



# Auditor's Annual Report for Southend on Sea City Council

Year-ended 31 March 2024

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27 February 2025

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This report is addressed to Southend on Sea City Council (the Council). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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**01**

# **Executive Summary**

# Executive Summary



## Purpose of the Auditor’s Annual Report

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of Southend on Sea City Council (the ‘Council’). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Council alongside the annual report and accounts.

## Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:



**Accounts** - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Council and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the CIPFA/LASSAC Code of Practice in Local Authority Accounting (‘the Code’).



**Narrative report** - We assess whether the narrative report is consistent with our knowledge of the Council.



**Value for money** - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Council’s use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.



**Other powers** - We may exercise other powers we have under Local Audit and Accountability Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to valid objections received from electors.

## Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

<b>Accounts</b>	<p>We issued an unqualified opinion on the Council accounts on 27 February. This means that we believe the accounts give a true and fair view of the financial performance and position of the Council.</p> <p>We have provided further details of the key risks we identified and our response on page 8.</p>
<b>Narrative report</b>	<p>We did not identify any significant inconsistencies between the content of the narrative report and our knowledge of the Council.</p>
<b>Value for money</b>	<p>We are required to give an opinion as to whether the Council has appropriate arrangements in place to secure economy, efficiency, and effectiveness in the use of resources.</p> <p>Our opinion is that the Council does have appropriate arrangements in place. We identified no significant weaknesses in respect of arrangements to secure economy, efficiency, and effectiveness in the use of resources. Further details are set out on page 11.</p>
<b>Other powers</b>	<p>See overleaf.</p>

# Executive Summary



There are several actions we can take as part of our wider powers under the Local Audit and Accountability Act:

## Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Council is required to consider it and to bring it to the attention of the public.

**We have not issued a Public Interest Report this year.**

## Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Council is taking. We may also apply to the courts for a declaration that an item of expenditure the Council has incurred is unlawful.

**We have not applied to the courts this year**

## Recommendations

We can make recommendations to the Council. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Local Audit and Accountability Act. If we do this, the Council must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Council does not need to take any action, however should the Council provide us with a response, we will include it within this report.

**We made no recommendations under Schedule 7 of the Local Audit and Accountability Act.**

**Whilst we have not raised any statutory recommendations we have raised recommendations to management around process improvement.**

## Advisory notice

We may issue an advisory notice if we believe that the Council has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Council is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

**We have not issued an advisory notice this year**

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Council. Where we raise observations we report these to management and the Audit Committee. The Council is not required to take any action to these, however it is good practice to do so and we have included any responses that the Council has given us.

**02**

# **Audit of the financial statements**



# Audit of the financial statements



## **KPMG provides an independent opinion on whether the Council's financial statements:**

- Give a true and fair view of the financial position of the Group and Council as at 31 March 2024 and of the Group's and the Council's income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We conduct our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We also fulfil our ethical responsibilities under, and ensure we are independent of the Group and Council in accordance with, UK ethical requirements including the FRC Ethical Standard. We are required to ensure that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## **Our audit opinion on the financial statements**

We have issued an unqualified opinion on the Group and Council financial statements on 27 February 2025.

The full audit report is included in the Council's Annual Report and Accounts for 2023/24 which can be obtained from the Council's website.

Further information on our audit of the financial statements is set out overleaf.

# Audit of the financial statements



The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
<p><b>Fraud risk from expenditure recognition</b></p> <p>Risk that expenditure is inappropriately capitalised as part of property plant and equipment, infrastructure assets or heritage assets</p>	<ul style="list-style-type: none"> <li>• We have evaluated the design and implementation of controls for classifying expenditure as capital;</li> <li>• We reviewed the capital programme for schemes which indicate they are of a revenue nature; and</li> <li>• We have tested a sample of capital expenditure incurred by the Council to ensure it is appropriate to capitalise.</li> </ul>	<p>We did not identify any material misstatements relating to this risk</p>
<p><b>Valuation of land and buildings – Council Dwellings</b></p> <p>Risk that the Council Dwellings are materially over or under valued</p>	<ul style="list-style-type: none"> <li>• We have evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of the assumptions used;</li> <li>• We have critically assessed the independence, objectivity and expertise of the valuers used by management to value the properties; and</li> <li>• We have reviewed the property list and attributes of all properties to confirm that the Beacon applied is representative of the wider group</li> </ul>	<p>We did not identify any material misstatements relating to this risk</p>
<p><b>Management override</b></p> <p>Risk that the process around posting ledger transactions is utilised to manipulate accounting results.</p>	<ul style="list-style-type: none"> <li>• We have evaluated the design and implementation of controls over journal entries and post closing adjustments;</li> <li>• We analysed all journals through the year and have selected higher risk journals to substantively test</li> </ul>	<p>We did not identify any material misstatements relating to this risk</p> <p>We raised a control finding relating to management review of the journal postings</p>



# Audit of the financial statements



Significant financial statement audit risk	Procedures undertaken	Findings
<p><b>Recognition of the surplus on the net pension asset</b></p> <p>The Council is only allowed to recognise the surplus to the extent that it is entitled to receive a benefit from the surplus.</p>	<ul style="list-style-type: none"> <li>We have considered and challenged the Council's estimate of the recognisable surplus</li> <li>We have considered the adequacy of the Council's disclosures in respect of the assumptions or judgements made in determining the level of recognisable surplus.</li> </ul>	<p>We identified misstatements relating to the surplus recognition in the 2022/23 financial accounts which have been corrected by management. We note management treated this correctly as at the 31 March 2024</p> <p>We raised a control finding relating to management review of the actuarial report.</p>
<p><b>Valuation of post retirement benefit obligations</b></p> <p>An inappropriate amount is estimated and recorded for the defined benefit obligation</p>	<ul style="list-style-type: none"> <li>Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;</li> <li>Performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;</li> <li>Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;</li> <li>Evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;</li> <li>Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;</li> <li>Confirmed that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice</li> </ul>	<p>We did not identify any material misstatements relating to this risk</p> <p>We raised a control finding relating to management review of the actuarial report.</p> <p>We considered the estimate to be balanced based on the procedures performed.</p>

**03**

# **Value for Money**



# Value for Money



## Introduction

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or ‘value for money’. We consider whether there are sufficient arrangements in place for the Council for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:



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



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



**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

## Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor’s Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We make performance improvement observations where we identify opportunities to improve in areas where we have not identified any weaknesses.

## Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
<b>Commentary page reference</b>	13	16	22
<b>Identified risks of significant weakness?</b>	✓ Yes	✓ Yes	✗ No
<b>Actual significant weakness identified?</b>	✗ No	✗ No	✗ No
<b>2022-23 Findings from the predecessor auditors</b>	Risk of significant weakness noted but did not materialise into significant weakness	Significant weakness identified	No significant weakness identified
<b>Direction of travel</b>	↔	↑	↔

# Value for Money



## National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

### Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable. Some Councils have initiated innovative plans to raise new funds, such as through increasing commercial activity. Some have questioned whether commercialisation activities open Councils to excessive risk or could be a poor use of taxpayer monies.

Some Councils have issued what are known as “section 114” notices, in this instance a declaration that they cannot generate sufficient resources to meet the costs they need to incur. In some instances, this has resulted in a need for exceptional financial support from central government (such as approval to sell council buildings to meet costs) and severe cutbacks to services.

### Education

Many schools are now the responsibility of academy trusts, however some schools are still controlled and overseen by the local Council. Dedicated funding is provided by central government to run schools, however due to cost pressures many Councils have overspent against their central government allocation, particularly in relation to “high needs” expenditure (i.e. to support students with special educational needs and disability (SEND)). In response to this, the Department for Education has created the “safety valve” arrangement, where Councils are given additional funding whilst education costs are brought under control, with an expectation that schools reserves are brought back to break-even over time. When the safety valve arrangements end, some Councils are concerned that structural sustainability issues will not be resolved, and Councils will be financially unviable.

### Housing Revenue Account (HRA)

Councils which operate a HRA are required by law to prevent the account running into deficit, and must operate it independently of the main operations of the Council. HRAs have experienced financial pressure over the past few years on account of high inflation rates increasing the cost of operating housing, whilst central government cap rent increases at or below the rate of inflation.

Following tragic deaths in housing estates in Kensington and Rochdale, there has been increased focus on the safety of social homes. Landlords are required to take remedial action to ensure homes are compliant with fire safety legislation and new regulations to improve building safety more generally. These regulations have increased the costs faced by landlords, caused loss of income where properties were void for repairs, and increased the risk of regulatory action should improvements not be made.

## Local context

- Southend on Sea City Council (the Council) is a Unitary Coastal Authority which has a diverse population of 180,000 residents.
- The Council employ over 1,700 people with staff costs of £94m
- The Council have a large value of heritage assets including a pier, cliff lift and cliff bandstand with a combined net book value of £33m
- The Council have a Housing Revenue Account which manages and oversees 6000 properties
- Ofsted performed a focused visit to the Children's Services department of the Council in May 23 as a follow up to the 2019 inspection where the Council achieved a “required improvements” rating
- The Council had an LGA peer review in the previous year which highlighted significant improvements were required around the Council's approach to leadership, governance and decision making.
- Following this peer review the Council has had a new interim chief executive officer and a new permanent chief executive officer joined the Council in February 2024
- The Children's Services department is under pressure to deliver their budget as it has a very high level of residential care placement costs

# Financial Sustainability



## How the Council plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council 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; and
- How the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

### *Budget setting and monitoring*

- The budget setting process is underpinned by the Council's Financial Regulations. We discussed the process with the executive directors of multiple Service Lines and note that the process is consistent throughout the Council. The budget is challenged at the Policy and Resources Scrutiny committee, before going to Cabinet and then the Council.
- Budget holders are involved throughout the year in putting forward savings proposals and identifying cost pressures. They work with the Finance Business Partners to review the budgets and identify monthly the areas where overspend is occurring.
- The Medium Term Financial Forecast and Strategy covers the current year, and future four years, and is the key financial planning document which is used to inform business and resources planning and shows how spending needs to be balanced with the amount of available funding. This is used to identify budget gaps and to give the Council sufficient time to address them.
- The Housing Revenue Account business plan covers a period of 30 years and helps the council to meet its statutory duties whilst continuing to develop the quality of its housing stock.

### *Outturn*

- Overall performance for the year has been in line with budget with the use of a small level of reserves of £3,813k of usable reserves used against a planned usage of £2,762k – an overspend of £1,051k coming primarily from general reserves however this was planned to be repaid at £250k per annum for the next 4 years. From inquiries we understand that this is still forecast to be achieved in 24/25.
- The Council had useable reserves at 31 March 2024 of £192,570k down from £197,299k as at 31 March 2023 showing only a small use of reserves to balance the budget. Of this reserve usage only £1,000k was from the general reserve bringing the general reserves down from £11,000k to £10,000k. Of the total usable reserves of £192,570k a balance of £3,502k relates to the HRA and £13,763k relates to the earmarked schools budget reserve
- Year end cash position was £33,265k down from £44,724k as at 31 March 2023 with an increase in investments of £3,820k.
- The Council made a deficit on provision of services for the year of £32,556k compared to a deficit in the 2022/23 year of £37,279k

# Financial Sustainability

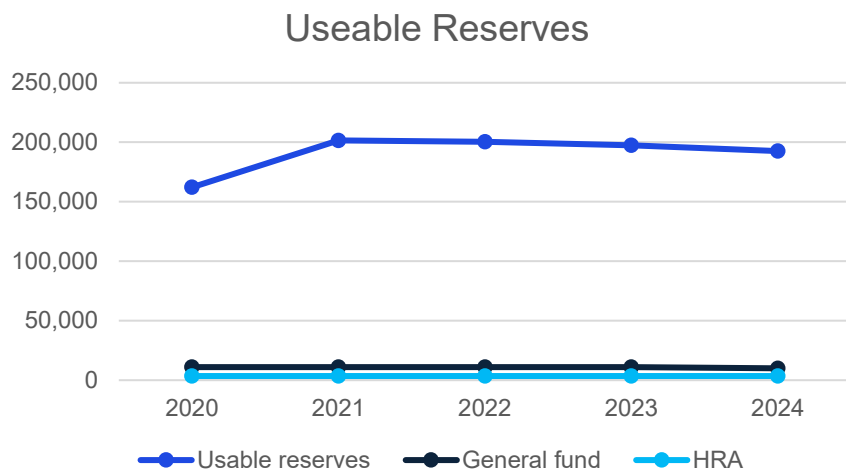


## Benchmarking

We have reviewed the CIPFA Financial Resilience Index for the performance of the Council and note that the Council is at the higher risk for measures relating to reserves sustainability and change in reserves, however from our useable reserves analysis below we have concluded this does not result in a significant risk as it is linked only to the general fund and excludes other usable reserves

## Reserves

Councils are required by law to maintain adequate reserves. The Council's general fund reserve has remained stable over recent years with the Council utilising only minimal amounts of usable reserves to balance the budget

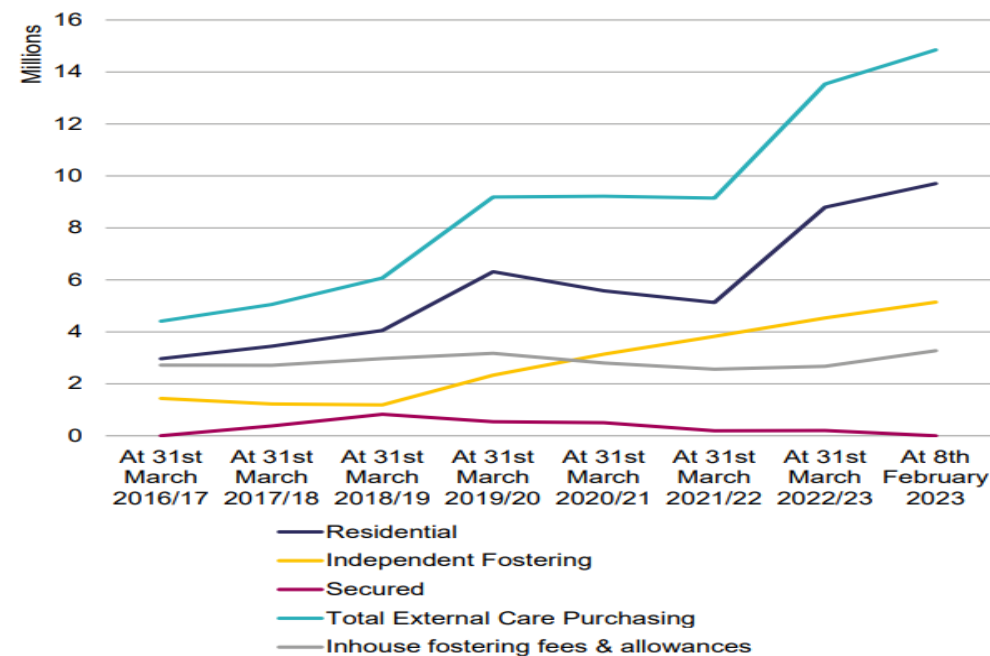


## Children's services cost pressures

From enquiry with the Executive Director of Children's and review of the corporate risk register we have noted there is a recurring overspend in relation to children's services caused by the large number of children in high-cost care placements. From review of the medium-term financial strategy we can see that the number of children in in-house fostering placements is reducing and the number of children in higher cost independent fostering and residential care is increasing. We have therefore identified a significant risk in relation to the cost of children's care placements.

We have raised a low level recommendation in our reporting to the audit committee recommending that the council explore options to reduce either demand or cost of placements whilst ensuring they continue to deliver appropriate care.

Figure 15 Placement Cost for Children in Care – Residential & Fostering



# Significant Value for Money Risk



## 1 Financial sustainability of Children's Services in relation to the cost of care placements

Risk that value for money arrangements may contain a significant weakness linked to Financial Sustainability

### Significant Value for Money Risk

The Children's Services directorate has had overspends in 2022/23 and in 2023/24

This is primarily driven by the large and increasing cost of external child-care placements and a shortage of in-house fostering placements

### Our response

We have reviewed the Council's process for reporting of the issue to Cabinet, the action plan being implemented to address the overspend and the minutes of the meetings to address the high costs and how the Council ensure this does not impact on quality

### Our findings

#### Findings

The Council are aware of the budget pressures, and this has been highlighted in their financial performance reports that are sent to the cabinet as well as in the Medium-Term Financial Strategy which went through the Policy and Resources Scrutiny Committee, the cabinet and then the Council. The MTFs included data on the number of children in care in Southend over time, how the Council compares to other councils, the number of children in each type of care and the cost of this care.

The Council put in place a number of mitigations before the end of 2023/24 including:

1. Exploring options to increase payments to their in-house foster carers.
2. Setting up regular meetings across the corporate, commissioning and service focused teams to challenge all the high-cost residential care placements. We note that these meetings include appropriately senior staff from the appropriate areas of the business to influence the decision and that the action points of these meetings are sufficiently detailed to allow follow up

#### Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangements as we deem there to have been adequate reporting and monitoring of this spend during the 2023/24 year. We do however note that this continues to be an area of financial pressure for the Council and that continued action will be required to manage this risk.

# Governance



## How the Council ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Council 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 Council approaches and carries out its annual budget setting process;
- how the Council 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, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

### *Risk management*

- We have reviewed the Risk Management Policy Statement & Strategy which is the key element of the entity's risk management process. The council are in the process of making risk awareness and horizon scanning part of business as usual however at the moment risks are identified by the individual directors and their teams, and these are discussed between the executive directors and their directors at monthly meetings. Where risks are of sufficiently high importance these are escalated upwards to the meetings of all the executive directors and incorporated on the corporate risk register.
- Through our work we noted that not all directorates are setting aside time as part of the risk management process for horizon scanning and risk awareness and this is an area where we have raised a low-level recommendation in our audit committee reporting.
- The corporate risk register is a 4 by 4 matrix structure where the risk level is calculated by multiplying the potential impact (from negligible to catastrophic) by the likelihood (from unlikely to almost certain) which gives rise to risk rating scale of 1-16. The risk register provides the following information against each risk to enable informed decision making: current impact; current likelihood; current risk score; target score and date and mitigating actions. The entries have a sufficient level of detail with well-considered mitigating actions.
- The corporate risk register is reported to the policy and resources scrutiny committee and the Cabinet and we have reviewed the minutes of the February 2024 policy and resources committee which demonstrated a detailed discussion of the risks and their mitigations. We noted that whilst this set of minutes demonstrated detailed discussion of the corporate risk register not all consideration of the Policy and Resources Scrutiny Committee and the Audit Committee were supported by minutes demonstrating the level of challenge applied. We are satisfied from our attendance at the Audit Committee meetings that sufficient challenge is applied but we have raised a recommendation in our audit committee reporting that the minutes are increased to demonstrate an accurate reflection of the challenge applied to decisions.

### *Budget monitoring*

- Throughout the year budget holders are involved in putting forward savings proposals and identifying cost pressures. They meet with the Finance business Partners on a monthly basis to run through how they are tracking against budget and to understand the planned actions to mitigate the pressures. In order to do this detailed budget reporting information is provided to budget holders monthly.
- Performance against budget is reported to the cabinet at July, September, November and the following June, and to their respective Policy and Resources Scrutiny Committees.



# Governance



## Approach to leadership/policies and standards

- There are clear policies in place regarding the expected behaviours for staff and members and we have assessed a number of these including the Employee Code of Conduct, the whistleblowing policy and the declarations of interest policy. We have noted that although there were no specific issues with the policy design some of these had not been updated for several years and have therefore raised a low level recommendation in our audit committee reporting.
- The organisation was subject to a peer review in 2022/23 which highlighted issues with the member and officer dynamics resulting in the progress of the City being stifled. We note that the member/officer dynamic was raised as a historical issue by the monitoring officer through our enquiries and this was raised as a significant weakness by the predecessor auditor in their prior year audit. We have followed up on the recommendation raised by the predecessor auditor on page 21
- The Council has experienced a significant amount of senior staff turnover in the year with the previous chief executive being replaced by an interim on 25 July 2023, and then by a permanent chief executive on the 5 February 2024 as well as a change in monitoring officer and executive director of strategy and change. We have noted that there was no monitoring officer in post from the 1 to 28 August 2023 and this position was covered by the deputy monitoring officer in this period. We have identified the turnover in senior staff as a significant risk on page 18.

## Data breach

- The Council responded to a freedom of information request in May 2023 and included private information within the release. We consider this to be a breach in laws and regulations. We have reviewed the process taken by the Council to report this breach to the regulatory authorities and the processes put in place to respond to the breach. We have identified this as a significant risk on page 19.

## Litigation and claims

- Whilst we did not note any issues in relation to the Councils awareness, and handling of, litigation and claims we did note through our inquiries that these were monitored separately by different teams. We have raised a recommend in our audit committee reporting that the Council put in place a process to ensure they collate all claims in a central place and evaluate these in a consistent manner.

	2023-24	2022-23
<b>Control deficiencies reported in the Annual Governance Statement</b>	0	0
<b>Head of Internal Audit Opinion</b>	Partial assurance	Partial assurance
<b>Ofsted rating</b>	95.7% of children were attending good or outstanding schools	88.5% of children were attending good or outstanding schools

# Significant Value for Money Risk



## 2 Large Turnover in Executive Directors

Risk that value for money arrangements may contain a significant weakness linked to Governance

### Significant Value for Money Risk

We note that as a result of the peer review carried out in 2022/23 the Council has implemented many changes to their processes. We have followed up on the recommendations of the peer review on page 21. We consider this issue to have been resolved however in fixing this issue the Council have introduced a new potential issue. The Council executive leadership team changed a lot during the year with a new Chief Executive, a new Executive Director of strategy and change and a new monitoring officer all starting during 2023/24

### Our response

We have reviewed the process taken since the previous permanent chief executive left the organisation in July 2023 including the appointment of the interim Chief Executive and the lengthier process of recruiting the new permanent Chief Executive.

We have reviewed all the executive director and monitoring officer posts during the year and understood who has been in role in these positions in the year and any periods of time when there was not anyone in post.

### Our findings

#### Findings

We note that on departure of the previous Chief Executive an interim was brought in at the Council. The person chosen for this role was a previous Chief Executive of the Council.

We determined the process taken to recruit a new permanent chief executive was appropriate and involved setting up an appointments panel engaging members, internal and external stakeholders.

We note that 2 of the executive directors and the monitoring officer were new in post during the 2023/24 year however we also note that there have been no changes to these roles subsequent to the year end suggesting that the processes taken to establish a stable executive team have worked.

#### Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangements.

# Significant Value for Money Risk



## 3 Data Breach

Risk that value for money arrangements may contain a significant weakness linked to Governance

### Significant Value for Money Risk

The Council responded to a Freedom of Information Act Request during the year and included a hidden tab within the document released into the public domain. This hidden tab included private information that should not have been made public.

### Our response

We have reviewed the governance process taken by the Council in response to this leak and the self reporting that occurred

### Our findings

#### Findings

We note that the data was released on the 17 May 2023 and identified on the 27 October 2023. This leak was reported to KPMG as the External Auditors by the head of internal audit and counter fraud on 1 November 2023, to the ICO on 1 November 2023 and was confirmed on the Council website on 3 November 2023.

The council took action to identify how this breach occurred and to prevent a similar incident happening again. An independent report was commissioned into the breach including a root cause analysis and the suggested remedial action. A Task Group was set up in December 2023 to implement the action points from this independent report and consider how the council deal with FOI requests more generally. A full action plan was implemented in 2023/24 with due dates extending throughout 2024 and we note that these were all completed before the end of 2024, which although after the year end, suggests that good progress against the action points was being made in 2023/24.

#### Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangements.

# Value for Money: Recommendations



Below we have set out our findings from following up recommendations raised in respect of significant weaknesses identified in prior periods:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of January 2025
1	Significant	<p>The Council received an LGA Peer Challenge in October 2022, which provided nine key recommendations including: completing and implementing the Council's constitutional review and ensuring there is an organisational commitment to behaviour change to support more effective councillor/officer working relationships; considering changing the election cycle; re-engaging partners across public, private and voluntary sectors on Southend 2050 to provide more clarity between strategic priorities and delivery; modernising the council operating model; systems and processes; addressing inequalities and disparities across the city; and strengthening the Council's voice and influence in the wider regional agenda. Since the LGA Peer review, there have been a number of changes in relation to political and corporate leadership. The Council remains in No Overall Control with a number of changes in leadership in quick succession. Our work has identified that this instability and the concerns noted regarding effectiveness of councillor/officer working relationships may have contributed to other important decisions not being made in a timely manner, in particular, the decision to go out to tender for the original waste contract and agreeing on the service specification. It should be noted that whilst a number of options were put forward with regards to the waste contract, a change in political control and subsequent revisiting of the service specification resulted in the original contract not being put out to tender within sufficient timescales to ensure a seamless transition to a new provider prior to the existing contract coming to an end. The original contract was extended and a new contract let during the extension period to facilitate the transition to a new provider. An LGA Peer Challenge follow-up visit in December 2023 noted mixed views about the degree of impact the changes may have had on organisational culture and behaviours to date, all agreed that progress is being made, ways of working are improving and the direction of travel is positive. It was also noted that there is recognition within the Council that there is still more work to do and a clear commitment to continue this work. Our review has also identified the need to ensure governance arrangements are strengthened over the monitoring and holding to account in respect of the implementation of OFSTED action plans and internal audit and counter fraud recommendations. Therefore, based on the procedures performed, we have concluded that for the period 2022-23, the arrangements in place surrounding leadership, governance and decision making indicated a significant weakness at the Authority. We note that the Council has acted to address many of these concerns during 2023/24 and there is a clear commitment to continue with this work (albeit recognising the limitations of the electoral cycle) going forward.</p> <p>The Council must continue to fully implement and embed the actions from the LGA Peer Review, including improving the effectiveness of Councillor/Officer working relations, timeliness of decision making and ensuring governance processes exercise appropriate scrutiny and holding to account in respect of recommendations and action plans in the areas highlighted above.</p>	<p>The Council will continue to fully implement and embed all the actions from the LGA Peer Review that are within the control of management to implement. The LGA Corporate Peer Challenge only took place in October 2022, and following receipt of the report in early 2023, Cabinet accepted the nine recommendations and agreed the steps to address them at its meeting on 21 February 2023. The reality of the timing of the visit and report resulted in only a matter of weeks during the rest of 2022/23 to respond to the concerns raised and to formulate appropriate actions to address them. This is the reason why our response and implementation programme predominantly took place during 2023/24. Peers returned on 7th December 2023, as per their standard procedure, to review progress and provide ongoing support for improvement. The LGA's report acknowledged good progress across all the recommendations with particular emphasis on building a more engaging leadership style through strengthened communications and engagement alongside greater cross-party workings. A lot of work has been done to improve officer/member relationships and this work will continue. The democratic requirements to move to 'all-out' local elections every four years is also a political decision. The change requires time to consult and requires a 2/3rd's majority in favour from all Council Members to introduce. This change is not within the control of management to implement. A revised approach to the recording of Internal Audit and Counter Fraud Investigation Team recommendations using the Pentana system is being developed with the system administrators, so that the system functionality can be used to provide increased oversight on progress, and reporting, of the implementation of recommendations. The Council is committed to ensuring that planned improvements for Children's Services continue to be developed and embedded at pace. Self-assessment of improvement has continued and progress has been regularly reported to the Improvement Board. The Service believe that the arrangements that are currently in place are the strongest they have been since the 'Requires Improvement' judgement was originally issued. The formal Ofsted Inspection of Children's Services is currently underway and the Council will await the outcome of this and respond accordingly to any recommendations for further improvements.</p>	<p>We have followed up on this on page 21</p>

# Value for Money: Recommendations



## 1 LGA Peer review

Follow up of the recommendations raised by the predecessor auditor to address the significant weakness identified in the prior year

### Our response

We have followed up on the recommendation raised by the predecessor auditor and have reviewed the list of recommendations identified in the peer review and the Councils progress against these action points.

We have reviewed the report by the peer review team in December 2023.

We have reviewed the actions taken by the Council to address some of the key recommendations in the peer review.

### Our findings

#### Findings

We note the Council identified 9 action points coming out of the October 2022 peer review and by December 2024 7 of these were green rated with two remaining at amber rating but on track to be green.

We note that the reporting of the action points was initially to the policy and resourcing committee, but this was changed when the new chief executive of the Council came into post in February 2024 after which the progress against action points was reported to the Council Leadership Team meetings. We have reviewed the minutes of both sets of meetings and note that sufficient detail is included to allow detailed discussions around the findings or the peer review and the action points.

We have reviewed the green rated actions on the December 2024 progress update and have confirmed that they are accurately disclosed and there is backup to support the status.

We have reviewed the actions taken around the updating of the constitution which was started in 2023/24 and finalised in 2024/25 with the new constitution being approved.

#### Conclusion

Based on the findings above we are satisfied that this recommendation raised by the predecessor auditor is adequately addressed.

# 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

We have considered the following in our work:

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

### *Operational performance review and reporting*

- Reporting financial performance to Cabinet occurs at September, November, January and the following June through the financial performance report. We are satisfied from our attendance at the Committee meetings that sufficient challenge is applied but we have raised a recommendation in our audit committee reporting that the minutes are increased to demonstrate an accurate reflection of the challenge applied to decisions.
- Key Performance Indicators are used to monitor the performance of the Council and the services it provides to residents. The Council have a large range of KPIs they monitor across multiple areas of the business and we are satisfied that these measure financial and other performance measures.

### *Contract management*

- The waste collection contract was extended over the short term during the year whilst a full review and retender exercise was carried out. The contract retender process started before the start of the 2023/24 year. The tender process adapted to the changing needs of the Council and services were removed from the tender where these were available cheaper internally. A clear pathway was maintained through the various council committees for the period of the year and in March 2024 a paper was taken to committee laying out the future expected internal pathway to be followed by this contract. The minutes of the January 2024 place scrutiny committee demonstrated significant challenge of the decision made

### *Social Housing*

- The Southend Council Housing Revenue Account (HRA) manages approximately 6,000 properties. The HRA made a deficit on the HRA services of £5,201k before amounts required to be debited or credited by statute which resulted in a transfer from earmarked reserves of £283k to keep the HRA account at a stable figure of £3,502k.
- Through inquiries we identified that 99.8% of council homes met the Decent Home Standards which was just below the target of 100% but only 70.7% of council homes were Energy Performance Certificate rated 'C' or above which was below the target of 84%

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- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

### *Partnership working*

- Through our inquiries with the executive directors we noted many of the directorates are actively engaging with partners in the volunteer sector in order to maximise benefit to the Council. We also note there has been some progress in relation to the re-engagement of partners and stakeholders following the recommendations coming out of the peer review.
- We note that in the year a joint venture partner housing association entered financial difficulty and was absorbed by a different housing association that did not want to participate in the joint venture. As such they transferred their share of the joint venture to the Council. We have discussed the plan with management and note the Council have engaged key stakeholders including Homes England to help determine a plan going forwards.

### *Procurement*

- We have reviewed the One-off Tender exception report and note there were 116 reportable exceptions in the year with a total value of £10.6m. The largest item was for £3.8m which was required urgently for affordable housing.
- We have reviewed the process undertaken in the year for the approval of the waste collection contract and noted there is good evidence of challenge and the discussions around this matter in the committee minutes. We also noted that the Council have been open to changing the requirements of the contract throughout the procurement process to obtain the solution that best meets the Council's requirements.

### *Conclusion*

- We have not raised any significant risks or weaknesses in relation to this area



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