first instance to provide challenge and review of links to the Corporate Plan. At this stage, the reporting line is also considered, for example whether it is committee recommendation or a recommendation to Council, for example for a change in policy or for the approval of a budget.</p> <p>Reports to members provide the opportunity for member challenge and question.</p>
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 annual Internal Audit plan is informed by risk based approach, and prior to approval is reported to ELT, who have the opportunity to amend and add areas for review. The monitoring officer also attends the weekly ELT meetings and is always in attendance at meetings of Council and Committees as applicable.</p> <p>The Council have self referred to the regulator for social housing as the level of decent home standard properties has dropped from 94% to 85%. The Council have also identified a number of issues with the housing stock which the regulator has concluded that there was potential for serious detriment to Council tenants and that the Council breached the Home Standard. We have determined a significant weakness in relation to the issues resulting in this referral.</p>

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement	Quarterly performance reports are taken to the Policy and Resources Committee for assessment against the Annual Action Plan. Project progress is reviewed and areas of concern are flagged by the Committee to follow up and deploy resources to address.
How the body evaluates the services it provides to assess performance and identify areas for improvement	The Council identifies priorities in its Corporate Plan and Annual Action Plan to assess the performance in achievement of the stated strategic initiatives. These measures are reported on a quarterly basis to the Policy and Resources Committee. In preparation of the Annual Budget the Council considers adjustments to the services provided to achieve a balanced budget through adjustments of service or identification of new income generation streams.
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 in place reporting from Council representatives on outside bodies and partnership boards and meetings. In relation to the Norse Joint Venture both the Council and Great Yarmouth Norse have member and officer appointments to the Board which provides the opportunity to monitor and challenge the performance. Internal Audit also completes reviews of arrangements over major partnerships and identifies required improvements.</p> <p>Some of the Council's key partnerships include:</p> <ul style="list-style-type: none">➤ Nplaw for the provision of legal services – A Council officer sits on the Nplaw board, which provides a tool for monitoring the performance and feedback on the service provision.➤ Great Yarmouth Norse – a review of costs and Internal Audit reports have led to the Council recruiting an interim post to undertake a wider review on the provision of the services under these arrangements. <p>The Internal Audit report on Great Yarmouth Norse invoicing and the open book Internal Audit report are clear that there are significant control deficiencies with regards to how the Council manages the partnership. This has led to the identification of a significant weakness in this area.</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 makes use of the procurement service provided by Breckland Council with overall responsibility sitting under the monitoring officer. The monitoring officer attends executive leadership meetings to ensure they are sighted on proposed legal and procurement matters. At the onset of projects, a project officer working group is established and representation from a legal officer is included in the working group.</p> <p>Management identified that the Market Redevelopment did not have a signed contract and instead was operating based off a signed letter of intent with Pentaco Construction to provide contracting work. Additional oversight arrangements have been implemented to oversee this contract, including employment of a specific project manager, pay reviews and regular reporting to members. The work related to this contract began on 29th March 2021 and as a result there has been minimal spend against the contract during 2021/21. We will consider the arrangements for the management of the Pentaco contract further as part of our 2021/22 value for money assessment and reporting.</p>

Appendix B – Fees – Great Yarmouth Borough Council Relationships, services and related threats and safeguards

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. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

We carried out our audit of the Council's financial statements in line with PSAA "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)".

	Final proposed fee 2020/21 (Note 3) (£)	Planned fee 2020/21 (£)	Final fee 2020/21 (Note 1) (£)
Scale fee	46,966	46,966	46,966
PSAA determined scale fee variation			44,434
Scale fee rebasing (Note 2)	67,905	-	-
Prior year adjustments	4,575	-	-
Quality and preparation	21,792	-	-
VFM commentary/risks	41,281	-	-
Covid-19 (including going concern)	13,813	-	-
Reduced materiality	9,298	-	-
Pensions specialist	7,320	-	-
ISA 540 (estimates)	2,656	-	-
Infrastructure assets	8,030	-	-
NOCLAR	5,050	-	-
Total audit fees	228,686	TBC	91,400
Other non audit services: Housing Benefits Certification	14,500		15,250
Total non audit fees	14,500		15,250

All fees exclude VAT

Details of individual fee increases are included in the next page

Appendix B – Fees – Great Yarmouth Borough Council Relationships, services and related threats and safeguards

Notes

- 1) For 2019/20, we proposed an increase to the scale fee of £84,304 to reflect the increased level of audit work required which has been impacted by a range of factors, as detailed in our 2019/20 Audit Results Report. Our proposed increase was discussed with management and has now been determined by PSAA as set out in the table on the previous slide.
- 1) For 2020/21, we have again reassessed the scale fee to take into account the same recurring risk factors as in 2019/20. This will be submitted to PSAA for determination once the audit has been completed. We propose an overall increase to the scale fee of £67,905 in relation to recurring additional audit work linked to:
 - Additional procedures to review component auditor work as part of our work on the consolidated accounts, as well as review of resulting audit adjustments, £8,000
 - Additional procedures to consider recurring significant audit risks areas as identified in the Audit Plan and this Audit Results Report, £23,699
 - Additional procedures to audit pension valuation assumptions, £12,450
 - Additional procedure required on property, plant, and equipment, £23,765
- 3) For 2020/21, the scale fee represents the base fee, i.e. not including any extended testing. Our audit was impacted by a range of factors included in our Audit Planning Report which resulted in additional work. We set out the proposed additional fee for this below in terms of the specific issues we have identified during the audit. Now that the audit is complete we will finalise our proposed fee and submit it to PSAA for determination.
 - Work required to assess the impact of identified prior year adjustment to the financial statements, £4,575
 - Impact of quality and preparation issues causing audit delays, £21,792
 - Additional procedures to comply with the NAO's Code requirement to provide commentary on VFM arrangement and to consider impact of risks of significant weakness identified in relation to a number of areas as set out in our VFM commentary which resulted in reporting on by exception in our audit report, £41,281
 - Impact of additional audit procedures in relation to COVID-19 including procedures on grant income, NDR appeals provision and going concern assessment and disclosures, £13,813
 - Impact of additional testing required due to a reduce materiality level, reflecting the high level of errors identified in the prior years accounts, £9,298
 - The need to engage EY Pensions to review assumptions used in the Pensions IAS19 liability, £7,320
 - Impact of ISA540 requirements on audit work required on estimates, £2,656
 - Additional audit procedures required over infrastructure assets in response to national issue, £8,030
 - Addition procedures to consider non-compliance with laws and regulations in relation to breach of the Homes Standard and weaknesses in the oversight of the Great Yarmouth Norse joint venture, £5,050

In addition, we are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

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