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14 September 2021

Regulation, Audit and Accounts Committee

A meeting of the Committee will be held at **10.30 am** on **Wednesday, 22 September 2021** at **County Hall, Chichester, PO19 1RQ**.

Note: In response to the continuing public health measures, there will be limited public access to the meeting. Admission is by ticket only, bookable in advance via: democratic.services@westsussex.gov.uk

The meeting will be available to watch live via the Internet at this address:

http://www.westsussex.public-i.tv/core/portal/home

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Agenda

1. **Declarations of Interest**

   Members and officers must declare any pecuniary or personal interest in any business on the agenda. They should also make declarations at any stage such an interest becomes apparent during the meeting. Consideration should be given to leaving the meeting if the nature of the interest warrants it. If in doubt please contact Democratic Services before the meeting.

2. **Minutes of the last meeting of the Committee** (Pages 5 - 10)

   The Committee is asked to agree the minutes of the meeting held on 19 July 2021 (cream paper).

3. **Urgent Matters**

   Items not on the agenda which the Chairman of the meeting is of the opinion should be considered as a matter of urgency by reason of special circumstances.

4. **Quarterly Review of Corporate Risk Management** (Pages 11 - 22)

   Report by the Director of Finance and Support Services.

   The Committee is asked to review the information detailed in the report and current Corporate Risk Register, and provide comment as necessary.

5. **Internal Audit Progress Report (August 2021)** (Pages 23 - 36)

Report by the Director of Finance and Support Services, and the Head of Southern Internal Audit Partnership.

The Committee is asked to note the Internal Audit Progress Report (August 2021).

6. **Internal Audit Plan 2021/22 (Q2 & Q3)** (Pages 37 - 50)

Report by the Director of Finance and Support Services, and the Head of Southern Internal Audit Partnership.

The Committee is asked to approve the Internal Audit Plan 2021-22 (Q2 & Q3).

7. **Annual Governance Statement** (Pages 51 - 84)

Report by the Director of Law and Assurance.

The Committee is asked to recommend the adoption of the draft Statement and Action Plan through the signatures of the Leader of the Council and the Chief Executive.

8. **External Audit**

The Committee is asked to consider the 2020/21 Audit Results Reports for the West Sussex Pension Fund and the West Sussex County Council from the External Auditor Ernst & Young (EY).

(a) **West Sussex Pension Fund 2020/21 Audit Results Report** (Pages 85 - 130)

(b) **West Sussex County Council 2020/21 Audit Results Report** (Pages 131 - 182)

9. **Financial Statements 2020/21** (Pages 183 - 358)

Report by the Director of Finance and Support Services.

The Committee is asked to approve the Statement of Accounts for 2020/21 for West Sussex County Council and the West Sussex Pension Fund, for signing by the Chairman of the Committee.

10. **Date of Next Meeting**

The next meeting of the Committee will be held at 10.30am on 8 November 2021 at County Hall, Chichester.

To all members of the Regulation, Audit and Accounts Committee

Webcasting

Please note: this meeting is being filmed for live and subsequent broadcast via the County Council's website on the internet. The images and sound recording may be used for training purposes by the Council.

Generally the public gallery is not filmed. However, by entering the meeting room and using the public seating area you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes.

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Regulation, Audit and Accounts Committee

19 July 2021 – At a meeting of the Regulation, Audit and Accounts Committee held at 10.30 am at County Hall, Chichester, PO19 1RQ.

Present: Cllr N Dennis (Chairman)

Cllr Boram, Cllr Greenway, Cllr Montyn, Cllr Wall and Mr Parfitt

Apologies were received from Cllr B Cooper and Cllr Magill

Also in attendance: Cllr Hunt

Part I

1. Committee Membership

1.1 The Committee noted the membership as confirmed at the County Council meeting on 21 May 2021.

2. Appointment of Independent Co-opted Member of the Committee

2.1 The Committee considered a report by the Director of Law and Assurance (copy appended to the signed minutes).

2.2 Mr Gauntlett, Senior Advisor – Democratic Services, introduced the report which outlined the background and process for the appointment of an Independent co-opted Member to the Committee.

2.3 Resolved – That the Committee agrees to appoint Mr David Parfitt to the position of Independent, co-opted member of the Regulation, Audit and Accounts Committee for an initial four-year term.

3. Declarations of Interest

3.1 None declared.

4. Minutes of the last meeting of the Committee

4.1 Resolved – That the minutes of the meeting of the Committee held on 8 March 2021 be approved as a correct record and that they be signed by the Chairman.

5. Regulation, Audit and Accounts Committee Terms of Reference

5.1 Resolved – That the Committee noted its terms of reference.

6. External Audit - Audit Planning Reports

6.1 The Committee considered the Audit Planning Reports for West Sussex County Council and the West Sussex Pension Fund (copies appended to the signed minutes).

6.2 Mrs Thompson (EY) began by introducing the West Sussex County Council Planning Report and explained that the report was later than previous years due to a change in deadlines. The key risks that had been identified were outlined which included a risk to correctly account for Covid-19 government grants. 'Going concern' had a change in focus following the extensive work from the previous year. Work has been undertaken relating to value for money and has not identified a risk of significant weakness and would be reported on further if processes were discovered to be not robust or if weaknesses were found.

6.3 The Committee made comments including those that follow.

- Queried the differences for value for money considerations from the previous year and if there was a comparison to other councils. – Mrs Thompson explained that the risk assessment was completed as per the required guidance. This process would identify if further work was required. No areas of weakness had been identified. More detail would be provided later in the year in the Annual Report. Comparisons were no longer done with other councils.
- Sought clarity on the figures used for materiality. – Mrs Thompson confirmed that the guidance allowed a range from 0.5% to 1.8%, and it was confirmed that 1.8% was used.
- Asked for details on the firefighters pension materiality consideration. – Mrs Thompson confirmed that following a review by the professional practice team, EY felt that previously a disproportionate amount of time had been spent in this area. Work was still conducted, but not to the same level.
- Queried the appointment of a new external valuer and how this would impact continuity. – Mrs Thompson explained that changing valuer does add risk as different assumptions could be used that lead to different areas for audit to consider. Mrs Chuter, Financial Reporting Manager, confirmed that from the tender results the price had been an overarching factor. Whilst they were new to the council, they were an experienced valuer.

6.4 Mrs Thompson (EY) moved on to the West Sussex Pension Fund Planning Report and explained that a value for money risk assessment was not required. Management override continued to be an area of risk that was considered. The fee position remained the same. IAS19 work had been completed on behalf of admitted bodies.

6.5 Resolved – That the Committee notes the Audit Planning Reports.

7. Quarterly Review of Corporate Risk Management and Risk Management Strategy

7.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes).

7.2 Mr Pake, Corporate Risk and Business Planning Manager, introduced the report and explained that mitigations for Covid-19 risks had been successful. The risks would remain on the risk register in order to ensure appropriate oversight. Risk Management lunch and learn sessions were continuing virtually, and extra modules would be included when in person sessions could safely resume.

7.3 Cllr Boram spoke on the importance of risk responsibilities and how service scrutiny committees focused on operational risks and the Performance and Finance Scrutiny Committee considered significant risks that could impact other services. The Regulation, Audit and Accounts Committee had a focus on audit and how risk was handled.

7.4 The Committee made comments including those that follow.

- Sought reassurance on how care home risks in relation to Covid-19 were being assessed. – Mr Pake confirmed that the risk was reviewed every two weeks by the Tactical Management Group and was regularly discussed at the Executive Leadership Team meetings.
- Queried the meaning of LTP. – Mr Pake confirmed this was the Local Tracing Partnership and the Government system for Covid-19 tracing.
- Asked why risk CR39a had increased and commented that a severe cyber attack could lead to an impact in service for vulnerable people. – Ms Eberhart, Director of Finance and Support Services, explained that the pandemic had led to a higher risk of cyber attack. Whilst there were active mitigation plans, the risk level could not be reduced due to the impact that would be felt. Further details would be added to the risk to show wider impacts.
- Sought clarity of the backup systems in case of a cyber attack. – Ms Eberhart explained that business continuity was a combination of systems, with manual processes that could be set up if required. Cloud hosting helped with resilience arrangements.
- Queried the protection for care homes who were vulnerable from attacks. – Ms Eberhart confirmed that the Health and Adult Social Care Scrutiny Committee had looked into these detailed risks.
- Sought reassurance that the government was being appropriately lobbied on Covid-19 funding decisions. – Cllr Hunt, Cabinet Member for Finance and Property, confirmed that the Government was being continuingly lobbied and that the Leader was having many meetings with appropriate bodies.
- Asked for details on Carbon Neutral considerations. – Mr Pake confirmed that this was being managed across service areas of the council.

7.5 Resolved – That the Committee note the information detailed in the report and the current risk management strategy.

8. Internal Audit Annual Report & Opinion 2020/21

8.1 The Committee considered a report by the Director of Finance and Support Services, and the Head of Southern Internal Audit Partnership (copy appended to the signed minutes).

8.2 Mr Pitman, Head of Southern Internal Audit Partnership, introduced the report and explained that it had been a challenging year but technology had been utilised to continue with a robust approach to work. The annual opinion had not been inhibited by the different work arrangements. Officers were thanked for collaboration with Internal Audit.

8.3 Mr Pitman reported that reviews that had been removed from the previous year would be prioritised this year, and that 35 reviews had been completed.

8.4 The Committee made comments including those that follow.

- Queried if the transfer of the previous year's work would impact the current year's work programme. – Mr Pitman gave reassurance that the current resource was to respond appropriately to risk and that the resource for this was appropriate.
- Felt that it would be useful to have actions reported in the report for delays. – Mr Pitman explained that the regular report covered live reports. The Committee were able to request attendance from officers if required to explain any actions.
- Requested a progress update on the Care Home issues relating to cash handling and health and safety. – Mr Pitman confirmed that there was a review of homes for cash handling following issues at one home. The results of the review would come to a future meeting. Health and safety issues related to returning to work practices and inappropriate logging of Covid-19 risk assessments. Identified issues had been raised with management.
- Queried how the pandemic had changed Internal Audit's response to risk consideration and planning arrangements. – Mr Pitman explained that the pandemic hit just after the audit plan was agreed. The plan was therefore reviewed and reprioritised as necessary. The plan reverted from a twelve month plan to a quarter year plan in order to ensure that the focus was cognisant of the environment.

8.5 Resolved – That the Committee approves the annual audit report and opinion for the year ended 2020-21.

9. Internal Audit Annual Fraud Report 2020/21

9.1 The Committee considered a report by the Director of Finance and Support Services, and the Head of Southern Internal Audit Partnership (copy appended to the signed minutes).

9.2 Mr Pitman introduced the report and gave a summary of the anti corruption work which had a low level of reactive work. The low level was potentially due to the impact of Covid-19. E-learning modules had been rolled out which were mandatory for officers.

9.3 The Committee queried the cost of fraud to the County Council. – Mrs Chuter commented that this difficult to quantify and that few had been identified.

9.4 Resolved – That the Committee notes the annual fraud report for the year ended 2020-21.

10. Accounts Payable Review

10.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes).

10.2 Mrs Chuter, Financial Reporting Manager, introduced the report and informed the Committee that there had previously been a high public interest in this area and so a commitment had been made to come back to the committee following the review. Covid-19 had led to a delay in the review, but it was confirmed that the report covered the period between November 2016 to December 2019.

10.3 Meridian had undertaken the review and assessed that the County Council was on the low level of expected recovery that would be anticipated for the size of the authority. Robust controls were in place for duplicate payments.

10.4 The Committee made comments including those that follow.

- Queried why supplier statements had become a bigger issue. – Mrs Chuter explained that the volume of claims had remained the same and that it was an area that would be unlikely to have more internal resources applied to, therefore would continue to be an area of work covered by a regular Accounts Payable review.
- Asked how worthwhile the exercise had been, comparing received funds against the fees. – Mrs Chuter reported that the bulk of the work had been undertaken by Meridian, where their fee was a percentage of the value recovered. It had therefore been considered a worthwhile exercise.

10.5 Resolved – That the Committee notes the outcome of the audit recovery work carried out in 2020/21 in respect of supplier statements, duplicate payments and VAT corrections.

11. Treasury Management Compliance Report - First Quarter 2021/22

11.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes).

11.2 Mrs Chuter introduced the report and informed the Committee that the report covered the quarter up to June and that no policy breaches had occurred.

11.3 The Committee made comments including those that follow.

- Asked if future reports could include details on maximum investment levels. – Mrs Chuter confirmed that this would be added to future reports and also gave reassurance that a breach in this area would have been reported.
- Queried if investments with other authorities could be impacted if that authority was in financial difficulties. – Mrs Chuter confirmed that the investment was as safe as it could be as there is a statutory provision in the Local Government Act 2003 preventing a UK local authority defaulting on the investment.

11.4 Resolved – That the report be noted.

12. Annual Governance Statement 2020/21

12.1 The Committee considered a report by the Director of Law and Assurance (copy appended to the signed minutes).

12.2 Mr Gauntlett introduced the draft statement and explained that the final statement would come to the September Committee following the finalisation of elements, and liaison with Internal and External Audit.

12.3 The Committee made comments including those that follow.

- Noted the Children's Commissioner's comments and sought clarity on the progress of the actions. – Mr Gauntlett confirmed that the authority was still on a journey and which was reflected in the statement. In was noted that the Children's Trust actions had been paused in response to the improvements that had been made. It was recognised that the work needed to continue.
- Commented that timescales within the statement would be useful. – Mr Gauntlett confirmed that the final version should include timescales and that the Committee would be able to note quarterly progress.
- Queried if the Youth Service inspection had happened. – Ms Eberhart agreed to look into this. The Committee also requested information on other planned inspections.

12.4 Resolved – That the draft Statement be supported.

13. Date of Next Meeting

13.1 The Committee noted that its next scheduled meeting would be held at 10.30 am on 22 September 2021 at County Hall, Chichester.

The meeting ended at 12.40 pm

Chairman

Key decision: Not applicable
Unrestricted

Regulation, Audit and Accounts Committee

22 September 2021

Quarterly Review of Corporate Risk Management

Report by Director of Finance and Support Services

Summary

This Committee has responsibility for oversight of the County Council's risk management arrangements.

A risk relating to the use of unregistered care homes has been added to the corporate risk register. This is in response to recent government direction stipulating that from 9 September 2021 children in care under 16 will not be allowed to be accommodated in unregulated placements.

All future Risk Management Lunch 'n' Learn sessions will be delivered as a webinar and this course has now been made available for staff in Districts and Boroughs at nil cost. The follow-on course (Risk Management in Practice) has been designed for face-to-face delivery using a combination of instruction via PowerPoint and syndicate/group work and will involve staff working through the County Council's risk management process using a generic scenario.

Recommendations

(1) The Committee is asked to review the information detailed in the report and current Corporate Risk Register, and provide comment as necessary

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Quarterly update

1 Introduction

1.1 The Committee has responsibility to monitor the effectiveness of risk management arrangements. That role, together with a description of the Council's approach to risk management, is set out in the Constitution at Part 4 Section 4. It covers the allocation of responsibilities, including the quarterly review of risk management activity.

2 Background and context

2.1 During the preceding quarter there have been the following changes to the corporate risk register.

Risk No	Risk	Action	Reason	Current Score
CR72	Unregistered care homes - children and young people will not be cared for in settings that best meet their needs	New risk	From 9 Sep 2021 children in care under 16 will not be allowed to be accommodated in unregulated placements	16

2.2 The following table summarises risks on the corporate risk register with the current severity graded above the tolerance threshold:

Risk No	Risk	Score - Prev Qtr	Score
CR39a	Cyber-security	25	25
CR58	Failure of social care provisions	25	25
CR69	Children's services will fail to deliver an acceptable provision to the community	20	20

2.3 The corporate risk register continues to be reviewed monthly by the Executive Leadership Team (ELT), with any actions promptly addressed.

2.4 The directorate risk registers have been reviewed at least quarterly by each Director and their management team, with support from the Corporate Risk Manager. The Corporate Risk Manager has continued to engage quarterly with Executive Directorate teams to discuss corporate and other directorate/service risks, and risk governance.

2.5 Operational COVID-19 risks are considered and managed within the services, either through the production of new risks or applying the ramifications to an existing risk and its assessment. In addition, specific corporate COVID-19 risks are captured and controlled by the councils COVID-19 response team. The Corporate Risk Manager presents a summary of risks by themes and workstreams to ELT monthly for consideration.

2.6 The table below summarises the key corporate COVID-19 risk.

Risk
Increasing/unmanageable workload for staff due to anticipated increase in support to LTP

2.7 Capital Programme risks are reported through their respective programme board. There is ELT representation on these boards ensuring that significant concerns to the successful delivery of the programmes and/or associated projects are discussed, communicated to ELT and reflected in the corporate risk register if required. The Corporate Risk Manager has continued to provide support to projects and programmes, and their risk registers.

2.8 The Risk Management Lunch 'n' Learn sessions will continue to be delivered as a webinar beyond October 21, and the course content has been amended to facilitate this delivery method. This course has now been made available for staff in Districts and Boroughs at nil cost. The follow-on course (Risk Management in Practice) has been designed for face-to-face delivery using a combination of instruction via PowerPoint and syndicate/group work and will involve staff working through the WSCC risk management process using a generic scenario. To support staff in better managing their risks the Corporate Risk Manager has produced a variety of resources, which have been communicated to all staff and added to the WSCC Risk Management SharePoint site.

2.9 The quality and currency of information contained in the corporate and directorate risk registers will continue to be reviewed and updated. The Corporate Risk Manager is continuing to challenge whether identified actions will sufficiently address the concerns, and within a suitable timeframe.

2.10 Ongoing activities the Corporate Risk Manager is undertaking to ensure continuous improvement and alignment with best practice include:

- Attendance at TMG (chairing when requested) and Smarter Working Stakeholder Group
- Review of Sussex Resilience Forum (SRF) risks against TMG risk register
- Attend the South East Risk Managers Group to share best practice of risk management in the public sector across various local authorities
- Attend appropriate seminars held by professional bodies e.g. Alarm, CMI
- Support projects and programmes to provide assurance and support on robust governance
- Engage and support Executive Directors, Directors, service managers and their teams on capturing and communicating risk
- Attendance at/facilitating various internal boards, meetings and working groups

2.11 At this stage, there will be no additional resources required to facilitate the embedding/management of risk and future actions as current support within the organisation is sufficient. The Corporate Risk Manager is conducting risk workshops and risk training sessions in existing management meetings or during lunchtimes where possible to mitigate resource and scheduling conflicts. However, the 'Risk Management in Practice' course will take place during working hours, and participants will be responsible for ensuring their attendance doesn't significantly impact their role requirement.

2.12 The committee is asked to consider the information in this report and provide comment as necessary.

3 Risk implications and mitigations

The subject of the report is the corporate risk register. It would be contrary to the interests of the Council not to ensure that its risk management processes and registers were not aligned to Risk Management Strategy.

4 Policy alignment and compliance

4.1 Equality duty and human rights assessment. An Equality Impact Report is not required for this decision as it is a report dealing with internal and procedural matters only, although the Council's responsibilities in relation to the public sector equality duty will be one element of the approach to risk management.

Katharine Eberhart
Director of Finance and Support Services

Appendices
Appendix A – Corporate Risk Register

Background papers
None

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score	
CR68	The government have placed restrictions and imposed requirements on Local Authorities to support in the management of the COVID-19 pandemic. If local (county or district) responsibilities are prolonged or additional measures imposed, there is a risk **services will fail to deliver existing work plans** due to staff responding to the impact of the pandemic, or staff shortages due to sickness.	Chief Executive	1. Failing to deliver statutory duties.	Mar-20	5	5	25	Treat	5	2	10	Review and update business continuity and service critical plans.	CLT	ongoing	Business continuity plans periodically reviewed. To date there is sufficient resource to deal with challenges.	5	3	15	Oct-21
			2. Negative reputational impact.									Regular engagement with MHCLG and ensure information and direction is discussed and implemented through the Strategic Coordinating Group (SCG-Gold) and Tactical Coordination Group (TCG-Silver).	Chief Executive	ongoing	Outcomes to inform Tactical Management Group (TMG), Strategic Management Group (SMG), and Local Health Resilience Partnership (LARP) for action/info.				
			3. Residents don't receive support required.									Develop communications when required to manage expectations of staff and residents on WSCC response position.	Head of Communications	ongoing	Collaboration and agreement on services provision messages with directorates and ELT through current COVID-19 mechanisms (TMG and SMG).				
			4. Insufficient budget/budget exceeded.									To continue to lobby government groups to influence funding decisions.	Chief Executive	Ongoing	Sufficient funding received to date to deal with the cost.				
			5. Increase risk to life.									IA to conduct review of lessons learned and communicate.	Director of Finance & Support Services	Sep-21	Work is in progress				
			6. Information not shared appropriately.									Services to consider impacts should government impose restrictions (via tier system) at a district level as opposed to county.	CLT	ongoing	To be captured in business continuity plans.				
CR70	There is an i**ncreasing demand placed on the senior officers** due to the ongoing threat of COVID19 and additional burdens due to devolved responsibilities. This may lead to a continued **lack of capacity to deal with strategic/organisational issues**, leading to poor decision making.	Chief Executive	1. Outcomes for residents not delivered	Aug-20	4	3	12	Tolerate	4	3	12	Continue to monitor service resource impact.	ELT	ongoing	Concerns raised through ELT	4	3	12	Sep-21
			2. Residents don't receive support needed.									Provision of support to services when required.	SMG	ongoing	Support requests raised through TMG and escalated to SMG if required.				
			3. Failing to deliver statutory duties																
CR71	As part of the 'new normal' WSCC staff will be expected to continue to work from home (current exceptions being areas of critical business that cannot function in this way and staff unable to work in a safe environment at home). This may adversely effect the **mental and physical wellbeing (and emotional resilience) of staff** which will lead to an increase in absences and poor service delivery to residents.	Director of Human Resources & Org Dev	1. Increase in poor physical health of staff.	Aug-20	4	4	16	Tolerate	4	2	8	Mental health training and support (particularly for managers).	Health and Safety Manager	ongoing	Stress Management corporate guidance, mental health for managers e-learning series, adoption of mental health first aiders across the council and the employee assistance programme (EAP). Organisational drive to ensure managers undertake training.	4	2	8	Nov-21
			2. Increase in poor mental health of staff.									DSE assessments carried out and regularly reviewed.	Health and Safety Manager	ongoing	Directorates responsible for completion of staff assessments. Comms to communicated the requirement to complete the DSE self-assessment and home working assessment.				
			3. Increase in staff absence.									Appropriate comms to ensure officers are equipped to support staff.	Health and Safety Manager	ongoing	HSW messages being published regularly via One Voice and newsroom articles.				
			4. Poor service delivery to residents.																
			5. Increase in number of claims and premiums.																

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score	
CR7	There are governance systems which inhibit effective performance and a culture of **non-compliance** and also a lack of standardisation in some **systems and processes**. Skills and knowledge of systems inadequate and excessive effort required for sound decisions and outcomes.	Director of Law & Assurance	1. Delayed decisions impede service delivery.	Dec-19	4	4	16	Treat	2	2	4	Data on areas of non-compliance used to inform Directors to enforce compliance with standards.	Director of Law & Assurance	Ongoing	AGS actions approved November 2020 - updated and sent to RAAC March 21. 21/22 AGS actions approved and underway.	4	2	8	Oct-21
			2. Service improvement effort impeded.									Regular compliance monitoring and active corporate support when non-compliance happens to establish better practice.	Director of Law & Assurance	Ongoing	Audit plan settled and activity in progress				
			3. Resources misapplied - poor VFM.									Audit plan focussing reviews on key corporate support systems to identify areas in need of improvement.	Director of Law & Assurance	Ongoing	Actions underway as per agreed audit plan				
			4. Complaints and claims.																
			5. Censure by external inspection.																
CR11	There is a risk that the Council will not be seen as an attractive place to work by current and potential employees. This will result in problems **recruiting and retaining staff** in key skills areas.	Director of Human Resources & Org Dev	1. Over-reliance on interim and agency staff.	Mar-17	4	5	20	Treat	4	2	8	Application of policy and provisions for various hard to fill posts.	Head of HR Bus Ptr & Org Dev	Ongoing	Use of R&R package to recruit children's social workers. Relocation support for hard to fill roles awaiting sign off by ELT. Use of apprenticeships to build talent pipelines e.g. social worker, occupational therapist, management programmes.	4	3	12	Nov-21
			2. Lack of corporate memory.									Produce Directorate Workforce Strategies to identify skills, capacity and capability requirements.	Head of HR Bus Ptr & Org Dev	Dec-21	Reward & Retention package for Children's Social Workers produced. Development of Workforce Plan being carried out as part of Children First Improvement Plan.				
			3. Inadequate pace/speed of delivery.									Development of comprehensive employee value proposition.	Head of Res Org Dev & Talent	Feb-22	Part of People Framework Action Plan, will be progressed once initial kick start projects are delivered.				
			4. Low staff morale and performance.									Longer term strategies for addressing recruitment issues e.g. apprenticeships, growing our own.	Head of Res Org Dev & Talent	Ongoing	3 year plans in place for apprenticeships (currently being refreshed). LGA consultancy engaged with; recommendations received. Continuing programme of marketing and awareness raising, e.g. National Apprenticeships Week.				

Agenda Item 4
Appendix A

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk: Impact	Initial Risk: Likelihood	Initial Risk: Score	Risk Strategy	Target Risk: Impact	Target Risk: Likelihood	Target Risk: Score	Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk: Impact	Current Risk: Likelihood	Current Risk: Score	Next Risk Review Date
CR22	The **financial sustainability of council services** is at risk due to uncertain funding from central government and/or failure to make the required decisions to ensure the budget is balanced. This has been compounded further with the COVID-19 crisis, and the recent Ofsted and HMIC FRS reports.	Director of Finance & Support Services	1. Insufficient government funding to deliver services.	Mar-17	4	4	16	Tolerate	4	3	12	Pursue additional savings options to help close the budget gap.	Director of Finance & Support Services	Ongoing	Savings developed as part of the budget process for 2021/22. A balanced budget was approved by Full Council in Feb 21 although ongoing pressures for future years remain. Preparations are being made to begin the process to develop a balanced budget for 2022/23. Good progress has been made with further discussions planned for September, ahead of Members Discussion in the autumn. Work has begun to link budget preparation with business plan updates.	4	3	12	Sep-21
			2. Adverse effect on reserves/balanced budget.									Monitor the use of additional funds made available to improve service delivery.	Director of Finance & Support Services	Ongoing	Improvement is monitored through the relevant service boards				
			3. Reputational impact through reduction of service quality									Financial impacts arising from the Covid-19 national emergency need to be reflected and addressed within the PRR and MTFS as appropriate.	Director of Finance & Support Services	ongoing	The PRR report now reflects the impact of Covid-19 and sets out how this impacts specific services and WSCC as a whole. This is underpinned by a bespoke recording approach within SAP, which clearly accounts for the costs incurred and funding received from Government, alongside the Delta return made to MHCLG on a monthly basis. The MTFS planning framework also reflects the potential impact of Covid-19, both from the potential funding and budget pressures perspectives.				
			4. Increased liability of service delivery, transferred by external partners due to funding restrictions i.e. supporting homelessness.																
			5. Additional unexpected service and cost pressures from savings decisions.																
			6. Financial implications for both 2022/23 and the medium term arising from the national emergency circumstances associated with Covid-19.																
CR39a	As a result of failing to maintain and ensure the correct use of our security systems and protocols, there is a risk of a successful **cyber attack** directly from external threats; or indirectly as a consequence of staff accessing unsafe links from external sources and unauthorised/insecure website browsing. This will lead to significant service disruption and possible data loss.	Director of Finance & Support Services	1. The Council suffers significant financial loss or cost.	Mar-17	4	5	20	Treat	4	4	16	Improve staff awareness of personal & business information security practices & identification of cyber-security issues. Continued actions due to evolving threats.	Head of IT	Ongoing	Regular comms distributed to all staff. Continuing to drive employees to undertake mandatory annual Information Security and Data Protection education and certification. Adhoc actions taken (as appropriate) in response to level of cyber threat.	5	5	25	Dec-21
			2. The Council's reputation is damaged.									Maintain IG Toolkit (NHS) & Public Service Network security accreditations.	Head of IT	Ongoing	Ongoing works to ensure appropriate connectivity/accreditation for applicable public sector/government networks/system connectivity.				
			3. Resident's trust in the Council is undermined.									Conduct tests including penetration, DR and social engineering. (conducted 6 monthly)	Head of IT	Ongoing	2021 testing schedule defined and in delivery.				
			4. Partners will not share data or information with the Council.									Ensure that cyber-attack is identified early, that reporting & monitoring is effective, and recovery can be prompt.	Head of IT	Ongoing	Proactive stance implemented to ensure a watching brief for threats/updated guidance notes. WSCC has formally joined SE Warning Advice and Reporting Point (WARP).				
			5. Punitive penalties are made on the Council.									Provide capacity & capability to align with National Cyber-Security centre recommendations.	Head of IT	Ongoing	Training needs assessment regularly undertaken, programme of education developed to ensure IS resources are appropriately skilled and corporate practices followed align to NCSC guidance's.				
												Transition to a controlled framework for process and practice.	Head of IT	Ongoing	IT service redesign to be carried out due to early return of ITO.				

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk Impact	Initial Risk Likelihood	Initial Risk Score	Risk Strategy	Target Risk Impact	Target Risk Likelihood	Target Risk Score	Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk Impact	Current Risk Likelihood	Current Risk Score	Next Risk Review Date
CR39b	**Data protection responsibilities.** The Council is a Data Controller and has obligations and responsibilities arising from that role. Council needs resources, skills, knowledge, systems and procedures to ensure **obligations** are met.	Director of Law & Assurance	1. Individuals or groups come to harm.	Mar-17	4	5	20	Tolerate	3	3	9	Test the effectiveness of DPIA	Head of Data Protection	Ongoing	Annual business process review via DPIA to confirm compliance or to reflect update/risk assessment if business process elements have shifted since last review.	3	3	9	Oct-21
			2. The Council's reputation is damaged.									Maintain IG Toolkit (NHS) & Public Service Network security accreditations.	Head of IT	Ongoing	Ongoing works to ensure appropriate connectivity/accreditation for applicable public sector/government networks/system connectivity.				
			3. Resident's trust in the Council is undermined.									Undertake Data Privacy Impact Assessments (DPIA) when systems or processes change and carry out resulting actions.	Director of Law & Assurance	Ongoing	Processes settled. Most impact assessments completed. DPIA to be conducted as required.				
			4. Partners will not share data or information with the Council.									Enable safe data sharing, including using appropriate data standards & appropriate anonymization techniques.	Head of IT	Ongoing	Mandatory training implemented to ensure employees are aware of obligations and support available. Data sharing agreements / contractual terms to cover provision of effectively managed DP obligations between WSCC/Suppliers/third parties.				
			5. Punitive penalties are made on the Council.									Ensure the skills and knowledge is available to support Caldicott Guardian in ASC.	Head of Data Protection	Ongoing	Head of IT and DP Team leader to liaise with DASS by end March 21 to settle actions				
												Adopt ISO27001 (Information Security Management) aligned process & practices.	Head of IT	Ongoing	Adoption of ISO27001 is being considered as part of a wider assurance framework being evaluated for implementation to support operation of the Council's internal IT function post the end of the existing IT outsource				
												Review IT systems implemented prior to 25 May 2018 to confirm compliance with updated regulations.	Director of Law & Assurance	Ongoing	Further DPIA review assessment (for pre May 2018 deployed systems) to coincide with review/novation/transformation (to Cloud) of specific IT systems resultant from the return of the Council's IT outsource contract.				
CR50	WSCC are responsible for ensuring the HS&W of its staff and residents. There is a risk that if there is a **lack of H&S awareness and accountability** by directorates to capture and communicate in accordance with Council governance arrangements, it will lead to a serious health & safety incident occurring.	Director of Human Resources & Org Dev	1. Increase risk of harm to employees, public and contractors.	Mar-17	4	5	20	Treat	3	2	6	Purchase, develop and introduce an interactive online H&S service led audit tool.	Health and Safety Manager	ongoing	Site monitoring inspection templates and audit templates to be created in Firmstep.	3	3	9	Nov-21
			2. Increase number of claims and premiums.									Conduct a training needs analysis, produce gap analysis to understand requirements and produce suitable courses as a consequence.	Health and Safety Manager	ongoing	Work on the TNA has been paused. H&S e-learning modules bespoke to the council H&S arrangements are being developed with L&D development colleagues (completion date estimated for end-Sep 21). Course content will be owned by the council instead of off the shelf course material.				
			3. Adverse reputational impact to Council.									Incorporate HS&W information into current performance dashboard.	Health and Safety Manager	ongoing	Dashboard to capture details on sickness, absence and H&S. H&S data currently collated relates to RIDDOR and NON-RIDDOR incidents. Data from inspections and audits once the templates are developed in Firmstep will be linked to PowerBI dashboard.				
			4. Increase in staff absence.									Regular engagement with other LA's on best practice and lessons learned.	Health and Safety Manager	Ongoing					
												Develop and introduce a more comprehensive risk profile approach and front line service based audits.	Health and Safety Manager	Ongoing	HSW risk profiling template created and being launched in some Directorates. C-19 has prevented full launch across the council.				

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk: Impact	Initial Risk: Likelihood	Initial Risk: Score	Risk Strategy	Target Risk: Impact	Target Risk: Likelihood	Target Risk: Score	Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk: Impact	Current Risk: Likelihood	Current Risk: Score	Next Risk Review Date
CR58	The care market is experiencing an unprecedented period of fragility, particularly due to staff shortages and increasing demand. This has been further exacerbated by COVID19, including the mandatory requirement for care staff to have a vaccination; however this also extends to WSCC staff requiring access to these facilities (i.e. Social Workers, OT), and contractors. If the current and future commercial/economic viability of providers is not identified and supported, there is a risk of **failure of social care provision** which will result in funded and self-funded residents of West Sussex left without suitable care.	Executive Director of Adults and Health	1. Potential that people will come to harm and Council will be unable to ensure statutory safeguarding duty.	Sep-18	5	5	25	Treat	3	3	9	Collection of market information on Firefly. Analysis of information and appropriate level of quality assurance response.	Head of Contracts & Performance	ongoing	Due to the implications of COVID19 and service resource constraints, the ability to conduct face to face quality assurance checks has reduced. There is now an increased focus on supporting/improving infection control and closer working with the CCG to ensure the right level of support to care homes is delivered.	5	5	25	Nov-21
			2. CQC action against service provider which could lead to establishment closure at short notice									Provision of regular support and communication to care homes to monitor financial sustainability (increased engagement during COVID-19 pandemic to monitor Infection Control Grant).	Head of Contracts & Performance	ongoing	Regular communication (with a COVID19 focus) with care homes to identify risk areas early and support collation of financial information for government. Monitoring of deaths and Covid outbreaks in care homes. This action is reviewed and discussed weekly at WSCC IMT.				
			3. Financial implication of cost of reprovision following closure of services.									Financial analysis of high risk provision - due diligence checks.	Head of Contracts & Performance	ongoing	Working with strategic contracts to identify key providers for more regular financial checks. Commissioning of sustainability blocks to deliver a level of financial stability.				
			4. Reduced capacity in the market as a result of failure of provision.									In the event of an incident, ensure the consistent implementation of Emergency Response Plans, including a full de-brief and lessons learned.	Assistant Director (Operations)	ongoing	Emergency plans in place for residential services and Domiciliary Care provision. Continue to work with RET to ensure process is robust and reflects learning from incidences.				
			5. Delay for those residents who are Medically Ready to Discharge (MRD).									Review capacity of residential and non-residential services to ensure service availability and to support identification of contingencies if needed.	Cx Lead	ongoing	Regular contact with registered residential care providers enquiring about vacancies, and the Shaw bed booking system enables information on capacity for the Combined Placement and Sourcing team to utilise to support placements. Information on numbers of packages and placements being sourced is updated weekly and issues with capacity which are escalated to the weekly Capacity Oversight Group meeting. In times of capacity shortages action plans are developed to support improvements.				
			6. Non-compliance with Care Act.									Administration of central government funding to provide financial support to the sector.	Cx Lead	ongoing	Total payments of £43.3million in 20/21 made to the care sector through Department of Health and Social Care (DHSC) Grants, payments to Council commissioned provision and uplifts to Council rates. For 21/22 an uplift to commissioned provision of 1.75% has been decided and implemented. Further DHSC Infection Control and testing funds have been made available until end September 2021.				
			7. Reputational impact. Public perception of the council being willing to accept poor standards of care. Low public confidence in social care.									Regular review of care homes business continuity arrangements to address government vaccination directive.	Head of Contracts & Performance	ongoing	Engagement to include supply chains/contractors requiring access to ensure maintenance schedules are reviewed and adjusted if necessary.				
			8. Adverse impact on Health and Social Care system.																

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score	
CR60	There is a risk of failing to deliver the **HMIC FRS improvement plan**, leading to an adverse affect on service delivery; which may result in failing any subsequent inspection.	Chief Fire Officer	1. Reputational damage	Apr-19	5	4	20	Treat	5	2	10	Ensure robust project and programme governance in place and monitor delivery.	Chief Fire Officer	ongoing	The FRS has received a further Inspectorate Causes of Concern revisit. This revisit is the first time that the HMICFRS has specifically focussed on reviewing progress against all the causes of concern. The subsequent report from the Inspectorate, which have been shared with the FRS Scrutiny Committee at it's June meeting, highlights that the governance and scrutiny arrangements are now more effective than the last time that the service had a revisit and that significant progress has been made on the causes of concerns. It was made clear that that in the next inspection, which is planned for September 2021, further assessment of progress will be undertaken against these recommendations.	5	3	15	Nov-21
			2. Corporate Governance Inspection																
			3. Legal implications of not delivering statutory services																
			4. Increased risk harm																
CR61	A 'serious incident' occurs resulting in the **death or serious injury of a child** where the Council is found to have failed in their duty to safeguard, prevent or protect the child from harm.	Executive Director of Children, Young People and Learning	1. The Council would have let children down and as a result our reputation and credibility would be significantly damaged.	Jun-19	5	5	25	Treat	5	2	10	Implement Practice Improvement Plan (PIP). Improvement Plans include management development and HCC intervention.	Executive Director of Children, Young People and Learning	Ongoing	Improvement activity continues to be embedded within the social work teams. The management assessment programme is now being implemented with all Service Leads being assessed by the end of January. The full programme of assessments will be completed by mid-May 2021. Statutory performance continues to improve but there is still inconsistency across the service. The service continues to work with our improvement partners (HCC) to deliver ongoing improvement activity across children's social care. The service remains under close scrutiny from the independent Improvement Board and the statutory regulator, Ofsted.	5	3	15	Sep-21
			2. Subject to investigation and further legal action taken against the Council.									Provide proactive improvement support to services to assure effective safeguarding practices.	Executive Director of Children, Young People and Learning	ongoing	All improvement activity is overseen and supported by the dedicated Practice Improvement team who report regularly to DLT and the Improvement Board. We continue to revise and improve practice guidance, policy and practice on an ongoing basis. Areas of further development have been identified from the latest Ofsted focused visit and they form a focus for the next phase of the improvement work.				
			3. Immediate inspection and Government intervention.																
CR65	The review of **corporate leadership, governance and culture** recommended in the Children's Commissioner's report is not fully undertaken or effectively implemented leading to a lack of necessary improvement and further service failures or external intervention.	Chief Executive	1. Service failure	Dec-19	5	4	20	Tolerate	3	2	6	Develop plan to stabilise senior leadership team.	Chief Executive	ongoing	Stable team - some tasks ongoing to maintain and to address limited interim roles in place	3	2	6	Nov-21
			2. External intervention									Engage with external partners (including LGA) to scope and deliver Leadership development for Cabinet and Senior Officers.	Director of Law & Assurance	ongoing	Plan completed and approved. For implementation with LGA post election as part of induction programme				
			3. Poor value for money									Implementation of governance changes as approved by Council (17.12.19)	Director of Law & Assurance	ongoing	Completed those for immediate or approved implementation to meet Council's decision. Further review post election.				

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk: Impact	Initial Risk: Likelihood	Initial Risk: Score	Risk Strategy	Target Risk: Impact	Target Risk: Likelihood	Target Risk: Score	Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk: Impact	Current Risk: Likelihood	Current Risk: Score	Next Risk Review Date
CR69	If the council fail to make the necessary improvements to progress from the previous 'inadequate' rating, there is a risk that **children's services will fail to deliver an acceptable provision to the community.**	Executive Director of Children, Young People and Learning	1. A child is exposed to dangers which could cause harm.	Mar-20	5	5	25	Treat	5	3	15	Deliver Children First Improvement Plan.	Senior Improvement Lead	ongoing	The Children First Improvement Plan has been developed to incorporate three key pillars to ensure an improved level of service: Pillar 1 - Everyone knows 'what good looks like'; Pillar 2: Creating the right environment for good social work to flourish; Pillar 3 : Deliver an Improved Service Model. The programme is being implemented and is on target as outlined in the Transformation Programme summary.	5	4	20	Sep-21
			2. Significant reputational damage.									Continue to work with Hants CC as a partner in practice to improve the breadth of children's service.	Executive Director of Children, Young People and Learning	ongoing	The phase 2 workstream improvement action plan, which is jointly developed by WSCC and HCC is being progressed. Regular steering group to track and monitor progress and report into the into Improvement Board.				
			3. Reduced confidence by residents in the Councils ability to run children's services.									Implement the Children First Service transformation model	Children First Transformation Director	ongoing	Family Safeguarding model redesign to ensure practice improvements are sustainable and embedded to provide a good level of service is being progressed and is meeting its milestones for implementation.				
			4. Legal implications through non-compliance or negligence.																
CR72	The government have stipulated that from 9 Sep 2021 children in care under 16 will not be allowed to be accommodated in unregulated placements. This has strengthened existing regulations that stipulate that all children and young people who require residential care must be placed within registered children's homes. Due to a local and nationwide shortage of registered provision there is a risk that these **children and young people will not be cared for in settings that best meet their needs**, which could lead to safeguarding concerns and enforcement action against the providers of unregistered homes and local authorities.	Executive Director of Children, Young People and Learning	1. Unable to meet primary needs of children we care for.	Aug-21	4	5	20	Treat	4	2	8	Develop and publish a market position statement to be sent out to care providers and other LA's to engage them in placements and requirements, in line with the needs of children.	Assistant Director – Corporate Parenting	Mar-22		4	4	16	Dec-21
			2. Not fulfilling statutory duties to place children in appropriate care settings.									Conduct an annual review and update of the placement sufficiency and commissioning strategy, in line with the market position statement.	Assistant Director – Corporate Parenting	ongoing					
			3. Adverse media coverage.									Escalate to Assistant Directors and Exec Director any situation where a child or young person is at risk of being without a registered provision when they require one.	Heads of Service	ongoing					
			4. Damage to the reputation and credibility of the council.																
			5. Children experience a lack of security, stability and support.																
			6. Critical findings by regulators i.e. impact on Children First Improvement Plan.																
			7. Legal action taken against the Council resulting in punitive penalties.																

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Key decision: Not applicable
Unrestricted

Regulation Audit & Accounts Committee

22 September 2021

Internal Audit Progress Report (August 2021)

Report by Director of Finance & Support Services /Head of Southern Internal Audit Partnership

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Summary

The purpose of this paper is to provide the Regulation Audit and Accounts Committee with an overview of internal audit activity against assurance work completed in accordance with the approved audit plan and to provide an overview of the status of 'live' reports.

Recommendations

(1) That the Committee note the Internal Audit Progress Report (August 2021) as attached

Proposal

1 Background and context

1.1 Under the Accounts and Audit (England) Regulations 2015, the Council is responsible for:

- ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
- undertaking an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.

1.2 In accordance with proper internal audit practices (Public Sector Internal Audit Standards), the Chief Internal Auditor is required to provide a written status report to the Regulation, Audit & Accounts Committee, summarising:

- The status of 'live' internal audit reports (outstanding management actions)
- an update on progress against the annual audit plan:
- a summary of internal audit performance, planning and resourcing issues; and

- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

1.3 Appendix A summarises the activities of internal audit for the period up to August 2021

2 Risk implications and mitigations

Risk	Mitigating Action (in place or planned)
Services not addressing key management actions arising from the audit findings	Follow up will be undertaken to ensure that agreed actions have been implemented. A report detailing the status of high priority management actions will be presented to each meeting of this Committee for monitoring to ensure that key risks are addressed on a timely basis

Katharine Eberhart
Director of Finance and Support Services

Contact Officer: Neil Pitman, Head of Southern Internal Audit Partnership, neil.pitman@hants.gov.uk

Appendices
Appendix A – Internal Audit Progress Report (August 2021)

Background papers
None

Internal Audit Progress Report (August 2021)

West Sussex County Council

Contents:

1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

> ***'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'***

The standards for 'proper practices' are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

> ***'Independent, objective assurance and consulting activity designed to add value and improve an organisations' operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.***

The County Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the County Council that these arrangements are in place and operating effectively.

The County Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations' objectives.

2. Purpose of report

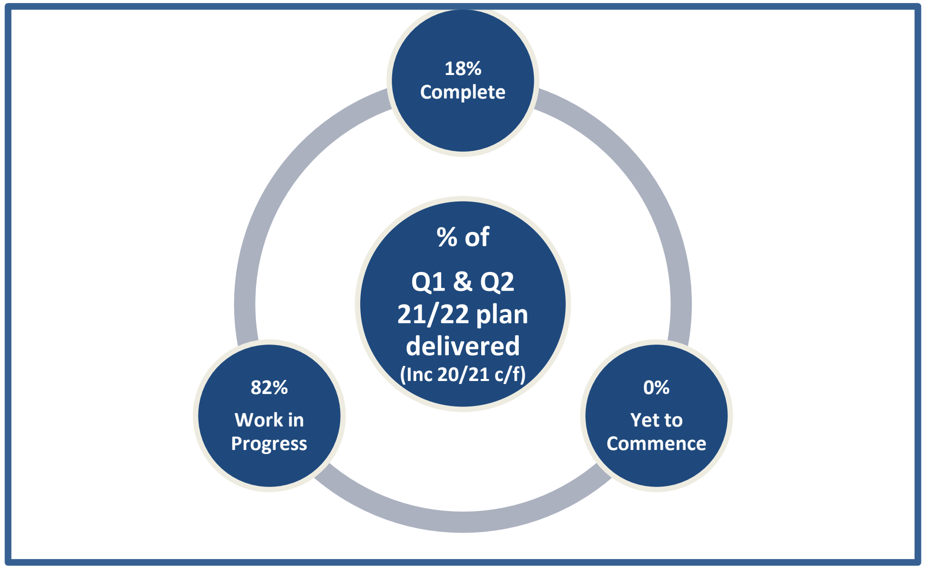
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to 'Senior Management' and 'the Board', summarising:

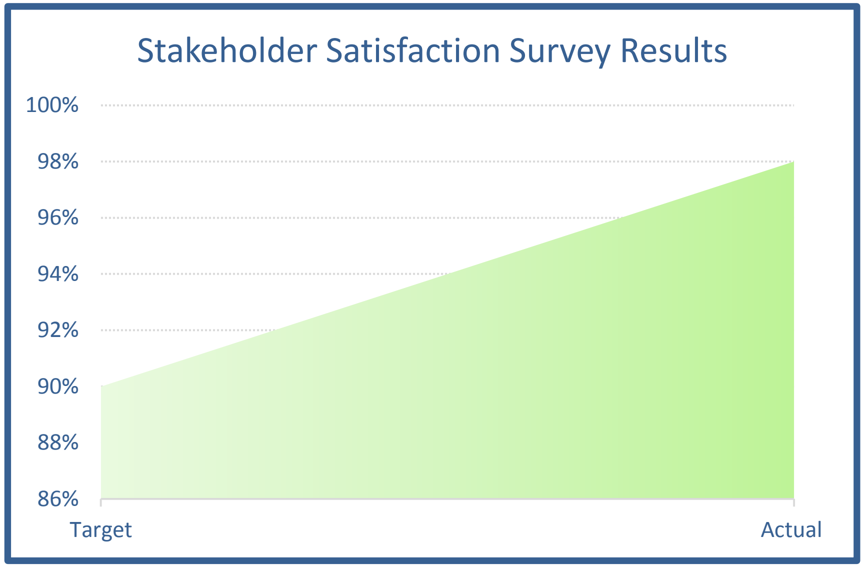
- The status of 'live' internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable (Adequate)	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

3. Performance dashboard





Compliance with Public Sector Internal Audit Standards

An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.

We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)	Not Accepted	Not Yet Due	Complete	Overdue		
								L	M	H
Home to School Transport	Mar 2019	DH&T	Limited	4	0	0	3	1		
E-Income	Jun 2019	F&SS	Adequate	1	0	0	0	1		
Retained Firefighters	Sep 2019	CFO	Adequate	12	0	0	11		1	
Document Management & Retention	May 2020	DC	Adequate	8	0	0	7		1	
Companies House – NFI (Proactive Fraud)	Sep 2020	L&A	Limited	9	0	0	4		5	
Special Educational Needs	Oct 2020	EDCYP&L	Limited	7	0	0	6		1	
Employers Contributions / Relationships	Dec 2020	F&SS	Reasonable	8	0	0	7		1	
School Traded Services	Mar 2021	EDCYP&L	Reasonable	7	0	1	3		1	2
Adult Establishments – Money Handling	Mar 2021	EDA&H	Limited	11	0	0	8		2	1
Risk Management	Mar 2021	DFSS	Reasonable	10	0	5	5			
S75 Governance	Apr 2021	JSDC	Limited	12	0	5	6		1	
Debt Recovery	Apr 2021	DFSS/DL&A	Reasonable	4	0	1	1	1	1	
Children Safeguarding (QAF)	May 2021	EDCYP&L	Reasonable	13	0	2	8		3	
Management of Restructures	May 2021	DHR&OD	Limited	7	0	0	6		1	
Climate Change Strategy	May 2021	DE&PP	Reasonable	7	0	4	3			
Contract Management (GrassTex)	Jun 2021	DH&T	Reasonable	1	0	0	0	1		
Children's Services P-Cards	Jun 2021	EDCYP&L	Limited	17	0	17	0			
Cyber Security (Risk Treatment)	Jul 2021	DFSS	Reasonable	3	0	3	0			
Cloud Service Provisioning	Jun 2021	DFSS	Reasonable	5	0	5	0			
Total								**4**	**18**	**3**
Overdue Management Actions - Direction of travel since January 2021 progress report								-3	-7	-5

Audit Sponsor	
Chief Executive	**Executive Director Place Services**
Chief Fire Officer (CFO)	Director of Highways and Transport (DH&T)
Director of Human Resources and Organisational Development (HR&OD)	Director of Environment and Public Protection (DE&PP)
Director of Law and Assurance (DL&A)	Director of Property and Assets (DP&A)
Director of Finance and Support Services (DF&SS)	Director of Communities (DC)
Executive Director, Adults & Health	**Executive Director of Children, Young People and Learning**
Director of Public Health (DPH)	Director of Education and Skills (DE&S)
Joint Strategic Director of Commissioning (JSDC)	

5. Executive Summaries of reports published concluding a 'Limited' or 'No' assurance opinion

There have been no new reports published concluding a "limited" assurance opinion, since our last progress report.

6. Planning & Resourcing

Due to the continued challenges and uncertainties presented by COVID-19 initial internal audit planning for 2021-22 focused on activity during the quarter 1 which was approved by the County Council's Executive Leadership Team and the Regulation, Audit & Accounts Committee in March 2021.

It was agreed that to ensure internal audit focus remained timely and relevant to the changing needs and requirements of the organisation that SIAP would continue to liaise with key stakeholders over the remainder of the year to develop ongoing quarterly plans.

The rolling work programme (section7 below) outlines audit activity during Q1 and Q2. The proposed Q3 plan is detailed for agreement by the Regulation, Audit & Accounts Committee as a separate agenda item and will be incorporated into the rolling work programme following formal approval.

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
2020/21								
Dual Use Agreements	P&A	✓	✓	✓				
Central Government Grants (allocation)	Corporate	✓	✓	✓				
Corporate Governance (including COVID)	DL&A	✓	✓	✓				
Procurement (sub £100k)	DFSS	✓	✓	✓	Jun 21			
Cyber Security (Risk Treatment)	DFSS	✓	✓	✓	Jun 21	Jul 21	Reasonable	
Cloud Service Provisioning	DFSS	✓	✓	✓	Jun 21	Jun 21	Reasonable	
School Thematic Review(s)	EDCYP&L	✓	✓	✓	Jun 21			
2021/22 (Q1 & Q2)								
Our Council Plan (Reset) - Performance	CE/DF&SS	✓	✓	✓				
Think Family claims	EDCYP&L	✓	n/a	✓	n/a	n/a	n/a	Complete(Q1)
Firewatch	CFO	✓	✓	✓	Aug 21			
Home to School Transport	EDPS	✓	✓	✓				
Highways Maintenance	EDPS	✓	✓	✓	Jul 21	Aug 21	Reasonable	
School Thematic – HT Pay	EDCYP&L	✓	✓	✓				Deferred to Q2/Q3
SFVS	EDCYP&L	✓	n/a	✓	n/a	n/a	n/a	Complete
Hammonds (Residential Care Home)	EDA&H	✓	✓	✓				
People Framework	HR&OD	✓	✓	✓	Aug 21			
SmartCore (Oracle Fusion)	DF&SS	✓	✓	✓				
Annual Governance Statement		✓	✓	✓				
Payroll	DF&SS	✓	✓	✓	Jul 21			
Mortuary Services Contract Management	EDPS	✓	✓	✓				
IT Transition Programme	DF&SS	✓	✓	✓	Jul 21			
Adults Income	EDA&H	✓	✓					
AMHPS	EDA&H	✓	✓					
WSFRS Risk and Business Continuity	CFO	✓						
Financial Resilience	DF&SS	✓	✓	✓				
Health & Safety	DHR&OD	✓						

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Capital Project Delivery (Education)	EDCYP&L / EDPS	✓	✓					
Accounts Receivable	DF&SS	✓						
Budgetary Control	DF&SS	✓	✓	✓	Sep 21			
WSFRS Operational Training Delivery	CFO	✓						
WSFRS Fleet Management	CFO	✓	✓					
IR35	DHR&OD	✓	✓	✓	Aug 21			
Grants								
Highways Maintenance Block Grant	DHTP	✓	n/a	✓				
HIV PrEP	PH	✓	n/a	✓	n/a	n/a	n/a	Complete

Annexe 1

Overdue 'High Priority' Management Actions

School Traded Services - Reasonable

Observation:
There is no agreed strategy in place on how to grow School Traded Services income and reach the set income target within 3 years.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Strategy to be formed & communicated	31.07.2021	30.11.2021	The development of a traded strategy for working with educational settings has started to be mapped out. It has been mapped from the CYPL & Council Plans to identify the support/tools and processes frontline provider teams will require to trade effectively and efficiently. The draft is expected to be ready for review by the CYPL Executive Director & E&S Director by November.

Observation:
There is a pipeline report in place which plans when products / school services will go through the scrutiny process via the QA Board. Whilst plans include all Education & Skills school services, it does not include all school services delivered throughout the wider Council.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Consider next steps following the LGA review outcomes.	31.05.2021	30.11.2021	The LGA review identified that a strategy for how we trade with schools is required. In drafting the strategy, it is clear that formalising the governance arrangements around our products/services and processes is key. A project will be set up to work through this using the strategy and target operating model as a framework. For the interim the existing QA board will continue to function as is.

Establishment Thematic (Adults) Money Handling - Limited

Observation:
Within three of the establishments visited, review of resident folio balances highlighted 11% to be in deficit (overdrawn). Existing procedures (Provider Services Financial Administration) state that *'folios must not be overdrawn'*. As the custodians of client monies, it is not appropriate for establishments to subsidise expenditure of those with overdrawn folios from the funds of other residents.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Obtain information from audit to identify the services that have deficit balance and discuss with the direct managers to resolve this.	01.04.2021	30.09.2021	New system has been developed. Moving towards all Res Property Accounts having individual wallets, so each balance and cash is within each wallet. Each person will have an individual easy read balance of accounts – this has taken longer as we engaged people within the service 'coproduction' this is being rolled out and fully embedded by mid-August – annual leave and C19 pressures has impacted upon this action.

Annexe 2

Overdue 'Low & Medium Priority' Management Actions

Audit Review	Report Date	Opinion	Priority	Due Date	Revise Due Date
Home to School Transport	Mar 2019	Limited	Low	30.04.20	30.06.21
E-Income	June 2019	Adequate	Low	31.12.19	30.09.21
Retained Firefighters	Sept 2019	Adequate	Medium	31.10.19	31.11.21
Document Management & Retention	May 2020	Adequate	Medium	31.07.20	30.06.21
Companies House – NFI (Proactive Fraud)	Sep 2020	Limited	Medium	30.11.20	31.03.21
			Medium	30.11.20	31.03.21
			Medium	30.11.20	31.03.21
			Medium	31.12.20	31.03.21
			Medium	31.12.20	31.03.21
Special Educational Needs	Oct 2020	Limited	Medium	31.12.20	31.12.21
Employers Contributions / Relationships	Dec 2020	Reasonable	Medium	31.03.21	30.06.21
School Traded Services	Mar 2021	Reasonable	Medium	30.06.21	30.11.21
Adult Establishments – Money Handling	Mar 2021	Limited	Medium	01.06.21	31.08.21
			Medium	01.04.21	31.08.21
S75 Governance	Apr 2021	Limited	Medium	30.06.21	30.06.22
Debt Recovery	Apr 2021	Reasonable	Medium	30.06.21	30.06.22
			Low	30.05.21	31.10.21
Children Safeguarding (QAF)	May 2021	Reasonable	Medium	30.06.21	30.09.21
			Medium	30.06.21	30.09.21
			Medium	30.06.21	30.09.21
Management of Restructures	May 2021	Limited	Medium	31.07.21	31.10.21
Contract Management (GrassTex)	Jun 2021	Reasonable	Low	30.06.21	30.09.21

Key decision: Not applicable
Unrestricted

Regulation Audit & Accounts Committee

22 September 2021

Internal Audit Plan 2021/22 (Q2 & Q3)

Report by Director of Finance & Support Services /Head of Southern Internal Audit Partnership

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Summary

The purpose of this paper is to provide the Regulation Audit & Accounts Committee (RAAC) with an overview of the Internal Audit Plan 2021 – 2022 (Q2 & Q3) (Appendix A)

Recommendations

(1) That the Committee approve the Internal Audit Plan 2021-22 (Q2 & Q3) as attached

Proposal

1 Background and context

1.1 The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business activities; systems or processes under review that:

- The framework of internal control, risk management and governance is appropriate and operating effectively; and
- Risks to the achievement of the County Council's objectives are identified, assessed and managed to a defined acceptable level.

1.2 The Internal Audit Plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements. Internal audit focus should remain proportionate and appropriately aligned to key areas of organisational risk.

1.3 Due to the continued challenges and uncertainties presented by COVID-19 an initial plan focused on first quarter of the year (April – June 2021) and was approved by the Regulation, Audit & Accounts Committee in March 2021. The Q2 and Q3 plan (Appendix A) builds on this to outline internal audit focus relevant to the following six-month period.

1.4 The Southern Internal Audit Partnership will continue to liaise with key stakeholders over the forthcoming weeks and months to further develop the plan for Q4 as the Council's risks and needs develop.

1.5 All auditable areas of review remain within the audit universe and are subject to ongoing assessment. The audit plan will remain fluid to ensure internal audits ability to react to the changing needs of the County Council.

1.6 Other reviews, based on criteria other than risk, may also be built into the work plan. These may include 'mandatory' audits or reviews requested or commissioned by management. Any commissioned review must be able to clearly demonstrate a contribution to the audit opinion on risk management, control and governance.

2 Risk implications and mitigations

Risk	Mitigating Action (in place or planned)
Internal Audit Plan not delivered inhibiting the production of an annual opinion in accordance with the Accounts & Audit Regulations 2015 and accompanying guidance (PSIAS)	The proposed Internal Audit Plan is approved by the Executive Leadership Team (ELT) and RAAC. A regular progress report is presented to ELT and RAAC to monitor progress against the plan. As detailed within the Internal Audit Charter the Chief Internal Auditor will notify ELT and RAAC if in their opinion they are in any way inhibited in carrying out assurance work.

Katharine Eberhart
Director of Finance and Support Services

Contact Officer: Neil Pitman, Head of Southern Internal Audit Partnership, **neil.pitman@hants.gov.uk**

Appendices
Appendix A – Internal Audit Plan 2021/22 (Q2 & Q3)

Background papers
None

Internal Audit Plan

2021-22 (Q2 and Q3)

West Sussex County Council

west sussex county council

Southern Internal Audit Partnership

Assurance through excellence and innovation

Contents

Introduction

The role of internal audit is that of an:

'Independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business activities; systems or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risk to the achievement of the Council's objectives is identified, assessed and managed to a defined acceptable level.

The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of Internal Audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

Internal Audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant Executive Directors, Directors and Audit Sponsors, to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through the Southern Internal Audit Partnership's continued contact and liaison with those responsible for the governance of the Council.

Your Internal Audit Team

Your internal audit service is provided by the Southern Internal Audit Partnership. The team will be led by Neil Pitman, Head of Southern Internal Audit Partnership, supported by Karen Shaw, Deputy Head of Partnership; and Keith Phillips, Bev Davies, Iona Bond and James Short, Audit Managers.

Conformance with internal auditing standards

The Southern Internal Audit Partnership service is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In September 2015 the Institute of Internal Auditors were commissioned to complete an external quality assessment of the Southern Internal Audit Partnership against the PSIAS, Local Government Application Note and the International Professional Practices Framework.

In selecting the Institute of Internal Auditors (IIA) a conscious effort was taken to ensure the external assessment was undertaken by the most credible source. As the authors of the Standards and the leading Internal Audit authority nationally and internationally the IIA were excellently positioned to undertake the external assessment.

In considering all sources of evidence the external assessment team concluded:

> *'It is our view that the Southern Internal Audit Partnership (SIAP) service generally conforms to **all** of these principles contained within the International Professional Practice Framework (IPPF); the Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).*
>
> *There are **no instances** across these standards where we determined a standard below "generally conforms", and 4 instances where the standard is assessed as "not applicable" due to the nature of SIAP's remit.'*

Conflicts of Interest

We are not aware of any relationships that may affect the independence and objectivity of the team which are required to be disclosed under internal auditing standards.

West Sussex County Council – Our Council Plan 2021 – 2025

In the development of the Our Council Plan, West Sussex County Council have recognised it needs to operate in a different context to that prior to the COVID-19 pandemic and have responded by building a new model of priorities for the next four years and beyond.

Our Council Plan acts as a framework for the Council to operate in a way that means they are clear on what they want to achieve and what they will do to achieve their priorities, but we are flexible to respond to whatever comes our way.

This plan sets out where the Council will focus its efforts over the next four years. It is set out and organised around four priorities with an underpinning theme of climate change.

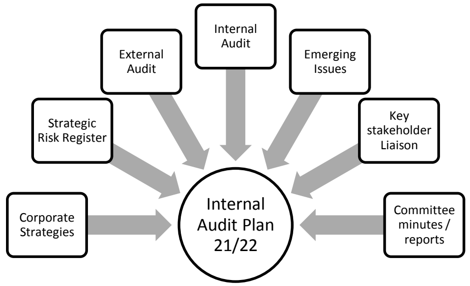
- **Keeping people safe from vulnerable situations**
- **A sustainable and prosperous economy**
- **Helping people and communities to fulfil their potential**
- **Making the best use of resources**

The priorities are underpinned by a range of 'outcomes' of things they will aim to achieve for people who live and work in the county and 'key performance indicators and targets to measure their progress and impact in achieving their stated outcomes.

Developing the internal audit plan 2021/22

We have used various sources of information and discussed priorities for internal audit with the following groups:

- Executive Leadership Team
- Directorate Management Teams
- Other Key Stakeholders
- Regulation, Audit and Accounts Committee



In accordance with the Public Sector Internal Audit Standards there is a requirement that Internal audit establish a risk-based audit plan to determine the resourcing of the internal audit service, consistent with the organisation's goals.

In response to the continued uncertainty of the future impacts of COVID-19 coupled with the organisations prioritisations in responding to the crises the Southern Internal Audit Partnership has moved to a quarterly planning process to ensure internal audit focus remains timely and relevant to the changing needs and requirements of the organisation. This report details proposed internal audit coverage during quarters 2 and 3.

The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation. We will however continue to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained.

In light of the continued challenges presented through the COVID 19 pandemic the SIAP have adapted their operating model and continue to work virtually through the use of a range of conferencing software.

All members of SIAP have the use of Teams, Skype and Zoom on their mobile devices that enable interaction with each of our clients. The team have quickly adapted to working virtually completing testing through liaison and screen sharing with clients who have equally engaged positively to the new and enforced approach.

Internal Audit Plan 2021-22 (Q2 and Q3)

Audit Review	Directorate Sponsor	Potential Scope	Risk	Proposed Timing
Governance				
Our Council Plan	CE	Integrity of data and systems to support established KPI's	-	Q1
COVID-19 Contingency	CE	To undertake grant certification work and provide assurance in respect new or emerging COVID related risks.	CR68 CR70	Q1
Health & Safety	HR&OD	To review policy, process and compliance following the H&S team being brought back in-house.	CR50	Q2
Emergency Planning, Business Continuity, Service Resilience	CFO	Plans are regularly reviewed and account for changes in operating model(s) (incl. working from home). Also consider provision for Senior Manager capacity (CR70).	CR68 (CR70)	Q3
Information Governance - GDPR	DL&A	Awareness & compliance with particular consideration of increased home working – confidentiality, printing, retention, disposal etc.	CR39b	Q3
Keeping people safe from vulnerable situations				
Think Family	EDCY&L	Mandatory grant return	-	Q1
Firewatch	CFO	Review of controls in place to ensure key data held in the system is complete, accurate and up to date pending integration into Oracle	-	Q1
Communications and equipment	CFO	Following a recent visit by Ofcom, to review the structure and governance of the Information and Systems Group and the controls in place within fleet and engineering to manage pagers, radios and masts.	-	Q1
Adult's Contingency	EDA&H	Review areas to be determine following attendance at A&H Senior Management Team (24 March 2021)	-	Q1
Assurance Mapping–Children's Services	EHCYP&L	To map service assurances across the three lines to determine duplication / gaps in the assurance attained. To include a focus on compliance with legislation and government policy.		Q3

Audit Review	Directorate Sponsor	Potential Scope	Risk	Proposed Timing
Operational Training	CFO	Review policy, process and governance. Provide assurance that all operational staff are fully trained for their role meeting the required standards.		Q2
Fleet Management	CFO	Review the effectiveness of fleet maintenance scheduling ensuring the fleet is safe, fit for purpose and complies with DVSA requirements		Q2
Working Time Directive	CFO	Review controls in place to ensure that hours worked are effectively monitored and in line with the Working Time Directive.		Q3
Risk & Business Continuity	CFO	Effectiveness of the risk management and business continuity processes throughout WSFRS allowing lessons learnt to be effectively captured and fed forward to improve future response.		Q2
A sustainable and prosperous economy				
Home to School Transport	EDPS	Full review of Home to School Transport provision following a previous limited assurance audit.	ES026	Q1
Highways Maintenance	EDPS	Review of contract management arrangements and effective delivery of the highways maintenance contract with Belfour Beattie	HTP56	Q1
Equality Impact Assessments	DHT&P	To review effectiveness of governance and compliance in the required completion of EIAs.	LA7	Q3
Climate Change Strategy	DE&PP	To build on the governance review and look at the embeddedness and achievement of objectives / priorities	EPP74 PA005	Q3
Ash Dieback	DHT&P	Project in place to identify and manage affected trees across the county.		Q3
Helping people and communities to fulfil their potential				
School Thematic Review(s)	EDCYP&L	Themes to be agreed with Executive Director / Director.	-	Q1

Audit Review	Directorate Sponsor	Potential Scope	Risk	Proposed Timing
SFVS	DE&S	Mandatory requirement - review of the SFVS returns to identify areas of weakness / non-compliance to inform School Thematic Reviews / Individual School Visits	-	Q1
Hammonds (Residential Care Home)	EDA&H	Establishment audit following a wider thematic review which focused on cash handling and reconciliations	-	Q1
Capital Project Delivery (Education)	DE&S/DP&A	End to end review of project process to ensure compliance and timely delivery.	ES047 PA007	Q2
Adults Income	EDAH	Review of policies and procedures ensuring service users are in receipt of the benefits to which they are entitled and are paying an appropriate contribution toward the cost of their care.	FSS49	Q2
AMHPS	EDAH	To build on prior review to provide assurance on the newly embedded operating model.	ASC022	Q2
Payments to Providers - Adults	EDAH	Review efficiency of payments to provider processes considering potential over assurance and the adequacy of management oversight.		Q3
Assurance Mapping-Adult Services	EDAH	To map service assurances across the three lines to determine duplication / gaps in the assurance attained.		Q3
Making the best use of resources				
People Framework	HR&OD	Assurance on delivery and embedding of the People Framework as an underpinning foundation to the Reset Plan	CR11	Q1
Smartcore (Oracle Fusion)	DF&SS	Assurance over project management and delivery of significant change programme.	FSS44	Q1
Fraud (Proactive / Reactive)	DF&SS	Range of proactive and reactive initiatives to help identify and mitigate the risk of fraud (see Fraud Plan).	-	Q1

Audit Review	Directorate Sponsor	Potential Scope	Risk	Proposed Timing
Annual Governance Statement	DL&A	Review of the framework to develop and report the AGS.	CR7	Q1
Payroll	DHR&OD	Cyclical review of core financial system		Q1
Contract Management	Corporate	Assurance on the deliverables of a selection of key contracts and the effectiveness of contract management arrangements		Q1
IT Transition Programme	DF&SS	To review governance arrangements for the transition of IT services from Capita.		Q1
Financial Resilience	DF&SS	The pressures created by COVID have been significant and the long-term effects on BAU remain unclear. There also remain the existing budget pressures that were known prior to COVID and remain now and into the future. To review future planning and assumptions within the MTFS.	CR22	Q3
Account Receivable	DF&SS	Fundamental system review		Q3
Fraud (Proactive / Reactive)	DF&SS	Range of proactive and reactive initiatives to help identify and mitigate the risk of fraud (see Fraud Plan).	-	Q2&Q3
Budgetary Control	DF&SS	To review governance, accountability and compliance with processes in place to control and monitor budgets ensuring early detection and escalation of potential pressures and underspend.		Q2
IR35	HR&OD	Compliance with statutory requirements and recent legislative changes.		Q2
Savings Realisation	DF&SS	To assess realisation of savings target / initiatives as detailed in business plans.	CR22	Q3
IT Contingency	DF&SS	Reviews to be confirmed (potentially email & document management)	CR39b	Q3
Parkside Service Charge Review	DP&A	Independent verification of service charges relating Parkside (County Hall North).		Q3

Audit Review	Directorate Sponsor	Potential Scope	Risk	Proposed Timing
Grants				
Highways Maintenance	DHT&P	Statutory grant certification		Q2
HIV PrEP	DPH	Statutory grant certification		Q2
Management and review				Q1, Q2 & Q3

- indicates reviews deferred from 2020/21 and brought into the 2021/22 plan

Budgeted days allocated (Q1, Q2 and Q3)	Proportion of annual budgeted days allocated
1,267 days	**70% (1,267 of 1,800)**

Audit Sponsor

Chief Executive
Chief Fire Officer (CFO)
Director of Human Resources and Organisational Development (HR&OD)
Director of Law and Assurance (DL&A)
Director of Finance and Support Services (DF&SS)

Executive Director, Adults & Health
Director of Public Health (DPH)
Joint Strategic Director of Commissioning (JSDC)

Executive Director Place Services
Director of Highways Transport and Planning (DHT&P)
Director of Environment and Public Protection (DE&PP)
Director of Property and Assets (DP&A)
Director of Communities (DC)

Executive Director of Children, Young People and Learning
Director of Education and Skills (DE&S)

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Unrestricted

Regulation, Audit and Accounts Committee

22 September 2021

Annual Governance Statement 2020/21

Report by Director of Law and Assurance

Electoral division: Not applicable

Summary

The report advises of the requirements for the Annual Governance Statement 2020/21. It includes a draft Statement for approval at Appendix A. A draft Action Plan covering significant governance issues arising from the Statement is attached at Appendix B.

Recommendations

That the draft Statement and Action Plan be recommended for adoption through the signatures of the Leader of the Council and the Chief Executive.

Proposal

1 Background and context

1.1 The Accounts and Audit Regulations require the publication of an Annual Governance Statement (AGS). This statement has been produced in line with guidance issued in 2016 by CIPFA / SOLACE on best practice for developing and maintaining a locally adopted Code of Governance. A Corporate Code of Governance was approved by the Governance Committee at a meeting on 12 September 2016.

1.2 Corporate Governance is the process by which the County Council ensures and gives assurance that it is doing the right things, in the right way, in a timely and accountable manner. It comprises the systems, processes, culture and values by which the County Council operates and through which it accounts to its communities.

2 Proposal details

2.1 The draft AGS for the County Council for 2020/21 outlines:

- the scope of governance responsibilities
- the purpose of the governance framework
- a description of the governance framework
- arrangements for review of the effectiveness of the governance framework
- Governance issues that need to be addressed.

2.2 Information is gathered from a number of sources, internal and external. The draft Statement was discussed with senior officers and auditors. The Executive Leadership Team considered the draft AGS and actions. It is now presented to this Committee for consideration alongside the approval of accounts. The later timescale is due to the ongoing effects of the public health emergency. If the Committee is satisfied, it is asked to recommend the adoption of the Statement through the signatures of the Leader of the Council and the Chief Executive.

2.3 Progress on improvements on the main Governance issues identified in last year's Statement are mentioned, including Children's Services and the Fire and Rescue Service, where follow-ups to external inspections have found that positive progress is being made in both services' improvement journeys.

2.4 Any further external inspections will be taken into account in next year's Annual Governance Statement. A Youth Justice inspection is expected during 2021/22 and the Care and Quality Commission has indicated that inspections of Adults' Services are likely in future.

3 Other options considered (and reasons for not proposing)

3.1 Not applicable.

4 Consultation, engagement and advice

4.1 The external auditor was consulted on the draft Annual Governance Statement and the auditor's comments have been taken into account in the final version.

5 Finance

5.1 Not applicable.

6 Risk implications and mitigations

Risk	Mitigating Action (in place or planned)
There are risks from services failing to deliver the action plan	Individual directorates, the Executive Leadership Team and this Committee, monitor these risks.
There are reputational risks from a failure to adopt a comprehensive AGS and action plan	This plan is ready for approval and has the commitment of the senior leadership team who will be responsible collectively for its implementation.

7 Policy alignment and compliance

7.1 The Statement is aligned with the Code of Corporate Governance.

Tony Kershaw
Director of Law and Assurance

Contact Officer: Charles Gauntlett, Senior Advisor, phone 033 022 22524, charles.gauntlett@westsussex.gov.uk

Appendices
Appendix A - Annual Governance Statement 2020/21
Appendix B - Action Plan

Background papers - None

Annual Governance Statement 2020/21

Executive Summary

The Annual Governance Statement (AGS) explains the processes and systems which give assurance for the effectiveness of the County Council's discharge of its responsibilities. It covers the period 1 April 2020 to 31 March 2021.

During this period work continued to address weaknesses in governance identified through earlier external inspections of Children's Services and the Fire and Rescue Service. Improvements have been driven through the Good Governance Project.

The year was dominated by the continuing national public health emergency and the impact of this event on the Council's governance is also addressed.

A summary of assurance is given for each of the seven principles on which the Statement is based. At the end of the narrative on each principle are the actions to address the issues identified within the year which will further strengthen the governance arrangements for the County Council.

The Purpose of the Governance Assurance Framework

1. The County Council must ensure it functions in accordance with the law and proper standards and that public money is safeguarded, correctly accounted for and used economically and efficiently. It must show how it can offer assurance as to the proper governance of its affairs (including as pensions administrator), the effective exercise of its responsibilities and the sound management of risk.

2. The Council has adopted a Code of Corporate Governance, consistent with the principles of the Chartered Institute of Public Financing & Accounting (CIPFA) Framework: Delivering Good Governance in Local Government. It meets the requirements of the Accounts and Audit Regulations 2015.

3. The governance framework comprises the rules, procedures, systems and processes by which the Council is managed and controlled. The quality of the framework underpins trust in public services. The Annual Statement shows how the Council uses the framework to give assurance to members, partners, stakeholders and residents and provides an opportunity for the County Council to examine the framework to assure itself that the arrangements for its governance are robust.

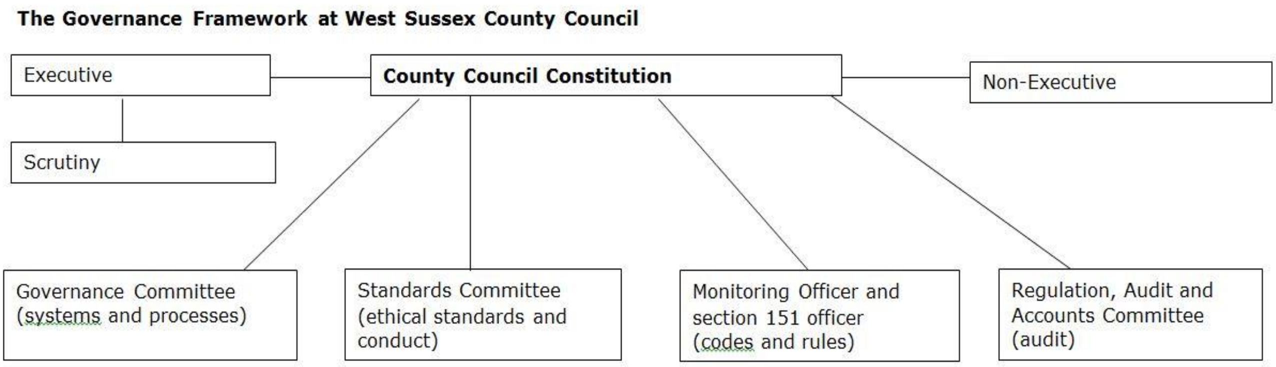
The Governance Assurance Framework Principles

4. There are seven principles and sub-principles of Corporate Governance adopted by the Governance Committee set out below. Assurance for how they are met is provided in the text below each principle in the report. Further work to be done is highlighted and also set out in the appendix.

Principle	Description of Principle
A	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
B	Ensuring openness and comprehensive stakeholder engagement
C	Defining outcomes in terms of sustainable economic, social and environmental benefits
D	Determining the interventions necessary to optimize the achievement of the intended outcomes
E	Developing the entity's capacity including the capability of its leadership and the individuals within it.
F	Managing risks and performance through robust internal control and strong public financial management
G	Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The County Council's Governance Framework

5. The framework covers the allocation of functions, the rules for how they are carried out and the mechanisms for tracking that this happens correctly. The relationship of responsibilities is shown here:



Public Health Emergency

6. In March 2020, a national public health emergency was declared by the Government in response to the global coronavirus pandemic. This persisted throughout the period covered by this report. The County Council was prepared through its Resilience and Emergencies planning. Services were quickly refocused to prioritise preserving life and essential services and the implementation of additional service and interventions in response to the national priorities. This response was led through a resilience command chain with the Executive Leadership Team and external partners providing strong strategic oversight at Gold level, with directors managing tactical planning at Silver level and Bronze level service continuity and delivery groups. The incident is ongoing into 2021/22 and the County Council will continue to prioritise its response whilst it works on recovery and plans for service continuity. This disruption to normal corporate business and the service, resource, staffing and financial consequences will be assessed as part of corporate planning and

will influence the commitments made in this Statement, which will be kept under review.

7. A number of additional governance arrangements were implemented to manage decision making and resource allocation in response to the emergency and to manage funding streams and grant allocations from central government. There were supplementary procurement measures requiring governance for assurance that payments and financial commitments made in response to the impact of the emergency on suppliers and service providers were managed correctly and in a timely way. In so far as possible these are covered in the report where relevant to the area of assurance being addressed.

8. Assurance for use of resources has been provided through staff working remotely through the County Council's secure IT network and use of virtual meetings through an end to end encrypted network. Guidance has been issued to managers on working with remote teams so that regular communication is in place. The Employee Support Programme has been advertised regularly to staff via a variety of channels to help to promote good staff welfare during this period of remote working.

Section A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
Assured The County Council has high standards for sound governance as set out in law, government guidance and the courts. It promotes a culture of compliance. The Council's codes of conduct set out expectations and requirements for behaving with integrity for both members and officers. Action was taken to provide assurance that they continue to be implemented fully and correctly. In this and in other sections of the Statement the governance issues raised by the 2019 Children's Commissioner's report are addressed. Where relevant, actions identified in the Council's 'Good Governance' project are also set out.

9. The **Governance Committee** oversees the democratic arrangements of the County Council and reviews and advises the County Council on the Constitution. The Responsibility for Functions (including the Scheme of Delegation) and Standing Orders require members and officers to ensure that all decisions are compliant with internal policies and procedures as well as with law and regulation. These give authority and certainty to the allocation of responsibilities as set out in the Constitution.

10. Part 5 of the Constitution contains the Code of Conduct for members. A parallel code for officers sits in the suite of Human Resources policies. The Council has also adopted policies relating to responsibilities for ethical behaviour including equality and sustainability. Decision-making is supported by advice from officers and internal guidance that should ensure compliance with these policies.

11. The statutory roles of the Chief Financial Officer (s.151 officer) and the Monitoring Officer are set out in the Constitution and in the scheme of delegation. They provide oversight of propriety and lawfulness. They have a direct reporting line to the Chief Executive and are involved in all major decision-making as part of the Executive Leadership Team and as well as being signatories to all key and other significant decisions.

12. The **codes of conduct** define the standards of behaviour for members and officers. All members undertake training from the Monitoring Officer on the member code of conduct. Member conduct is monitored by the Standards Committee, which has a remit to deal with complaints of breaches of the member Code of Conduct. All members complete the register of interests and receive quarterly reminders on the subject of personal interest declarations and it is a standing item on all formal meeting agendas for both officers and members.

13. The Council has a **whistleblowing policy** to offer a route for challenges to processes or actions within the Council where complainants need confidentiality. The use and effectiveness of the policy is overseen by the Standards Committee. Following its refresh in early 2020 action has been taken to improve its accessibility and visibility for staff and to provide advice and guidance to officers responsible for dealing with referrals under the policy. This has involved independent assurance and benchmarking for the Council’s arrangements. This work has particular significance in light of the more critical issues raised by the Children’s Commissioner’s report relating to the Council’s internal culture.

14. Officer interests, including gifts and hospitality, should be published on the County Council’s website annually. This has not happened for some time. Mechanisms for recording officer interests, gifts and hospitality were last reviewed in June 2018 and endorsed by the Standards Committee. A system for recording is in place. It requires regular action by Directors to facilitate publication as currently this is not consistent across the organisation. Action is taken each year as part of the AGS work to reinforce the importance of this process. Due to further changes to the senior leadership team during 2020 it has continued to be a challenge to secure and maintain a consistent approach but more recent stability in senior leadership has improved this.

15. The Council’s Standing Orders on Contracts and Procurement and the Financial Regulations and Procedures provide rules for lawful and sound processes for contract and spending decisions. These are managed by the Monitoring Officer and Chief Financial Officer in consultation with the Regulation Audit and Accounts Committee and supported by a group of officer subject matter experts sitting as the Procurement Board. This provides a single process for procurement planning, compliance with due process and consistency of best practice. Some elements of these will be addressed as part of the ‘streamlined decision-making’ workstream from the good governance review – the aim being to make aspects of procurement activity simpler and more accessible to officers engaged in commissioning.

16. The Officer Scheme of Delegation is held under regular review by the Chief Executive and the Monitoring Officer, with any new delegations needing the agreement of the Governance Committee. During 2020/21 the senior management structure has seen greater stability and this has brought notable improvement within Children's Services as a pillar of its improvement programme.

17. Following the appointment of a new Chief Executive in January 2020 an external review of governance was commissioned starting in February, which carried on into 2020/21. This 'good governance' work provides an opportunity to review these areas of strategic governance and action which may be needed to address inconsistencies or ineffectiveness in policy or practice and as part of the Council's culture, including its arrangements for ensuring compliance.

Principle A (integrity and compliance)

	Action	Owner
i.	To ensure full implementation of officer interests and gifts	Director L&A
ii.	To complete the implementation of agreed workstreams and proposals from the good governance review.	Chief Executive
iii.	To review the scheme of delegation as part of the good governance review	Director L&A

Section B: Ensuring openness and comprehensive stakeholder engagement

Assured

The County Council exists to serve its residents and is dependent on a wide range of stakeholders for working effectively in partnership. Work is underway in a number of areas to enhance and improve a range of the Council's partnership arrangements.

Consultation and engagement mechanisms are in place and are used effectively.

The County Council has clear decision-making processes and rules and procedures to enforce them which emphasise openness and transparency. This has been tested and shown to be resilient during the pandemic and its impact on ways of working.

Recent changes to improve the scope and focus of partnership working in specified areas, most significantly in relation to joint commissioning with the NHS and in relation to services for children in need and the responsibilities of the Council as corporate parents for children in its care will continue to be developed.

Decision-making and Scrutiny

18. The **County Council** is the ultimate decision-making body and the principal forum for political debate. All County Council meetings take place in public and are webcast. The County Council sets the strategic aims that form the Policy Framework. It also determines the Council's budget following a well-developed process of member engagement and scrutiny. The form and timing of member engagement in the budget planning process for the 21/22 budget was widely welcomed by members, with all member sessions in July, October and January.

19. The **Executive** takes decisions on most matters of Council policy and service delivery. For the Cabinet, most cabinet level decisions are now being taken collectively. The non-executive responsibilities of the council are discharged through its **non-executive committees** as described in the Scheme of Delegation. The County Council appoints members to **scrutiny committees**, by which the Executive is held to account through member overview and scrutiny. Scrutiny committees are politically proportionate. Chairmen and vice-chairmen are now appointed by the relevant committee. Influential scrutiny is achieved by having significant decisions or proposals previewed. Proposals may also be called in for scrutiny after a decision has been proposed in final form. All Scrutiny meetings take place in public and are webcast. Webcasts are available for up to six years of the County Council meetings and for all of its committees, all of which have been webcast since the beginning of the pandemic.

20. **The Forward Plan** describes all significant (key) decisions planned to be taken in the following four months and is published and updated at least monthly. The Forward Plan is used by Scrutiny Committees to help plan business. As decisions become more significant in terms of service changes and savings proposals there is a greater need to ensure early awareness by and engagement for all members.

21. Decision-making operates with a presumption of openness. Cabinet and Committees are held in public and individual executive decisions are published on a daily basis on the Council's website. The Council uses an electronic notification system to automatically notify subscribers to meetings or actions by the Council in which they have expressed an interest. Agendas and reports for Cabinet and committee meetings are published at least five clear working days in advance – exceptions are explained in public documents. The use of powers to exempt information from publication or allow a committee to meet in private is minimised to when necessary and only after senior officer authorisation.

22. Decisions and agendas are held on the website for six years. The content management system, Modern.Gov, is the principal method of publishing the Forward Plan, decisions, agendas and minutes. Members and staff now have portable devices which can easily access Modern.gov information. The Constitution also prescribes the rules and constraints around urgent decisions (including those not notified in the Forward Plan) and the form and content of decision reports. This system is not conducive to openness

and transparency and its use is kept to a minimum and reported to the next County Council meeting.

23. 2020/21 was a year dominated by the COVID-19 emergency with Council business and democratic processes moving online and with meetings held virtually. This was achieved successfully and the meeting and decision-making arrangements were largely uninterrupted. Local decision making through County Local Committees (CLCs) reverted to informal elected member engagement only. The County Council prioritises transparency and democratic accountability and so Council committees had a full programme of meetings, with only a small number of formal meetings being cancelled at the start of the pandemic. The move to remote working has created the opportunity to develop new approaches, with more virtual briefings for councillors and engaging digitally with stakeholders and witnesses, with learning from this to be built into future ways of working. The Governance Committee has reviewed meeting arrangements at each of its meetings during the year, with a focus on ensuring openness and transparency, as well as managing capacity for meetings.

24. **Communication to the public** is via the Council's website, in public meetings and through social media. The Council's website was last revised in April 2015 and a drive for 'digital by design' (i.e. online services for residents) is being pursued as part of plans for service transformation and re-design to support residents' needs. Public consultation on proposals is addressed below. The extent of progress in the digitization of customer and resident engagement with the Council will need to be monitored.

Stakeholders and Partnership

25. The County Council works with a range of stakeholders. This includes a range of public bodies, local authorities, the NHS and Sussex Police. Other tiers of local government are important partners in many areas of service delivery, strategic planning and community development. There are both formal and informal forums in place for regular liaison with elected members and senior officers in the district and borough councils, including regular meetings of all of the leaders of the councils (West Sussex Leaders' Board), to discuss issues of common interest and regular meetings of all chief executives (West Sussex Chief Executives Board). The governance and scrutiny route for the council partnership to manage and deliver the retained business rate pool have been settled.

26. Regular meetings with other partners, most notably the NHS Clinical Commissioning Group, are held at various levels and between Members and officers on operational, commissioning and service planning. For a number of years the Council has operated a joint service commissioning and pooled budget agreement with the NHS to cover a range of social care and NHS services. Due to expected changes in NHS commissioning plans and a review of Council priorities it is expected that the systems and arrangements for joint commissioning will be reviewed during 2021/22. The terms of reference and membership of the **Health and Wellbeing Board,** the principal forum for health and social care liaison and partnership, have been revised to enhance its role. In addition, a Joint

Health and Wellbeing Strategy was developed to set out the Board's vision and this is being promoted and disseminated within the Council and through various corporate and partnership initiatives.

27. In the area of **Children's Services** the partnership arrangements were noted in 2019 as inadequate and the areas of focus for partnership working largely limited to operational practice. As part of the action arising from the Ofsted Report and subsequent Children's Commissioner Report reviews of children's services are receiving a more effective focus on partnership and joint working. Significant work has been identified and plans for improvement continue to be brought to an Improvement Board chaired by the Children's Commissioner. A comprehensive improvement plan is in place for delivery. Good progress has been made in 2020/21 and in December 2020 the Secretary of State agreed to pause the Children's Trust process, with all responsibility for Children's Services remaining with the County Council.

28. The formal **County Local Committee** meetings were cancelled during 2019/20 due to the pressure on Council business and officer capacity caused by the public health emergency. However, informal engagement was carried out with councillors on business normally carried out by these committees. Innovative ways to engage with local communities through more informal approaches were also explored, including through the use of digital technologies. Plans to replace county local committees with more flexible and informal arrangements, building on learning and experience from 2019/20 are being developed and a trial model should be ready for the Autumn 2021.

29. The County Council has set out its commitment to working in partnership with residents, businesses, communities, the voluntary and community sector and local authority partners through a number of initiatives. It has a set of partnership principles with the voluntary sector for the commitment to more effective ways of working together, building stronger alliances and empowering joint action. A workstream project commenced as an output of the good governance review to further enhance and clarify the Council's local community and partnership arrangements, led by the Council's Director of Communities.

Consultation and engagement in West Sussex

30. The County Council is committed to working with residents, businesses, communities, service users and partners to help prioritise what it does, to have a say over the approach and to get involved in delivery and change. This requires sound arrangements for engagement and consultation.

31. The Council uses a variety of ways to engage residents and other stakeholders - publications (printed and digital), press releases or social media to keep people informed of plans or decisions. The Council uses various methods to seek people's views: questionnaires, public events, workshops, focus groups, satisfaction surveys, and feedback forms.

32. **Consultation and Engagement Quality Assurance** is a set of processes to ensure services are supported to plan and implement projects which are robust and produce reliable valid data upon which decisions can be made. It includes methodological and ethical requirements and, before projects go live, services must seek advice to ensure they have assurance for consultation and engagement.

Formal consultation

33. Formal consultation will generally only be undertaken where there is a statutory duty or legitimate expectation, and where there is a service or policy need to do so. Consultations are carried out in accordance with current national Consultation Principles guidance, and the Council's Statement of Community Involvement. Individual services are required to maintain open channels of communications with relevant stakeholder groups and representative bodies where relevant to service planning.

34. All formal public consultations and engagement projects are made accessible online using the 'Your Voice' consultation hub software. They are also published on the County Council's News and Press Release webpages. The Council ensures compliance with the public sector equality duty when processing and securing formal key decisions although consistency and appropriateness of use requires further attention to ensure consistent compliance.

35. The information gathered is analysed and considered as part of the decision-making process, the protocol for which can be found in the Constitution. Analysis reports and decisions are made available on the 'your Voice' engagement hub webpages as a means of closing the 'feedback loop' and increasing trust in decision-making processes.

36. Action was taken to increase the effectiveness of public engagement and communication including the need to raise awareness of the need to comply with new online accessibility legislation. Work on improving understanding of, and compliance with the public sector equality duty has been completed.

37. The County Council has a **Petitions Scheme** describing how petitions from residents are dealt with by the County Council. These enable a petitioner to speak with a cabinet member or at a committee, or to the County Council if prescribed thresholds for signatures are reached. A response is made to each petition, explaining what the County Council will or will not do in response.

Governance Review and issues for Assurance

38. In light of the recommendations from the Children's Commissioner's report of November 2019 a review of the Council's governance, leadership and culture was undertaken. This has taken stock of a number of areas of concern which have implications for the County Council's improvement plans in critical areas of service, including those raised in the inspection report from Her Majesty's Inspectorate of Constabularies and Fire and

Rescue Services (HMICFRS) in 2019 and the recommendations from the 2018 corporate Peer Review. These were built upon by a comprehensive governance review which has led to a number of current projects and workstreams.

39. Actions on these matters are covered in the relevant sections of this Statement with additional commentary as necessary to explain the detail of the area of improvement required. Good progress has continued throughout 2020/21 to make the required improvements.

Principle B (openness and engagement)

Action		Owner
i.	Implement actions arising from the Good Governance Review	Chief Executive
ii.	Implement relevant governance actions on openness, culture and collaborative working from Improvement Plan for FRS	Chief Fire Officer
iii.	Implement actions from the Children First Improvement Plan relating to partnership working	Executive Director of Children's Services
iv.	Complete project on partnership and community engagement arrangements as part of good governance review	Director of Communities
v.	Complete work on equality impact assessment in decision making	DLA
vi.	Complete promotion and training linked to revised whistleblowing policy.	DLA
vii.	Implement final proposals and actions from review of scrutiny and learning from good governance review	DLA

SECTION C: Defining outcomes in terms of sustainable economic, social and environmental benefits

Assured

The County Council has settled arrangements to define outcomes and monitor performance against agreed measures. These cover the strategic aims for supporting the economy, complement the social value policy of the Council and are built against a theme to address sustainability to support the Council's climate change commitments.

In setting policies and strategies, the County Council takes a long term view of outcomes, taking into account sustainable economic, social and environmental aims and has effective, comprehensive performance monitoring in place.

The corporate document 'Our Council Plan' was prepared and was adopted by the Council at a meeting in February 2021, taking into account both the development of the Council's culture and services through the Good Governance Project and the reprioritisation of services and spending in light of the significant challenges experienced as a result of the public health pandemic. The Plan covers the period 2021-25 and performance will be monitored in a structured, timely and transparent way by both the leadership team and by members in the Executive and through scrutiny.

40. 'Our Council Plan' 2021-2025 outlines the priorities for the County Council and how they are to be assessed in terms of delivery and measures to monitor performance. It was confirmed by the County Council in February 2021 and will be subject to quarterly performance monitoring by both executive and scrutiny members. The Plan was developed by the Cabinet and Executive Leadership Team with the engagement of elected members, scrutiny committees and staff at all levels. Measures and targets were developed and approved as part of the agreed plan and are published on-line as well as being reported and scrutinised in public.

41. The Council Plan is implemented through the Directorate Business Planning process and arrangements for more focused performance reports to Cabinet Members, scrutiny committees and the Executive Leadership Team have been settled. Performance monitoring is undertaken principally through the Performance and Resources Report.

42. **Performance and Resources Report** - Detail of its use and the data monitoring and analysis undertaken by the Council are shown in section D. Active monitoring of performance is undertaken through regular reviews of business plans and with all staff through individual staff performance conversations. These arrangements link to performance and regular reviews of business plans. On a quarterly basis the Cabinet reviews the Performance and Resources Report and it is scrutinised by the Scrutiny Committees. (See also paragraphs 48-49).

43. A review of how well the Council's performance is monitored by members, both executive and scrutiny will be undertaken during the year as the work of performance management is carried out. This is to ensure member have the tools, skills and support to undertake effective performance monitoring and the verification of performance reports and other sources of assurance in the context of agreed priorities.

44. The County Council is committed to championing the economy of the area. One of its priorities is to ensure West Sussex is a prosperous place and for the county to continue to thrive through support businesses. The **Economic Growth Plan,** agreed in June 2018, sets out the County Council's priorities in driving economic growth to support a prosperous place. The Plan covers the period 2018 to 2023 but, in determining which activities and investments to prioritise over the period, a longer-term view of opportunities and challenges is taken. This has become an area of particular focus in relation to the re-setting of priorities in light of the public health emergency and a new **Economic Strategy** has been approved in response to the impact assessment of the emergency.

45. Partners and stakeholders contributed to the development of the Economic Growth Plan, including the district and borough councils, the Coast to Capital Local Enterprise Partnership, the South Downs National Park Authority, further and higher education institutions, and business representative organisations. This has been covered in the rapid work undertaken to develop the new strategy. Working with these partners is crucial in the Council's determination to support the business community and ensure growth for the West Sussex economy and requires further attention to the partnership areas of focus referenced in Section B above.

46. Following the County Council's Notice of Motion on climate change adopted in April 2019, an ambitious 10 year **climate change strategy** was formulated, with two key aims for the organization to be both carbon neutral and climate resilient by 2030. This was approved during 2020 after member engagement and scrutiny.

47. The internal Climate Change Board was set up to own and oversee delivery on climate change ambition on behalf of the Executive Leadership Team. The governance around the Board was audited for effectiveness in spring 2021 and was rated as 'Reasonable.'

48. The creation of Our Council Plan (2021–2025) is underpinned by the ambitions of the Council in responding to the challenges of climate change. All Directorates have been tasked to reflect this ambition in their 2021-22 Business Plans, to embed the ownership of climate change activity across the organisation. Quarterly reporting to Cabinet and monthly management reporting (internal) will highlight progress on key climate change indicators.

49. The Council has a **Social Value Policy** which identifies and explains the benefits of ensuring that policies, business plans and service procurements consider and address their impact upon local communities, the local economy, the lives of residents and the places of the County. The policy was first developed in 2015 and has been incorporated into procurement practice and processes, any impact being recorded in published decision reports.

Principle C (defining outcomes and benefits)

Action		**Owner**
i.	Complete arrangements for monitoring and reporting corporate performance relating to Our Council Plan priorities	Chief Executive
ii.	Implement plans for member roles in performance management arrangements	DLA & Chief Financial Officer
iii.	Completion of governance for climate change strategy	Director of Environment & Public Protection
iv.	Develop arrangements for reporting and monitoring output from the new Economic Strategy	Executive Director Place

SECTION D: Determining the interventions necessary to optimise the achievement of the intended outcomes
Assured Sections D and E should be read together with particular reference to the governance challenges raised by the various reviews and external service inspection reports on which much progress has continued to be made during 2020/21. Interventions for improvement in relation to Children's Services and the Fire and Rescue Service have continued to be a particular focus aligned with the challenge to address capacity and capability in these service areas and in other critical areas of the County Council. Significant progress has been made and follow-up inspections have been positive in confirming that the County Council is improving, while still needing to improve further. The County Council takes decisions on interventions based on the priorities agreed in 'Our Council Plan'. In areas identified for improvement systems for governance, oversight and scrutiny of interventions will continue to be given particular focus. These include the continuing improvement journeys for Children's Services and also for the Fire and Rescue Service. Proposed interventions are recorded through Directorate Business Plans for timely outcome delivery, overseen by the Management Team.

50. All Directorates are expected to prepare and monitor Business Plans which set out the actions required to meet the outcomes set in the Our Council Plan and the targets measures and milestones used to monitor their delivery. These are in place and will be reviewed regularly and will be updated and refreshed as needed.

51. The public facing **Performance Dashboard** provides details on progress on the key indicators of the 'Our Council Plan'. This is underpinned by the business assurance framework which, together with the corporate performance dashboard provide assurance that the Council's priorities are implemented. The Cabinet reviews the performance dashboard as part of the Performance and Resources report and it is scrutinised by the Scrutiny Committees.

52. The **Performance and Resources Report** provides an overview of performance against the agreed priorities within Our Council Plan and tracks financial performance to ensure intended outcomes are kept in focus and expenditure controlled. The Performance and Resources Report focuses on the delivery of:

- Our Council Plan and Performance Measures
- Medium Financial Term Strategy and in-year budget
- Culture and Workforce
- Service and Corporate Improvement
- Corporate Risk Management

53. Executive (member or officer) **decision reports** provide the public record of all significant decisions to implement service plans and spend. They are required to show the intended outcomes, the rationale for the proposal, implications for Council resources, other options considered, advice received and consultation undertaken and how risks are managed.

54. The Executive is supported by a number of officer boards chaired by senior officers to ensure oversight of strategic areas of Council business on behalf of the Executive Leadership Team. These boards co-ordinate subject matter expertise as well as overseeing arrangements for the delivery of priorities at an officer level prior to member consideration. They comprise a board to oversee capital programme planning, the climate change strategy and one for strategic procurement.

55. Additional action is underway as part of the project for streamlined decision making (good governance) to clarify the governance of these Boards and their fit within the Scheme of Delegation and how they interact so as to provide greater understanding of their purpose and output for both officers and members and to ensure their effectiveness in delivering corporate aims in a timely and transparent way.

56. Ofsted has continued to carry out regular inspections of the Council's Children's Services following the critical findings in its report in early 2019. The output from these inspections inform the continued improvement interventions for the service. The Department for Education's and appointment of a Commissioner to report on the County Council's capacity and capability to improve remains. The Commissioner's most recent reports record continued improvement and this led to the decision by the Department to pause any direction for the Council to establish a Children's Trust – showing significant confidence in the governance and corporate commitments to sustained improvement.

57. The implementation of the improvement plan adopted following the inspection of the Council's Fire and Rescue Service by Her Majesty's Inspector of Constabulary and Fire and Rescue Services (report published on 20th June 2019) has been recognised as showing sustained success. Regular member updates to full Council, Cabinet and scrutiny on improvement activity are taking place. External oversight of the work on governance was lifted in light of the significant improvements recorded.

Principle D (interventions for outcomes)

Action		Owner
i.	Children's Improvement Plan implementation	DCS
ii.	Fire and Rescue Improvement Plan implementation	CFO
iii.	Implementation of new corporate performance and business planning processes against the Council Plan	Chief Executive
iv.	Review of Officer executive Boards governance	DLA
v.	Review of capital governance arrangements	DLA & Dof F&SS

SECTION E: Developing the entity's capacity, including the capability of its leadership and the individuals within it
Assured There have been continued actions taken in 2020/21 in areas related to leadership to reinforce service improvement in Fire and Rescue Service and Children's Services and the overall assurance for corporate capability and capacity to improve. Officers and members are expected to have a clear sense of their purpose, roles and responsibilities in line with the Council's vision and the suite of policies and processes which support it. This has been reinforced by the work on the West Sussex Plan and the business planning activity underpinning its delivery. The Chief Executive and the Executive Leadership Team manage the County Council's workforce, skills and resource planning. All officers are expected to have their performance monitored and their development needs identified and addressed. Specific attention is paid to programmes for leadership development. Recent reviews of the aims and form of delivery have been implemented. Work continues to enable the Council's leaders to promote a positive and supportive culture and to provide the means of enhancing or reinforcing good leadership skills. A system is in place to ensure that all elected members have an understanding of their roles and responsibilities when appointed or elected to particular positions within the Council. Members are expected to be able to fulfil the expectations and demands of their roles as local member and those to which they may be appointed. Members are also expected to meet the expectations for development, knowledge and awareness as set by the Council's Member Development Group. Areas of focus for review are identified. Significant training and support has been given to members to help them to focus on the strategic nature of their roles. This has been a particular focus of attention in the preparation for the Council election in May 2021 and the induction of members following the election.

58. Arrangements for the County Council's member appointments to specific roles are open and set out in the Constitution. The Council elects the Leader who decides the composition and responsibilities of the Cabinet. The Council makes appointments to all committees. Changes can be made at each Council meeting. All terms of reference are published. There is a system for reviewing and refreshing all constitutional terms of reference for committees and boards which transact Council business.

59. **Member roles** – Executive and non-executive roles are defined and published within the Constitution on the Council's website and as part of the Members' Information Network database (the Mine). The member induction and training programmes cover these. All member development sessions have attendance and feedback recorded.

60. The knowledge and development needs of members are identified and addressed through a cross-party **Member Development Group** (MDG). This group reports to the Governance Committee and oversees the delivery of a planned programme of development to meet member training needs, taking into account members' views on priorities through surveys and feedback. It reviews the impact of member development work and identifies areas for improvement. Its reports and proposals are published as part of the Governance Committee's business.

61. MDG has recently addressed the strategy for member development and has led on work to achieve Charter status for the council's member development programme. The application for Charter status was granted by South East Employers in November 2020 following an external assessment process. Overall, the assessment concluded that there is an impressive commitment and passion for learning throughout West Sussex county Council, that there is a clear Councillor Development Strategy and the learning programme supports the Council's agreed priorities. A key requirement of the Charter is that all members should complete a Training needs Assessment, a specific training plan to identify their individual development needs and to record when this has been completed. These are all in place.

62. A full induction programme was designed and agreed in planning forn the May 2021 elections. This covered members' strategic and local community roles, scrutiny skills, as well as specific training on the Code of Conduct, safeguarding and corporate parenting. More tailored induction is provided for members in specialist roles, including new members of the Executive and of Planning Committee, Pensions Panel and the Staff Appeals Panel.

63. Specialist training is given to members according to the roles they carry out. This includes training for Cabinet Members (the executive), scrutiny, members of the Regulation, Audit and Accounts Committee, Planning Committee, Rights of Way Committee and the Pensions Panel and Staff Appeals Panel. Disclosure and Barring Checks (DBS) remain part of the induction of new members following the May 2021 election. Enhanced DBS checks are carried out for members in adults and children's services related roles. Training on adults and children's safeguarding is being provided for all members, with an online training module also available. Training was also provided to ensure awareness of data protection and IT security responsibilities.

64. In 2020/21, support and advice has been provided to members to ensure more measurable impact of service performance oversight and purposeful scrutiny. This has been informed by the learning and experience of the approach to performance management by the establishment of a new Fire and Rescue Services Scrutiny Committee, which first met in June 2020. All members were also closely involved in the development of the Council's corporate plan and the design of its performance measures.

65. During 2020/21 the MDG led work to promote local democracy as part of a three-year programme leading up to the May 2021 elections. This programme focused on the provision of information to people thinking of

standing for election; an exploration of the barriers to people standing for election and ways to address these; a review of councillor roles; promotions of the role of county councillors and the Council to the wide public; and a programme of engagement with the West Sussex Youth Cabinet. A key element of this programme was the 'Be A Councillor' project, that led to a website and events aimed at encouraging people from diverse backgrounds to stand for election in 2021. This also sought to raise awareness of the opportunities and requirements of the role, so that those elected would have a good understanding in advance.

66. The MDG also led on the development of a comprehensive induction programme for councillors for after the May 2021, to be predominately delivered on virtual platforms due to the public health pandemic. This induction programme was based on a set of principles agreed by the Governance Committee which sought to ensure a first class member-led programme which takes a phased and balanced approach to ensure all members have the training, information and support they need.

Officers

67. Statutory roles include the designation of the Chief Executive as Head of Paid Service, the Director of Law and Assurance as the Monitoring Officer, and the Director of Finance and Support Services as Chief Financial Officer. Other critical statutory and leadership roles and their responsibilities are described in the Council's scheme of delegation. These include the Executive Director of Children, Young People and Learning and the Executive Director of Adults' and Health. All Directors and Executive Directors are required formally each year to give assurance as to their compliance and that of their Service with a range of requirements and expectations of them as senior leaders within the Council. This was not completed across the entire leadership team during a period of disruption in 2020 but will be restored for future Governance Assurance statements.

68. There has been greater stability in the Executive Leadership Team since the start of the Good Governance project. The Monitoring Officer and Chief Financial Officer have a place on the Executive Leadership Team, which comprises the three executive directors in addition to the Chief Executive, Director of HR and Organisational Development and the Chief Fire Officer. The Director of Public Health who reports to the Executive Director for Adults' and Health regularly attends ELT to ensure public health is embedded across the County Council and its partnerships. Leadership by this group has also been required for the Council's response to the continuing public health emergency during 2020/21. Established emergency resilience processes and systems were deployed and have been used effectively to ensure sound and clear management of the Council's responsibilities.

69. All levels of management within the Council have a designated role profile and these profiles are accessible via the Council's intranet (the Point). Officers are given copies of their roles on appointment and are supported through induction training, their personal development review and supervision in understanding and developing their roles. Internally

published HR procedures cover all aspects of performance and procedure to support managers.

70. Personal development priorities are agreed through a personal development review process. There is an established programme of induction training for new staff. Training is available increasingly through an online learning system and mandatory annual refresher online training is heavily promoted to all staff. Leadership skills and development for senior officers has been addressed as part of the development of the workforce strategy (the People Framework) led by the interim Director of Human Resources.

71. Issues of capacity and service resilience to ensure service effectiveness are covered through workforce planning as part of directorate business planning. This has been thoroughly refreshed as part of the development in 2020/21 of the West Sussex Plan. Areas of particular risk are identified. Specific attention has been required over recent years to manage challenges in adults' and children's social care where both recruitment and retention have been problematic with expected adverse impact on service quality and consistency. Action to address these issues remains an area of particular focus. A broader workforce strategy has now been put in place.

Principle E (capacity and leadership)

Action		Owner
i.	leadership skill development	D of HR & OD
ii.	People Framework roll out and implementation	D of HR &OD
iii.	member skills development following good governance review and scrutiny review	DLA
iv.	Complete delivery of programme for member skills and knowledge post May 2021 election	DLA

SECTION F: Managing risks and performance through robust internal control and strong public financial management

Assured

Risk management is robust overall and risks are being considered during business planning and decision-making processes, corporately and across all services. This has recently been refreshed as part of the new business planning process adopted alongside Our Council Plan.

Service and corporate performance management has been addressed in earlier sections of the report in the context of the comprehensive review of performance during 2020/21 as part of the development of the new Council Plan.

The County Council has robust internal financial controls in place, displays strong public financial management and operates systems to manage risks and performance in the most effective manner.

Health and Safety is the focus of a recent and ongoing review to ensure improved systems and compliance.

72. The Constitution sets out the rules to ensure robust internal control over the Council's finances. The system and arrangements for financial performance management and budget monitoring demonstrate sound internal monitoring and control and have formal and well published arrangements for member and officer oversight and transparency.

73. The system of internal financial control is based upon a framework of comprehensive financial regulations and procedures which comply with the CIPFA "Good Practice Guide for Financial Regulations in a modern English Council". Control is maintained through regular management information, supervision, and a structure of delegation and accountability. External audit of the Council's accounts in 2019/20 concluded that arrangements remained robust, but a qualification was delivered on a value for money conclusion on an 'except for' basis, relating to arrangements for informed decision-making. The audit for 2020/21 is in the process of being concluded so the opinion has not yet been given. An update will be provided at the meeting. The Council's financial management arrangements conform to the governance requirements of the CIPFA 'Statement on the Role of the Chief Financial Officer in Local Government 2010.' A continuous review is maintained. A full review of Financial Regulations and Procedures was undertaken and a new version of Financial Regulations was approved in 2018. A further review is planned during 2021/22 as part of the Smartcore project.

74. Each Director is required to conduct a full review of internal governance systems for their area of responsibility, through an assurance mapping process. The statements made, based on the assurance mapping, are checked to identify Council-wide governance issues. Evidence of assurance given is supplemented in the Annual Assurance Statement for each directorate. These include actions for improvement. From both sources, significant governance implications are included in the Statement's action plan (this document). It is expected that, with a more settled leadership team, this task will be completed in a more timely and comprehensive way this year than in recent years.

75. The officer scheme of delegation is critical for the effectiveness of controls of spending and performance. It is kept under review by the Director of Law and Assurance. Directors are required to ensure and confirm the effectiveness of the scheme of officer onward delegation and have worked with the Director of Law and Assurance to ensure that there is shared understanding of the operation of delegations and the need to continually review them. This does however remain an area for further action and is planned as part of the streamlined decision-making project arising from the good governance review. Areas of action for greater clarity and assurance in relation to officer delegations are identified elsewhere in this report.

76. The County Council annually reviews the effectiveness of its governance framework including the system of internal control. The review is informed by the Head of Internal Audit's annual report 2020/21, by the external auditor and other agencies and inspectorates. These findings are brought together within this document and are reported annually to the

Regulation, Audit and Accounts Committee. The Director of Law and Assurance is responsible for ensuring the effectiveness of the internal assurance arrangements and the implementation of actions identified by those arrangements. The Regulation, Audit and Accounts Committee undertakes the functions of an audit committee. This includes review of the work and findings of Internal Audit. The audit arrangements which support and reinforce financial controls and assurance are fully addressed in section G below.

77. The **Risk Management Strategy** is set out in the Constitution (Part 4 section 2) and describes the allocation of responsibilities between officers and elected members. It also summarises the system the Council has for identifying, managing and categorising corporate risk. The operation of the scheme and concerns arising are reported quarterly to the Regulation, Audit and Accounts Committee as part of the system for reporting on the effectiveness of risk management arrangements. That Committee is responsible for reviewing the effectiveness of the Council's risk management arrangements. This also forms part of the Performance and Resources Report reported to Cabinet and the Executive Leadership Team and scrutinised by the Scrutiny Committees.

78. There is a separate requirement for material risks connected with proposals, policies and spending decisions to be formally identified with actions taken to manage such risks in all recorded and published decision reports (see paragraph 50 above). The arrangements for managing corporate risk include clarity on the role of the executive leadership is monitoring and taking responsibility for risk and in ensuring that the Cabinet are advised and updated on risk. The responsibility for being assured about the effective management of risk is also made clear in reports to scrutiny committees in relation to proposals and policies presented for scrutiny.

79. Risk management is delivered through robust directorate controls including the business planning process, supported by the Corporate Risk Register. The s.151 Officer who carries the operational officer responsibility for risk management. The Chief Executive is accountable to the Council for the effectiveness of the risk strategy.

80. The area of Health and Safety management and the corporate assurance arrangements for good Health and Safety policy and practice has been the subject of a significant review in the context of sound risk management and internal governance arrangements are now working well.

Principle F (risk and performance)

Action	**Owner**
i. Finalise review and plans for corporate risk register oversight and monitoring in light of performance management changes.	D of F&SS
ii. Refresh compliance and consistency in scheme of onward delegation from Directors	DLA

SECTION G: Implementing good practices in transparency, reporting and audit, to deliver effective accountability
Assured The County Council has transparent processes in place through publication of the Forward Plan of key decisions, of agendas and reports of its meetings and those of its committees. This includes key decision reports on the website and the prominence given to reporting and enforcing of audit recommendations through the Regulation, Audit and Accounts Committee which meets in public. The County Council has effective open data reporting arrangements to ensure the accessibility of significant spend, contractual and other data relevant to financial performance. This has also been addressed through the development of the performance management reporting arrangements linked to the implementation of Our Council Plan.

81. All meetings of the Council and of the committees which discharge executive, non-executive or scrutiny functions take place in public and have their reports and minutes published on the Council's website. Cabinet, Cabinet Member and Committee decisions, agendas and reports are published on the website and are available to the press and public. This is driven by the publication of the Forward Plan of key decisions. A limited number of reports are considered in private session only when the subject meets the prescribed criteria. A summary of these is published and the rationale for non-disclosure made available.

82. The County Council has several separate bodies of which it is a part, which in 2020/21 included the LEP Joint Committee, the Local Government Pension Scheme ACCESS Joint Committee and the Sussex Police and Crime Panel. Each of these bodies abide by the Nolan principles and publish their agendas and minutes in an accessible place, which are linked from the County Council's website.

Review and Audit

83. The Regulation, Audit and Accounts Committee undertakes the functions of an audit committee. This includes review of the findings of Internal Audit. The Committee meets regularly and in public and holds officers to account for the timely implementation of audit recommendations.

84. Internal Audit provides an annual assurance opinion based on their delivery of a risk based internal audit plan. This includes adherence to established policies, procedures, laws and regulations. These are reported to the Regulation, Audit and Accounts Committee. The overall opinion for 2020/21 is 'reasonable'.

85. The Head of Internal Audit reports to the Director of Finance and Support Services. He also has direct access to the Chief Executive, Executive Directors and other directors and has well-established reporting lines to members through the Regulation, Audit and Accounts Committee and

quarterly to the Executive Leadership Team. Internal Audit is provided through an arrangement with Hampshire County Council, giving greater independence, resilience and capacity for this function.

86. Specific issues of performance or effectiveness in particular areas of critical service delivery or council governance have been raised during the year's internal audit work and have been summarised in the annual audit report. This includes areas where limited or no assurance has been given. To the extent that the findings and recommendations are relevant to matters not otherwise covered in this Statement they are set out here and captured as part of the action plan to ensure alignment with the actions addressing issues of governance and internal process.

87. The Internal Audit annual report highlights specifically those areas where a limited assurance review has been issued, which link to areas identified in this Statement:

- Omissions in process (compliance) in the 'Management of Restructures' review
- The absence of effective governance in the 'S75 Governance' review

Principle G (transparency audit and accountability)

Action		**Owner**
i.	Internal audit recommendations for governance	Director of Law and Assurance

Main Governance Issues for action or to note

88. In formulating this year's AGS a number of forms of evidence have been reviewed. Several of these are reported and monitored through the Regulation, Audit and Accounts Committee. The main governance issues requiring attention are summarised at the end of each section as set out above.

89. An action plan is attached at part of the Appendix (final column), which sets out how the Council will address governance issues in the year ahead. We are satisfied that these actions will deliver the improvements necessary and we will continue to monitor, evaluate and report on progress as part of our next annual review.

Paul Marshall Leader of the Council September 2021

Becky Shaw Chief Executive September 2021

Annexe - Sources of Assurance and Actions

Key:
CIPFA = The Chartered Institute of Public Financing & Accounting
FSS = Finance and Support Services
HR&OD = Human Resources & Organisational Development
L&A = Law and Assurance
MDG = Member Development Group
RAAC = Regulation, Audit and Accounts Committee
SOLACE = Society of Local Authority Chief Executives

Table of assurance for Principle A: Integrity and Compliance

Source of assurance	Where found	Who is responsible	Role	last review/ action planned*
Constitution	Web and Intranet	Governance Committee and Director L&A	A single source for rules and procedure for lawful sound business and meeting management.	A review was undertaken in 2021 arising from the Good Governance project and was approved by the County Council in July 2021
Codes of Conduct	Constitution	Standards Committee & Director L&A	Defines standards of behaviour and how to enforce	Minor changes were approved by the County Council in July 2021.
Whistleblowing Policy	Constitution	Standards Committee & Director L&A	Defines process to report breaches of rules or standards confidentially	Fully revised for approval by Governance Committee June 2020. Continuing Action to promote and monitor*****.
Anti-fraud and corruption strategy	Intranet	RAAC & Director F&SS	Statutory obligations recorded and enforced	November 2015. Reviewed every 3 to 5 years. Review planned for 2021/2*****.
Anti-bribery policy	Intranet	Director L&A	Statutory obligations recorded and enforced	November 2015. Reviewed every 3 to 5 years. Review planned for 2021/2*****.
Register of Member Interests	Website	Director L&A	Statutory list of interests.	Entries updated on an on-going basis. Regular reminders to members to review. A revised form in line with best practice and accessibility is in use following the May 2021 election.
Register of Officer Interests	Website	Director L&A	Record of financial and conflicting business interests	New system from March 2017 to be further refreshed and reinforced in 2021*****.
Corporate Complaints Policy	Website	Chief Executive & Standards Committee	Describes mechanism for handling all complaints.	Complete system review completed 2017/18. A new annual report on complaints was provided for Standards Committee in Summer 2020.
Staff Discipline policy	Intranet	Director HR&OD	Defines rules of conduct and procedures to manage	New HR policies to achieve single framework established in 2019.
Data Protection Policy	Intranet	Director L&A	Defines rules and procedures to protect data.	Revised for the new law 2018. Review of practice and training to mitigate risk completed and revised guidance and training in place.
Freedom of Information policy	Intranet	Director L&A Director of Communities	Defines rules and procedures	January 2018. No action planned

Source of assurance	Where found	Who is responsible	Role	last review/ action planned*
Data Security & Accepted Use Policy	Intranet	Director F&SS	Defines rules and procedures	September 2014 Mandatory annual refresher training. No action planned
Standing Orders on Procurement and Contracts	Constitution	Director L&A and RAAC	To prescribe the rules for all contracts and procurement activity	Revision took place in 2021 in light of the withdrawal from the European Union. More recent revisions to manage growth in emergency procurement linked to pandemic affected commissioning.
Procurement Board (officers)	Intranet	Director F&SS	To manage and plan strategic procurement	Procurement Pipeline and systems for monitoring in place**.** Action to clarify internal governance between officer boards within Good Governance underway*****.

Table of Assurance for Principle B: Openness and Stakeholders

Source of assurance	Where found	Who is responsible	Role	last reviewed/ action planned*
Scheme of Delegation	Constitution	Governance Committee & Director L&A	To fully define who takes what decisions and how and how recorded.	December 2019**.** Action required to clarify officer onward delegations and in context of senior officer boards within Good Governance Underway as streamlined decision making workstream*****.
Forward Plan	Web site	Director L&A	Describes planned key decisions for next 4 months	Revised format 2021 implemented.
Protocol on decision making	Constitution	Director L&A	Describes arrangements for sound decisions.	Reviewed with Constitution July 2018. Will refresh in 2021 as part of streamlined decision making workstream*****.
Scrutiny Committee business planning	Scrutiny Committee reports	Performance and Finance Scrutiny Committee, Scrutiny Manager	Records planned scrutiny work.	Continuous with annual work programme published. Revised in 2021 to give oversight to individual scrutiny committees. Further scrutiny review planned 2021/22*****.
Openness and access to meetings/ decisions.	Constitution and Website	Director L&A	Describes rules and process for ensuring transparency of business.	Constitution revised 2018. Web casting of meetings extended to all formal meetings in 2020. To be reviewed September 2021*****.
Consultations & community liaison forums	Intranet, Website & Press releases	Head of Commun ications & Engagement	Communication to public	New community liaison channels are being explored in 2021 with learning from pandemic response
Consultation Q&A system	Intranet	Chief Executive	Provide system and guidance for service consultation	Review in 2015. Review of Statement of Community Involvement in 2018. No action planned
Partnership meetings, briefings and liaison	Held by relevant directorate	Relevant Director	Communication to partners	Continuous review and proposal to track external engagement plans better. Partner engagement review within Good Governance underway*****.
Equality Policy	Website	Chief Executive.	Source of guidance for ensuring compliance with	Policy partly reviewed 2018. Further and fuller review required*****. Respect

Source of assurance	Where found	Who is responsible	Role	last reviewed/ action planned*
	And decision making protocol	Relevant Director (for decisions) Director of HR (for staff)	public sector equality duty	and Dignity at Work policy rolled out first half of 2021.
Health and Wellbeing Board arrangements	Constitution	Director of PH	Forum for strategic joint business and service oversight	Complete review of Board 2018 – 19 & new H&W strategy from April 2019.
West Sussex Compact and Partnership Principles	Website	Director of Communities	Communication to partners	Partnership principles refreshed in 2018. Established partnership working with district and borough councils**.** Being reviewed as part of good governance in partnerships project*****.

Table of Assurance for Principle C: Sustainability

Source of assurance	Where found	Who is responsible	Role	last reviewed/ action planned*
Our Council Plan	Website	Cabinet & Chief Executive	Describes the measure and targets for key corporate & service aims	The County Council agreed current Plan in February 2021. Quarterly reports to members and annual Reports to Council.
Social Value Policy	Website	Director of F&SS	Sets aims for social economic and community benefits of council business	Full review in procurement activity completed 2019.
Climate Change Strategy	Website	Director of E&PP	Sets Council's commitment to becoming carbon neutral and climate resilient by 2030	The Strategy approved 2020.

Sources of Assurance for Principle D: Optimising Interventions

Source of assurance	Where found	Who is responsible	Role	last reviewed/ action planned*
Performance and Resources Report	website	Chief Executive & Cabinet and Director F&SS	Reviews financial and operational performance	Reviewed 2020. Newly introduced in 2021.
Executive Decisions process	Website	Director of L&A	To record rationale, legality and financial compliance of decisions.	Format revised 2018. New publication system by Modern.gov 2018.
Business Plans	Share Point	All Directors	Record of actions and objectives for delivery of Our Council Plan	Annual. Action taken to ensure better coordination of plans between Directorates implemented as part of Our Council Plan.
Executive Officer Boards	Intranet	Executive Leadership Team	Manage strategic business delegated to officers	Action underway as good governance workstream to clarify scope of officer delegations and ensure more transparency*****
Capital Programme Governance	Constitution	Executive Director Place and Director F&SS	Provide sound systems for capital programme	Revision February 2019. Further review on planned programme re-set as part of good governance*****.

Source of assurance	Where found	Who is responsible	Role	last reviewed/ action planned*
Service Improvement plans governance and assurance	Records of decisions and Improvement Board agendas.	Executive Director CS & CFO	Provide plan and assurance for delivery of improvements from external inspection.	Arrangements for monitoring and scrutinising effectiveness of plans ongoing

Sources of Assurance for Principle E: Leadership Capability

Source of assurance	Where found	Who is responsible	Role	last reviewed/action planned
Scheme of delegation	Constitution	Governance Committee Chief Executive Director L&A	Formal allocation of key roles and functions, including Statutory and senior officers	April 2019 with minor revisions in December 2019. Actions identified above for clarity for officer boards and onward delegation schemes generally*.
Budget, including medium term financial strategy	Council agenda	County Council Executive Director Resource Services & Director F&SS	To agree a sound budget and financial strategy.	February 2021
Member Development Programme	Held by Director L&A Member Information Database	Governance Committee & Director L&A & MDG	Plan and record all member training.	Continually by MDG (sub-group of Governance). Reports regularly and uses member feedback. Will review any action needed in autumn 2021 following induction from May 2021*.
Human Resources policies	Intranet	Director HR&OD	Describe all officer duties, rules and requirements.	Review planned within Good Governance as culture and leadership areas People Framework and respect and dignity at work policy in place.
Workforce Planning arrangements	HR policies and Directorate plans	Relevant Director	Provides rationale and scheme for ensuring resilience and capacity.	Particular focus on service improvement plans. People Framework completed 2021.
Staff role profiles	Intranet	Heads of Service	Describe all officer roles	Updated as roles change.
Member Induction Programme	Intranet	Member Development Group Director L&A	To determine the content of the programme	Plans completed in 2020, for induction programme for post May 2021.
Specialist Member training	Committee business programme	Director L&A	Non-executive committees and appeals panel	Completed after 2021 election including individual member training needs analysis for all members.
Officer Performance management	Intranet	Director HR&OD & all Directors for delivery	To manage performance and development	Review undertaken 2021 in line with the Good Governance review.
Performance Management Policy	Intranet	Director HR&OD	clear system for addressing poor performance	As above.

Sources of Assurance for Principle F: Risk and Performance

Source of assurance	Where found	Who is responsible	Role	last reviewed/action planned
Governance Statement	RAAC agenda	RAAC Director L&A	Captures all sources of governance assurance	Annual (this document)
Assurance mapping	N/A	Director L&A Director F&SS	Internal checklist for service governance	New checklist was refreshed in 2020.
Local Code of Corporate Governance	Governance agenda	Governance Committee Director L&A	To confirm the corporate governance principles in place	Aim as output from Good Governance streamlined decision making workstream*****.
Risk Management Strategy	Constitution	Chief Executive	Strategic aims and objectives for corporate risk management	Approved by RAAC 2018. No action planned. Better clarification on risk roles for members added to Constitution in July 2021.
Risk Management systems	RAAC agenda	Director F&SS	Operational systems for meeting RM strategy aims	Last review 2018. Action since for systems for risk management to be more consistent.
Health and Safety Policy	Intranet	Director of HR &OC	Provides rules, procedures and systems for assurance in relation to health and safety at work and in relation to property risk.	Internal review 2018 has led to revised governance.
Audit Function	Constitution	RAAC Director F&SS	To manage and ensure the effectiveness of Audit.	Annual internal quality review. External review is required every five years. Internal Audit service re-procured 2018
Performance and Resources Report	Website	Chief Executive & Director F&SS	Reviews financial and operational performance	Revised 2020**.** No action planned
Treasury Management Strategy	Council agenda	Director F&SS	For sound strategy to limit risks to borrowings and investments.	Reviewed and updated by Council February 2021.
Financial Regulations and Procedures	Constitution	Director of F&SS RAAC	To prescribe the rules for all financial transactions	New version agreed by RAAC July 2018. To be reviewed as part of Smartcore project in 2021/22
Resilience and Emergency arrangements	Intranet	Chief Fire Officer	To provide safe systems and procedures to manage local and civil emergencies	Action plan implemented. Will review post Covid*****.

Sources of Assurance for Principle G: Audit and Transparency

Source of assurance	Where found	Who is responsible	Role	last reviewed/action planned*
Audit Function	Constitution	RAAC Director F&SS	To manage and ensure the effectiveness of Audit.	Annual internal quality review completed 2020/21 Procurement of external auditor is required every five years and was last undertaken in 2018/19.

Source of assurance	Where found	Who is responsible	Role	last reviewed/action planned*
External Audit of Accounts	Audit Report	RAAC and Director of F&SS	To give external assurance to the quality of the Council's accounts and accounting practice	Assurance given to 19/20 accounts with one value for money qualification on an 'except for' basis. The 2020/21 audit is in the process of being concluded so the opinion has not yet been given. An update will be provided at the meeting.

Annual Governance Statement 2020/21 Action Plan

The following actions to address significant governance issues have been agreed and updates will be provided during 2021/22.

Principle A

Action	Action Owner	Deadline	Updates
To ensure full implementation of officer interests and gifts	Director L&A	March 2022	
To complete the implementation of agreed workstreams and proposals from the good governance review.	Chief Executive	March 2022	
To review the scheme of delegation as part of the good governance review	Director L&A	March 2022	

Principle B

Action	Action Owner	Deadline	Updates
Implement actions arising from the Good Governance Review	Chief Executive	March 2022	
Implement relevant governance actions on openness, culture and collaborative working from Improvement Plan for FRS	CFO	March 2022	
Implement actions from the Children First Improvement Plan relating to partnership working	Executive Director CS	March 2022	
Complete project on partnership and community engagement arrangements as part of good governance review	Director of Communities	March 2022	
Complete work on equality impact assessment in decision making	Director L&A	March 2022	
Complete promotion and training linked to revised whistleblowing policy.	Director L&A	March 2022	
Implement final proposals and actions from review of scrutiny and learning from good governance review	Director L&A	March 2022	

Principle C

Action	Action Owner	Deadline	Updates
Complete arrangements for monitoring and reporting corporate performance relating to Our Council Plan priorities	Chief Executive	March 2022	
Implement plans for member roles in performance management arrangements	Director L&A & Director F&SS	March 2022	
Completion of governance for climate change strategy	Director of Environment & Public Protection	March 2022	
Develop arrangements for reporting and monitoring output from the new Economic Strategy	Executive Director Place	March 2022	

Principle D

Action	Action Owner	Deadline	Updates
Children’s Improvement Plan implementation	Executive Director CS	March 2022	
Fire and Rescue Improvement Plan implementation	CFO	March 2022	
Implementation of new corporate performance and business planning processes against the Council Plan	Chief Executive	March 2022	
Review of Officer executive Boards governance	Director L&A	March 2022	
Review of capital governance arrangements	Director L&A & Director F&SS	March 2022	

Principle E

Action	Action Owner	Deadline	Updates
leadership skill development	Director HR & OD	March 2022	
People Framework roll out and implementation	Director HR & OD	March 2022	
Member skills development following good governance review and scrutiny review	Director L&A	March 2022	
Complete delivery of programme for member skills	Director L&A	March 2022	

Action	Action Owner	Deadline	Updates
and knowledge post May 2021 election			

Principle F

Action	Action Owner	Deadline	Updates
Finalise review and plans for corporate risk register oversight and monitoring in light of performance management changes.	Director F&SS	March 2022	
Refresh compliance and consistency in scheme of onward delegation from Directors	Director L&A	March 2022	

Principle G

Action	Action Owner	Deadline	Updates
Internal audit recommendations for governance	Director L&A	March 2022	

Key

CFO = Chief Fire Officer

Director F&SS = Director of Finance and Support Services

Director HR & OD = Director Human Resources and Organisational Development

Director L&A = Director of Law and Assurance

Executive Director CS = Executive Director Children, Families and Learning

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West Sussex Pension Fund

Audit results report

Year ended 31 March 2021

14 September 2021

Building a better working world

Agenda Item 8a

14 September 2021

West Sussex County Council
County Hall
West Street
Chichester
PO19 1RQ

Dear Committee Members

2020/21 Audit results report

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Regulation, Audit and Accounts Committee. We will update the Regulation Audit and Accounts Committee at its meeting scheduled for 22 September 2021 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on West Sussex Pension Fund's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. This report is intended solely for the information and use of the Regulation, Audit and Accounts Committee and management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Regulation, Audit and Accounts Committee meeting on 22 September 2021.

Yours faithfully

Helen Thompson, Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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 April 2018)" 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 Regulation, Audit and Accounts Committee and management of West Sussex Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Regulation, Audit and Accounts Committee, and management of West Sussex Pension Fund 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 Regulation, Audit and Accounts Committee and management of West Sussex Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

Agenda Item 8a

01 Executive Summary

Executive Summary

Scope update

In our audit planning report presented to the 19 July 2021 Regulation, Audit and Accounts Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan with the following updates.

Changes in materiality

We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment.

	Planning Materiality	Performance Materiality	Audit Differences
	Our planning materiality represents 1% of the Fund's net assets, consistent year on year.	Performance materiality represents 75% of planning materiality and is the top of our range, consistent year on year.	We will report all uncorrected misstatements relating to the primary statements (net asset statement and fund account) greater than 5% of planning materiality.
Planned	£43.0 million	£32.3 million	£2.2 million
Final	£54.8 million	£41.1 million`	£2.7 million

Auditing accounting estimates

A revised auditing standard has been issued in respect of the audit of accounting estimates. The revised standard requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors now consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we may see the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area. The changes to the standard may affect the nature and extent of information that we may request and will likely increase the level of audit work required. In addition to the valuation of level 3 and directly owned property investments, which we have treated as areas of audit focus in our approach, we also consider IAS 26 disclosures as a higher inherent risk estimate. We do not consider this to be an area of audit focus as entries in the Fund's financial statements are disclosure only and have no impact on the Fund's primary statements of account.

Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

Information Produced by the Entity (IPE):

We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Fund's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agreed IPE to scanned documents or other system screenshots.

Executive Summary

Status of the audit

Our audit work in respect of the Fund opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Update of our subsequent events procedures to the date of our opinion
- Receipt of a signed letter of management representation

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Accounts which could influence our final audit opinion.

Audit differences

At the date of this report there are no unadjusted audit differences. The Fund has adjusted for a number of differences arising from our audit, which primarily relate to disclosure misstatements and the updated private equity and debt valuations. We include further details in Section 4.

Executive Summary

Areas of audit focus

Our audit plan identified significant risks and areas of focus for our audit of the Authority's financial statements. We summarise below our latest findings.

This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Fraud risk	Findings & conclusions
Risk of manipulation of Investment income and valuation.	We have completed our testing and found no indications of management override of controls.

Area of audit focus	Findings & conclusions
Valuation of property investments.	We have completed our testing and found no indications of management override of controls.
Valuation of level 3 investments	We undertook additional procedures, as described more fully in Section 2 of this report, to gain material assurance over the year-end valuation of the Fund's private equity and private debt investments which are disclosed as level 3 in the fair value hierarchy and therefore inherently more difficult to value. We are satisfied that these level 3 investments are correctly valued in the financial statements.
Going Concern	We have completed our work, including review of the disclosure and challenge and testing of management's assessment and supporting cash flow forecast. The initial disclosure made by the Fund did not make clear that cashflow forecasting in support of management's assessment extended forward by at least 12 months from the likely reporting date or set out assumptions made by management in producing the forecast. This did not therefore meet the requirements of the revised auditing standard. The disclosure has now been properly reflected to update this.

Executive Summary

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you. We have, however, provided an update on control weaknesses relating to the quality of data held on the pensions administration system in the prior year, which we do not consider as a significant deficiency in internal control, in Section 6 of this report.

Independence

Please refer to Section 7 for our update on Independence.

02 Areas of Audit Focus

Significant risk

Risk of manipulation of investment income and valuation

What is the risk?

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. We identify and respond to this fraud risk on every audit engagement.

We assessed that the risk of manipulation of investment income and valuation through management override of controls is most likely to affect investment income and assets in the year, specifically through journal postings.

What did we do and what judgements did we focus on?

We:

- ► Tested journals at year-end to ensure there are no unexpected or unusual postings;
- ► Undertook a review of reconciliations to the fund manager, custodian and valuer reports and investigating any reconciling differences;
- ► Re-performed the detailed investment note using the reports we have acquired directly from the custodian, valuer or fund managers;
- ► Checked the reconciliation of holdings included in the Net Assets Statement back to the source reports;
- ► Reviewed accounting estimates for management bias, including estimates with a higher level of inherent risk relating to property and level 3 investments; and
- ► For quoted investment income we agreed the reconciliation between fund managers and custodians back to the source reports.

We utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale using specific criteria we considered to be relevant to the risk.

Significant risk

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied. We did not identify any other transactions during our audit which appeared unusual or outside the Pension Fund's normal course of business. Our journals testing confirmed there were no unusual or unexpected postings.

We were able to agree the disclosure of investment values to custodian, fund manager and property valuer reports in the detailed investment note and throughout the financial statements. We undertook further detailed testing to gain assurance over the valuation of investments as follows:

- For directly owned property detailed procedures were undertaken to assess the work of the valuer, both on a sample basis and for the whole valuation report.
- We agreed a sample of each investment type to market evidence for investments categorised at level 1 in the fair value hierarchy.
- For investments categorised at level 3 we agreed the valuation to underpinning audited financial statements. Where audited underpinning financial statements were not at 31/3/21 we undertook further procedures to gain assurance over movements in valuation in the final quarter of the financial year.

Areas of Audit Focus

Area of audit focus

Valuation of property investments

What is the risk?

We consider the valuation of property investments to be of a higher degree of inherent risk because of the higher degree of estimation uncertainty. Management is required to make material judgemental inputs and apply estimation techniques, supported by a professional valuer, to arrive at the year value of property investments carried in the Net Assets Statement.

What did we do and what judgements did we focus on?

We:

- Considered the work performed by the Fund's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Challenged the key assumptions used by the valuer and tested a sample of inputs and calculations used to inform the valuation by reference to relevant available market data and other supporting evidence. We applied relevant indices to the residual population to ensure the valuation was materially accurate as a whole.
- Tested accounting entries had been correctly processed in the financial statements.
- Ensured investment properties could be agreed to title deeds for a sample of properties, including the one new investment property purchased by the Fund in the year.

Area of audit focus

What are our conclusions?
Based on our work we are satisfied that: • The Fund's valuer is appropriately qualified and the scope of their work was adequate. • We tested inputs to the valuation process and assumptions made by the valuer in detail for a sample of assets. In all cases we found that inputs were supported by evidence and the assumptions made were reasonable. For the remainder of the population we assessed valuation movements from the prior year against relevant indices. We found that valuation movements were reasonable. • Accounting entries in the financial statements correctly reflected the valuation report. • The Fund was able to produce land registry evidence of title giving us assurance in relation to the Fund's right and obligations in respect of directly owned property investments. Based on all of this we are satisfied that the estimated carrying value of the Fund's directly owned property investments appearing in the Net Assets Statement is materially accurate. The Fund made one change to its disclosure in this area to reflect that directly owned property investments should be categorised as level 2 rather than 3 in the fair value hierarchy given no Covid-19 'material valuation uncertainty' caveat is disclosed in the valuer's report as was the case in the prior year.

Area of audit focus

Valuation of level 3 investments

What is the risk?

We consider the valuation of Level 3 investments to be of a higher degree of inherent risk due to the unobservable inputs making up the valuations. This involves a high degree of estimation from the fund manager as audited accounts supporting the valuation are only produced up to Quarter 3 of the financial year.

What judgements are we focused on?

The Fund's private equity and private debt investment are categorised as being at level 3 in the fair value hierarchy. This is due to the uncertainty associated with the valuation of such investments and the absence of a liquid market, meaning that the valuations are not based on observable inputs. As a result of this we undertook additional procedures to gain assurance over the carrying value of these investments disclosed in the financial statements. We set our detailed audit approach and findings on the following page.

What are our conclusions?

We are satisfied that the carrying value of the Fund's private equity and private debt appearing in the Net Assets Statement is materially accurate.

Note that amendments were made to the draft financial statements to reflect updated year end valuations received from fund managers for both private equity and private debt investments.

Area of audit focus

Valuation of level 3 investments - further details on procedures/work performed

We:

- Triangulated the valuation reports from the fund managers and custodians to the entries in the financial statements.
- Obtained audited financial statements supporting the investments, controls assurance reports and bridging letters for the controls reports to year end.
- Considered the work performed by the fund managers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Challenged the key assumptions used by the fund managers in valuations and considered further whether specialist support is needed to support our work in this area. We concluded no such further support was necessary.
- Tested accounting entries had been correctly processed in the financial statements.

Audited financial statements supporting valuations were only available to 31 December 2020 with the exception of private debt investments managed by ICG where the statements were as at 31 March 2021. We evaluated those financial statements to gain assurance that:

- The audit report was not qualified or otherwise modified.
- The audit report did not contained material uncertainties in respect of going concern and that there were no other matters emphasised that would impact valuation.
- The audit report was issued by a reputable auditor.

We also evaluated controls assurance reports to gain assurance they were not qualified and there were no specific control failures that could impact the valuation of investments.

To gain assurance over the valuation of level 3 investments at the Net Asset Statement date of 31 March 2021, we:

- Agreed the net asset value of private equity and private debt investments to underpinning audited financial statements as at 31 December. We then adjusted the 31 December 2020 valuation for known calls and puts in the final quarter of the year assuming they occurred at the start of the quarter.
- Used available quarter 3 to 4 indices relevant to the type of investment to create a high/low range of movements for quarter 4 and applied that to the valuation derived for each investment. We confirmed that the range established was not greater than our performance materiality.
- We compared the valuation in the financial statements to the range established to gain assurance investments values in the financial statements were within the expected range.

Areas of Audit Focus

Area of audit focus

Going concern

What is the risk?

There is a presumption that the Fund will continue as a going concern for the foreseeable future. However, the Fund 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-19 there is a need for the Fund to ensure it's going concern assessment, including its cashflow forecast, is thorough and appropriately comprehensive.

The Fund is 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.

In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit.

What did we do and what judgements did we focus on?

We:

- Challenged management's identification of events or conditions impacting going concern.
- Tested management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Reviewed the Fund's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern.
- Undertook a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.
- Challenged the disclosure made in the accounts in respect of going concern and any material uncertainties.

What are our conclusions?

We are satisfied that management's assessment that it is appropriate for the financial statements to be prepared on a going concern basis is reasonable and supported by evidence, including a cashflow forecast, for the foreseeable future.

The initial disclosure made by the Fund did not make clear that cashflow forecasting in support of management's assessment extended forward by at least 12 months from the likely reporting date or set out assumptions made by management in producing the forecast. This did not therefore meet the requirements of the revised auditing standard. The disclosure has now been properly updated to reflect this.

03 Audit Report

Audit Report

Draft audit report

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST SUSSEX COUNTY COUNCIL

Our opinion on the financial statements

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Pension Fund Account, the Net Asset Statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2021 and the amount and disposition of the fund's assets and liabilities as at 31 March 2021 and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance and Support Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance and Support Services with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the West Sussex County Council Statement of Accounts 2020/21 other than the financial statements and our auditor's report thereon. The Director of Finance and Support Services is responsible for the other information contained within the Statement of Accounts 2020/21.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Draft Audit Report

Our opinion on the financial statements

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

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibility of the Director of Finance and Support Services

As explained more fully in the Statement of the Responsibilities set out on page 20 the Director of Finance and Support Services is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Support Services is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.

Draft Audit Report

Our opinion on the financial statements

We understood how West Sussex Pension Fund is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of minutes, review of Pension Fund policies and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and opportunities for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures we identified the manipulation of journal entries of the investment asset valuations to be our fraud risk.

To address our fraud risk we tested the consistency of the investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements. Where possible to do so we agreed investment asset valuation from publicly quoted market valuations to the financial statements. We also assessed journal entries for evidence of management bias and evaluated for business rationale using specific criteria we considered to be relevant to the risk.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business.

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

Use of our report

This report is made solely to the members of West Sussex County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Thompson (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Southampton

September 2021

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted and uncorrected differences

There were no misstatements greater than £41.1m which have been corrected by management or other specific misstatements identified during the course of our audit which we wish to draw to your attention. One lower value misstatement and a number of disclosure amendments were made as a result of our work. The draft financial statements were also updated to reflect the final valuation of private equity and private debt investments.

There were no uncorrected misstatements.

05 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2020/21 with the audited financial statements. We are satisfied that the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of West Sussex County Council for the year ended 31 March 2021.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We have had no reason to exercise these duties.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Fund's financial reporting process. We have no matters to report.

06 Assessment of Control Environment

Assessment of Control Environment

Financial controls

Our responsibilities

It is the responsibility of the Fund to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Fund has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

Findings

We have not identified any significant deficiencies in internal control but wish to update you on a matter reported in our prior year work where we identified weaknesses in the quality of data held on the pensions administration system. As part of our 2019/20 IAS19 protocol work conducted on behalf of the auditors of scheduled bodies of the Fund we were required to test membership data submitted by the Fund to the Actuary that was used to inform the triennial valuation of the Fund at 31 March 2019. Significant difficulties were experienced in undertaking these IAS19 protocol procedures at the Fund stemming from data quality weaknesses in membership data held on the pensions administration system. We also noted that a 'Breach Report' had already been issued to the Pensions Regulator in relation to the 2019 Annual Benefit Statements which covered similar concerns raised in relation to membership data quality, and that a data quality improvement programme had been devised and implemented to begin to address this. We were therefore satisfied that no further reporting to the Pensions Regulator was required. We concluded that although our findings did not directly impact our audit of the Pension Fund's 2019/20 financial statements it was important that accurate and supportable membership data is held on the pensions administration system, noting that we had also raised recommendations relating to the completeness and accuracy of membership data held on the pensions administration system in our 2017/18 and 2018/19 audit results reports. We therefore raised an associated recommendation for improvement.

Financial controls (continued)

Findings (continued)

We have not been required to test membership data in 2020/21 to the same level of detail given that it is not a triennial valuation year. We have, however, sought to consider the progress made by the Fund in this area as part of our work. We note that:

- The Pension Regulator has advised that no further action will be taken in respect of the referral made and that the breach report is now closed.
- As part of our 2020/21 programme of work we have sought to agree membership data per the pensions administration system to membership data returns submitted by scheduled bodies of the Fund. We do this to seek to gain assurance over the accuracy of membership data held in the pensions administration system that we use to inform other audit procedures. It is never possible to fully agree this data as scheduled body returns are an average of data across the year whereas the report taken from the pensions admin system is a snapshot at a point in time. Taking that limitation into consideration our work suggests that the overall level of difference in membership data between the scheduled body data returns and the pensions administration system has reduced compared to the prior year. We consider that this provides some assurance that the quality of membership data in the pensions admin system is improving as a result of the continuing work being undertaken by the Fund to address this.
- Although not tested by us in detail, the Fund's own work on the completeness, timeliness and accuracy of annual returns and benefits statements also suggests that backlogs are being addressed and data quality is being improved.

Conclusion

Based on all of this we are satisfied that reasonable progress is being made by the Fund in addressing membership data quality weaknesses, although this remains work in progress.

07 Independence

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 Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the Fund, 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 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The table below sets out a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute.

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.

	Final fee 2020/21	Planned fee 2020/21	Final Fee 2019/20
	£	£	£
Scale Fee – Code work	20,364	20,364	20,364
Scale Fee Rebasing (2)	33,533	33,533	33,533
Going Concern and post balance sheet event disclosures (3)	1,000	2,000	4,000
EYRE review of the valuation of directly owned properties (3)	N/A	N/A	6,000
Additional fee for IAS19 assurance work on behalf of admitted bodies	8,000	8,000	5,500
Additional fee for work on the 2019 triennial valuation of the Fund that has yet to be determined and agreed by PSAA (1)	N/A	N/A	6,000
Total indicative Pension Fund fee	62,897	63,897	75,397

(1) In 2019/20 we undertook additional work to gain assurance over the 2019 triennial valuation of the Fund. The triennial valuation informs both the assessment of the IAS19 liabilities in scheduled bodies' financial statements and the actuarial present value of promised retirement benefits disclosure in the Pension Fund financial statements. This was not required for the 2020/21 audit.

(2) Scale fee rebasing has been agreed by the Fund management team for 2020/21 but was not agreed for 2019/20. The proposed rebasing of the scale fee has not yet been agreed by Public Sector Audit Appointments Limited (PSAA) in either 2019/20 or 2020/21.

(3) Other variations to the scale fee have been agreed by the Council but remain subject to agreement by PSAA for 2019/20. The 2020/21 variation is not yet agreed by the Council or PSAA.

Independence

Other communications

EY Transparency Report 2020

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

EY UK Transparency Report 2020 | EY UK

08 Appendices

Appendix A

Audit approach update

We summarise below our approach to the audit of the net asset statement and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

There were no significant changes to our audit approach, but we did undertake more granular procedures to gain assurance over the valuation of both level 3 investments and the IAS 26 disclosure of the actuarial present value of promised retirement benefits disclosed as a note to the accounts.

Appendix B

Summary of communications

Date	Nature	Summary
Throughout the year	Meetings, calls and emails.	The Associate Partner and Senior Manager has been in regular contact with the Director of Finance and Support Services and the Pension Strategist in respect of the Fund's risks, accounts closedown and the audit approach.
Throughout the year	Meetings, calls and emails.	The Associate Partner have met the Director of Finance and Support Services on a ad hoc basis throughout the year to discuss key audit findings and reporting up to the date of issue of this report.
All Regulation, Audit and Accounts Committee meetings held in the year	Committee attendance	The Associate Partner and/or Senior Manager have attended those meetings of the Regulation, Audit and Accounts Committee held throughout the financial year and to the date of issue of this report. All pre-meetings have also been attended. Specific reports issued and communications with the Committee are detailed in Appendix C.

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

Required communications with the Audit, Regulation and Accounts Committee

There are certain communications that we must provide to the audit committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Regulation, Audit and Accounts Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan – dated June 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan – dated June 2021
Significant findings from the audit	• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report – dated September 2021

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually or together to raise any doubt about West Sussex Pension Fund's ability to continue for the 12 months from the date of our report
Misstatements	• Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management	Audit Results Report – dated September 2021
Subsequent events	• Enquiry of the Regulation, Audit and Accounts committee where appropriate regarding whether any subsequent events have occurred that might affect the financial	Audit Results Report – dated September 2021 and up to the date of our audit report.
Fraud	• Enquiries of the Regulation, Audit and Accounts Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Pension Fund • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Fund, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Regulation, Audit and Accounts Committee responsibility.	Audit Results Report – dated September 2021

Appendix C

Required communications	What is reported?	Our Reporting to you When and where
Related parties	Significant matters arising during the audit in connection with the Fund's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the Pension Fund	Audit Results Report – September 2021
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit	Audit Plan – dated June 2021 and Audit Results Report – September 2021

Appendix C

Required communications	What is reported?	Our Reporting to you When and where
	• Details of any inconsistencies between the Ethical Standard and the Fund's policy for the provision of non-audit services, and any apparent breach of that policy • Details of any contingent fee arrangements for non-audit services • Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard • The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	
External confirmations	• Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures.	We have received all requested confirmations
Consideration of laws and regulations	• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	• Significant deficiencies in internal controls identified during the audit.	Audit Results Report – September 2021

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	• Written representations we are requesting from management and/or those charged with governance	Audit Results Report – September 2021
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	• Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report – September 2021
Auditors report	• Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report – September 2021
Fee Reporting	• Breakdown of fee information when the audit planning report is agreed • Breakdown of fee information at the completion of the audit • Any non-audit work	Audit Plan – dated June 2021 and Audit Results Report – September 2021

Draft management representation letter

Management Rep Letter

This letter of representations is provided in connection with your audit of the financial statements of West Sussex Pension Fund ("the Fund") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2020 to 31 March 2021 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2021, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of the Fund's financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.

3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and are free of material misstatements, including omissions. We have approved the financial statements.

4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 that are free from material misstatement, whether due to fraud or error.

6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.

5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty. We have drawn to your attention all correspondence and notes of meetings with regulators.

Draft management representation letter

Management Rep Letter

6. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
- Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
- Additional information that you have requested from us for the purpose of the audit.
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. You have been informed of all changes to the Fund rules.

3. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.

4. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund held throughout 2020/21 to the most recent meeting.

5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

6. We confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.

7. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.

9. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

10. From the date of our last management representation letter at 20 November 2020 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

Draft management representation letter

Management Rep Letter

6. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
- Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
- Additional information that you have requested from us for the purpose of the audit.
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. You have been informed of all changes to the Fund rules.

3. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.

4. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund held throughout 2020/21 to the most recent meeting.

5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

6. We confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.

7. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.

9. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

10. From 20 November 2020 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

Draft management representation letter

Management Rep Letter

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 25 to the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 2 to the financial statements discloses all the matters of which we are aware that are relevant to the Company's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than as described in Note 6 to the financial statements, there have been no events , including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the West Sussex Pension Fund Annual Report 1 April 2020 to 31 March 2021.

2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Independence

1. We confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

I. Derivative Financial Instruments

1. We confirm that the Fund has made no direct investment in derivative financial instruments.

J. Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

K. Actuarial valuation

1. The latest report of the actuary Hymans Robertson as at 31st March 2019 and dated 31 March 2020 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we have engaged to value:

a. The actuarial present value of promised retirement benefits (the Actuary).

b. The directly owned property investments of the Fund (the Property Valuer).

Draft management representation letter

Management Rep Letter

We have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Estimates

Valuation of directly owned property investments

1. We confirm that the significant judgments made in making the property valuation estimate have taken into account all relevant information and the effects of the COVID-19 pandemic on the valuation of directly owned property valuation of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the property valuation estimate.

3. We confirm that the significant assumptions used in making the property valuation estimate appropriately reflect our intent and ability to carry out the valuation on behalf of the entity.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic on the valuation of directly owned property investments, are complete and are reasonable in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021.

5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of directly owned property investments estimate.

6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.

Valuation of Fair Value Hierarchy Level 3 Investment Assets Estimate

1. We confirm that the significant judgments made in making the fair value hierarchy level 3 investment asset valuation estimate have taken into account all relevant information and the effects of the COVID-19 pandemic on the valuation of fair value hierarchy level 3 investment assets of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the fair value hierarchy level 3 investment asset valuation estimate.

3. We confirm that the significant assumptions used in making the fair value hierarchy level 3 investment asset estimate appropriately reflect our intent and ability to carry out the valuation on behalf of the entity.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic on the valuation of fair value hierarchy level 3 investment assets, are complete and are reasonable in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of fair value hierarchy level 3 investment asset estimate.

6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.

Estimation of IAS26 present value of promised retirement benefits

1. We confirm that the significant judgments made in making the IAS26 estimate have taken into account all relevant information and the effects of the COVID-19 pandemic on the present value of promised retirement benefits of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the IAS26 estimate.

3. We confirm that the significant assumptions used in making the IAS 26 estimate appropriately reflect our intent and ability to carry out the valuation on behalf of the entity.

Appendix D

Draft management representation letter

Management Rep Letter

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic on the valuation of the present value of promised retirement benefits are complete and are reasonable in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021.

5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of the present value of promised retirement benefits.

6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements, including due to the COVID-19 pandemic.

Yours faithfully,

____

Katharine Eberhart, Director of Finance and Support Services

____

Dr Nigel Dennis, Chairman of the Regulation, Audit and Accounts Committee

EY | Assurance | Tax | Transactions | Advisory

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West Sussex County Council

Audit results report

Year ended 31 March 2021

14 September 2021

Building a better working world

West Sussex County Council
County Hall
West Street
Chichester
PO19 1RQ

14 September 2021

Dear Committee Members

2020/21 Audit results report

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Regulation, Audit and Accounts Committee. We will update the Regulation Audit and Accounts Committee at its meeting scheduled for 22 September 2021 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on West Sussex County Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

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

We welcome the opportunity to discuss the contents of this report with you at the Regulation, Audit and Accounts Committee meeting on 22 September 2021.

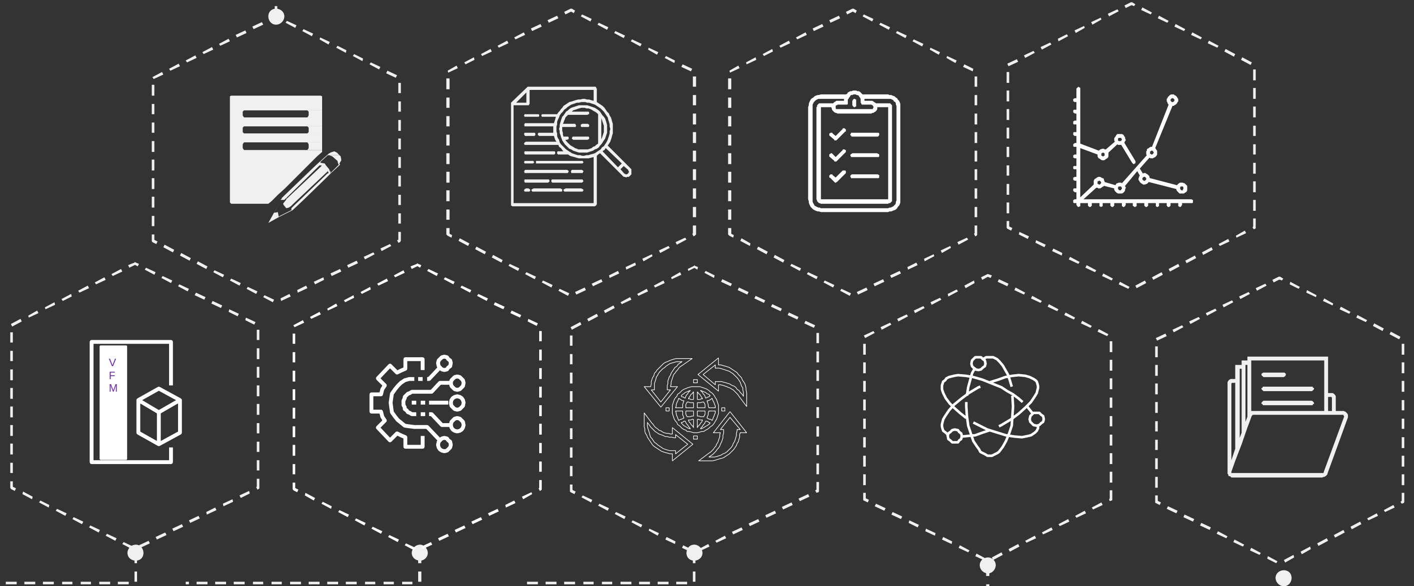
Yours faithfully

Helen Thompson, Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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 April 2018)" 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 Regulation, Audit and Accounts Committee and management of West Sussex County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Regulation, Audit and Accounts Committee, and management of West Sussex County 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 Regulation, Audit and Accounts Committee and management of West Sussex County Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary

Executive Summary

Scope update

In our audit planning report presented to the Regulation, Audit and Accounts Committee meeting on 19 July 2021 , we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following updates:

Changes in materiality

We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment

	Planning Materiality	Performance Materiality	Audit Differences
	Our planning materiality represents 1.8% of gross expenditure on provision of services, levies expenditure and interest payable. In previous years we have been required to calculate separate materiality to apply to our audit work on Firefighters' Pension Scheme Account included in the financial statements. This requirement no longer applies for 2020/21.	Performance materiality represents 75% of planning materiality and is the top of our range, consistent year on year.	We report all uncorrected misstatements relating to the primary statements greater than 5% of planning materiality.
Planning	£25.8 million	£19.3m	£1.3m
Final	£31.9 million	£23.9m	£1.6m

Auditing accounting estimates

A revised auditing standard has been issued in respect of the audit of accounting estimates. The revised standard requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors now consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we may see the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area. We have considered the following areas as higher inherent risk estimates in our approach:

- The revaluation of land and buildings classified as Property, Plant and Equipment (PPE), Investment Property (IP) and Surplus Assets.
- Pension liability and asset valuation.

Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

Information Produced by the Entity (IPE):

We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Fund's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agreed IPE to scanned documents or other system screenshots.

Changes to reporting timescales

As a result of Covid-19, new regulations, the Accounts and Audit (Amendment) Regulations 2021 No 263, have been published and came into force on 31 March 2021. This announced a change to publication date for final, approved financial statements from 31 July to 30 September 2021 for all relevant authorities.

Executive Summary

Status of the audit

As at 14 September 2021 our audit work in respect of the Council's opinion remains in progress. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Final determination of an objection received to the 2020/21 financial statements and final consideration of any related impact on our audit responsibilities
- Final completion of our work on the revaluation of land and buildings classified as property, plant and equipment, investment property and surplus assets
- Final completion of our work on pension asset and liability valuation
- Final completion of our work on specific grant income
- Final completion of our work to verify all Council investments disclosed on the Balance Sheet to third party evidence
- Final completion of our work on small number of other disclosures in the financial statements
- Final completion of our work on officers' remuneration disclosures in the financial statements
- Final check of the updated financial statements after completion of all outstanding procedures
- Update of our subsequent events procedures to the date of our opinion
- Receipt of a signed letter of management representation

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the accounts which could influence our final audit opinion.

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- 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; and
- 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.

Executive Summary

Status of the audit – Value for Money

In the audit planning report presented to the Regulation, Audit and Accounts Committee, we reported that we had completed our value for money (VFM) risk assessment and not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have revisited our assessment on completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness. As a result, we have completed our planned VFM procedures, subject to final consideration of matters raised by a local elector in an objection to the accounts, and have no matters to report by exception in the auditor's report (see Section 03).

We plan to issue the VFM commentary as part of issuing the Auditor's Annual Report.

Audit differences

There are no unadjusted differences as at 14 September 2021.

There were no misstatements greater than £23.9m which have been corrected by management. The IAS19 pension liability has been reduced by approximately £7.8m, with a corresponding entry made to the pensions reserve, to adjust for differences between the Council's share of estimated Pension Fund assets considered by the actuary in determining the pension liability and the Council's share of actual Pension Fund assets accounted for in the final 2020/21 Pension Fund accounts.

A small number of other amendments were also made to disclosures appearing in the financial statements as a result of our work.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council.

We have not yet been able to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020/21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance was not expected to be available until Autumn 2021. Therefore the 2020/21 WGA component data will not be available for auditors to review until after that. Group Audit Instructions and the timetable for 2020/21 will necessarily follow any changes HMT make to the DCT and process.

We have no other matters to report.

Executive Summary

Objections

We have received an objection to the 2020/21 accounts from a member of the public.

As at 14 September 2021 we are continuing to undertake work to determine whether the objection raised has any impact on our financial statement opinion, value for money reporting or other audit responsibilities for 2020/21. We will also not be able to issue the audit certificate to formally conclude the audit until the objection is resolved.

Areas of audit focus

In our audit planning report we identified a number of key areas of focus for our audit of the financial report of West Sussex County Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Fraud Risk	Findings & Conclusions
Misstatements due to fraud or error	Based on our work completed to 14 September 2021 we have not identified any material weaknesses in controls or evidence of material management override, instances of inappropriate judgements being applied; or any other transactions during our audit which appear unusual or outside the Council's normal course of business.
Inappropriate capitalisation of revenue expenditure	Our sample testing of additions to Property Plant and Equipment: • Found costs had been correctly classified as capital and included at the correct value. • Did not identify any revenue items that were incorrectly classified as capital. Our review of judgements taken by management found them to be reasonable.

Significant Risk	Findings & Conclusions
Land and buildings classified as Property, Plant and Equipment (PPE), Investment Property (IP) and Surplus Assets	Our work in this area remains in progress as at 14 September 2021. Further details are set out in Section 2 of this report.

Executive Summary

Areas of audit focus (continued)

Area of audit focus / Inherent risk	Findings & Conclusions
Private Finance Initiative (PFI) (Inherent risk)	The Council has three material PFI arrangements. PFI accounting is a complex area and therefore more susceptible to error. Based on our work we are satisfied that: • Inputs to the PFI accounting models were supported by evidence. • The models continued to operate correctly. • Output from the models was correctly reflected by the relevant accounting entries and disclosures in the financial statements. • PFI assets were correctly accounted for and disclosed.
Pension Liability and Asset Valuation (Inherent risk)	As at 14 September 2021 our planned work in this area is largely complete, but an issue has arisen across all local government audits that needs to be resolved prior to us being able to fully conclude our work. Further details are set out in Section 2 of this report. One adjustment was made as a result of our work to date to reduce the IAS 19 pension liability on the Council's balance sheet by £7.8 million and increasing the pension fund reserve by an equivalent amount.
Going Concern (Area of audit focus)	Management produced a going concern assessment to the end of the 2022/23 financial year. This was supported by cash flow forecasts and liability benchmark analyses, which assessed the underlying need to borrow over the assessment period and consequential impacts on the Council's liquidity. The cash flow forecast and liability benchmark assessments modelled two reasonable scenarios. We reviewed and challenged both the cash flow forecasts and liability benchmark analyses and the assumptions that underpinned them. We also reviewed and further challenged the going concern disclosure made by the Council, which appears at Notes 41 and Note 42 to the accounts, and are satisfied that it is an adequate reflection of management's assessment that it remains appropriate to prepare the financial statements on a going concern basis.
Accounting for Covid-19 related government grants (Inherent risk)	Based on our work we are satisfied that the accounting treatment adopted for Covid-19 related government grants accorded with the Council's assessment of whether it was acting as agent or principal, the underlying conditions of the grant and whether those conditions had been met. Based on our own assessment and intelligence gained from other audits we challenged the Council's assessment that it acts as agent in its role in administering the Adult Social Care Infection Control Grant. We ultimately concluded that the Council's assessment was not unreasonable, but asked it to further disclose the basis for its judgement. It has included this additional narrative at Note 42 to the amended financial statements. Our detailed testing of funding claimed under the Coronavirus Job Retention Scheme identified no issues.

Executive Summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

We have not identified any significant control deficiencies as part of the audit process, but we provide an update on two matters we raised as control observations in our prior year audit in Section 07 of this report.

Independence

Please refer to Section 08 for our update on Independence.

02 Areas of Audit Focus

Areas of Audit Focus

Fraud risks

Misstatements due to fraud or error

What is the risk?

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

As identified in ISA (UK) 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.

We identify and respond to this fraud risk on every audit engagement.

What did we do and what judgements did we focus on?

We:

- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Gained an understanding of the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.

We also performed mandatory procedures which we are required to undertake regardless of specifically identified fraud risks. We:

- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- Assessed accounting estimates for evidence of management bias, including estimates with a higher level of inherent risk relating to the revaluation of PPE, IP & surplus assets and pension liability and asset valuation.
- Evaluated the business rationale for significant unusual transactions.

We utilised our data analytics capabilities to assist with our work.

Having re-evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We continued to conclude that only those procedures included under 'Inappropriate capitalisation of revenue expenditure' were required. See the next page for further details.

What are our findings & conclusions?

As at 14 September 2021 our testing in this area is complete with the exception of full completion of our work on accounting estimates.

Based on our work completed to date we have not identified any:

- material weaknesses in controls or evidence of material management override;
- instances of inappropriate judgements being applied; or
- any other transactions during our audit which appear unusual or outside the Council's normal course of business.

Fraud risks (continued)

Inappropriate capitalisation of revenue expenditure

What is the risk and potential impact on the financial statements?

As identified in ISA 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 would otherwise appear to be operating effectively.

We determined that the way in which management could override controls is through the inappropriate capitalisation of revenue expenditure to understate revenue expenditure reported in the financial statements.

We assessed that the risk of misreporting revenue outturn in the financial statements was most likely to be achieved through:

- Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- Expenditure being classified as revenue expenditure financed as capital under statute (REFCUS) when it is inappropriate to do so.
- Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating PPE additions and/or REFCUS in the financial statements.

What did we do and what judgements did we focus on?

We:

- Tested PPE additions to ensure that the expenditure incurred and capitalised is clearly capital in nature. There were no Investment property additions in the year.
- Considered the need to test REFCUS to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources. However, we note that expenditure capitalised as REFCUS was well below our performance materiality level so there was no requirement to undertake any detailed testing.
- Sought to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

In testing the capitalised expenditure we focused on the following judgements:

- We sought to gain assurance the capitalised spend clearly enhanced or extended the useful life of assets rather than simply repairing or maintaining the assets on which it was incurred.
- We sought to gain comfort that any development or other related costs that were capitalised were reasonable to capitalise i.e. the costs incurred were directly attributable to bringing the asset into operational use.

We sought to utilise our data analytics capabilities to assist with our work, including journal entry testing.

Areas of Audit Focus

Fraud risks (continued)

What are our findings & conclusions?

Our sample testing of additions to PPE:

- Found costs had been correctly classified as capital and included at the correct value.
- Did not identify any revenue items that were incorrectly classified as capital.

Our review of judgements taken by management found that:

- Where relevant the capitalised spend clearly enhanced or extended the useful like of assets rather than simply repairing or maintaining the assets on which it was incurred.
- Other capitalised costs were directly attributable to bringing assets into operational use.

Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.

Significant risk

Land and buildings classified as Property, Plant and Equipment (PPE), Investment Property (IP) and Surplus Assets

What is the risk and potential impact on the financial statements?

There is a high degree of estimation uncertainty in the valuation of property, especially when the amount of PPE and IP in the case of the Council is many times our materiality for the audit. We note that not all of the Council's PPE is subject to revaluation with vehicles, plant, furniture & equipment, infrastructure assets and assets under construction all valued at cost under the Local Authority Code of Practice on Local Authority Accounting.

The risk therefore pertains to land and building assets, surplus assets and investment property. We considered the impact of Covid-19 on the risk but note that the market volatility brought about by the advent of Covid-19 in the last quarter in the prior year and throughout the 2020/21 year relates primarily to assets carried at a market value – either fair value (investment property and surplus assets) or existing use value (EUV) as a proxy for fair value (some of land and buildings). Asset carried at depreciated replacement cost (DRC) are not impacted in the same way (the majority of land and buildings).

Given the nature of Covid-19 and the fact that 2020/21 was predominantly influenced by local and national lockdowns the valuer was not be able to undertake site visits due to the restrictions in place due to Covid-19. Therefore, the valuer has performed a remote/desktop approach to value the properties, which increases the risk that the PPE and IP might not have been valued appropriately. The Council has also appointed a new external valuer for 2020/21 with no prior experience of the Council's asset base. This further increased the level of risk.

If land and buildings or investment property are incorrectly valued this could have the impact of understating or overstating the carrying value of assets and income and expenditure by a material amount.

Areas of Audit Focus

Significant risk

What did we do and what judgements did we focus on?

We:

- Considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Sample tested key asset information used by the valuer in performing its valuation (e.g. floor plans to support valuations based on price per square metre) and challenged the key assumptions used by the valuer.
- Tested accounting entries have been correctly processed in the financial statements.
- Ensured that appropriate disclosure had been made in the accounts concerning the possibility of 'material uncertainty'.
- Commissioned EY Real Estates (EYRE), our internal specialists on asset valuations, to consider the valuation approach in more detail for a sample of assets. Sampling focussed on:
    - Assets more susceptible to the market volatility brought about by C-19. We consider this relates to assets carried at either fair value or EUV
    - Asset categories where errors were noted in the prior year.
    - Other significant classes of assets, for example schools, where we have no prior year knowledge of the approach of the new external valuer and there had been significant changes in the carrying value of assets from the prior year.

What are our findings & conclusions?

As at 14 September 2021 our work in this area remains in progress as we have not yet received final outputs from the EYRE consideration of a sample of assets subject to revaluation in the year. The results of the EYRE review are also needed to fully complete our own local team testing of the revaluation.

There is one issue from the work undertaken to date that we wish to draw to your attention. The carrying value of the Council's operational land and buildings classified as PPE has decreased by approximately £500m, or by one-third, from the prior year. The majority of this change, approximately £375m, relates to a decrease in the carrying value of schools on the Council's balance sheet. The Council became aware, through its internal quality assurance checks, of significant decreases in the valuation of schools by its new external valuer, Bruton Knowles (BK), prior to preparing the draft financial statements. Based on our current understanding there are two main causes of the decrease in value:

- BK has applied a 'Modern Equivalent Asset' (MEA) approach where, for DRC valuations such as for schools, the valuation is based on the cost to construct an asset with equivalent service potential rather than a like-for-like replacement of the existing structure. This approach was not taken by the previous valuer who assumed a like-for-like replacement of the existing structure. This has resulted in the majority of the decrease in value.
- BK has taken a different approach to the valuation of the land on which schools are located compared to the previous valuer.

The Council has undertaken work to quantify the proportion of the decrease in schools value from the prior year that it estimates is related to the use of MEA to determine DRC. We have asked management to include disclosures in the amended financial statements to explain to a user of the accounts both the primary cause of the year-on-year change in valuation and the Council's view that the decrease in value is caused by a change in the estimation technique used by the valuer. This additional disclosure has now been included at Note 4 , Property Plant and Equipment, and Note 43, Assumptions made about the future and other major sources of estimation uncertainty. We are continuing to consider this issue with a particular focus on whether the material decrease in value can be solely attributed to a change in estimation technique, or whether it is indicative of error in either the current or prior period. The results of the work of EYRE will help to inform this assessment.

Area of audit focus

Private Finance Initiative (PFI) (Inherent risk)

What is the risk?

The Council has three material PFI arrangements. PFI accounting is a complex area and therefore more susceptible to error, and a detailed review of these arrangements was undertaken by our internal expert in 2016/17 and followed-up in 2017/18 and 2018/19.

What did we do and what judgements did we focus on?

We reviewed the accounting entries and disclosures in relation to PFI in detail in 2020/21. In doing this we considered whether there had been significant changes to the contractual arrangements since the previous year. We confirmed there were no such changes and therefore that no changes needed to be made in the year to the under-pinning accounting models for any of the PFIs. Given no changes had been made to the accounting models we were able to continue place reliance on the prior year work of our internal expert to gain assurance they operate correctly.

For each of the three material PFI schemes at the Council we undertook testing of in-year inputs to the accounting models and agreed relevant entries in the financial statements to year-end outputs from each of the models. We also undertook work to gain assurance that PFI assets were correctly accounted for and disclosed on the Council's balance sheet.

What are our findings & conclusions?

Based on our work we are satisfied that:

- Inputs to the PFI models were supported by evidence.
- The models continued to operate correctly.
- Output from the models was correctly reflected by the relevant accounting entries and disclosures in the financial statements.
- PFI assets were correctly accounted for and disclosed.

Area of audit focus

Pension Liability and Asset Valuation (Inherent risk)

What is the risk?

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 Local Government Pension Scheme administered by the Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2021 this totalled £674m in the draft financial statements.

The information disclosed is based on the IAS 19 report issued to the Council by its actuary.

Accounting for this scheme involves significant estimation and judgement and therefore 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.

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What did we do and what judgements did we focus on?

We:

- Liaised with the auditors of West Sussex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to West Sussex County Council.
- Assessed the work of the West Sussex Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office (NAO) for all local government sector auditors, and considering any relevant reviews by the EY actuarial team.
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

We also considered outturn information available at the time we undertook our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We used this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments were required.

What are our findings & conclusions?

As at 14 September 2021 our planned work in this area is largely complete, but an issue has arisen across all local government audits that needs to be resolved prior to us being able to fully conclude our work. This is in relation to the impact of the new auditing standard on accounting estimates. We planned to take an audit approach to this estimate based on procedures to evaluate management's process. The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we have been required to modify our planned approach and undertake alternate procedures to create an auditor's estimate, to provide a different method of gaining assurance. We will provide the Committee with a verbal update on progress at the 22 September 2021 meeting.

One adjustment has been made as a result of our work to date to reflect the Council's share of the difference between the estimated value of Pension Fund assets submitted to Hymans Robertson and the final audited value of Pension Fund assets in its 2020/21 financial statements. This adjustment had the impact of reducing the IAS 19 pension liability on the Council's balance sheet by £7.8 million and increasing the pension fund reserve by an equivalent amount.

Area of audit focus

Going Concern (Area of audit focus)

What is the risk?

There is a presumption that the Council will continue as a going concern for the foreseeable future. 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-19 there was a need for the Council to ensure it's going concern assessment, including its cashflow forecast, is thorough and appropriately comprehensive.

The Council was 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.

In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit.

What did we do and what judgements did we focus on?

We:

- Challenged management's identification of events or conditions impacting going concern.
- Tested management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Reviewed the Council's cashflow forecast covering the foreseeable future to ensure that it has sufficient liquidity to continue to operate as a going concern, including an assessment of any underlying need to borrow.
- Undertook a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, in drawing our conclusions on going concern.
- Challenged the disclosure made in the accounts in respect of going concern and any material uncertainties.

What are our findings & conclusions?

Management produced a going concern assessment to the end of the 2022/23 financial year. This was supported by cash flow forecasts and liability benchmark analyses which assessed the underlying need to borrow over the assessment period and consequential impacts on the Council's liquidity. The cash flow forecast and liability benchmark analyses modelled two reasonable scenarios. We reviewed and challenged both the cash flow forecasts and liability benchmark analyses and the assumptions that underpinned them. We also reviewed and further challenged the going concern disclosure made by the Council, which appears at Notes 41 and Note 42 to the accounts. Based on all of this we are satisfied that management's assessment is reasonable and supportable, and that disclosures in the financial statements are an adequate reflection of management's assessment that it remains appropriate to prepare the financial statements on a going concern basis.

Area of audit focus

Accounting for Covid-19 related government grants (Inherent risk)

What is the risk?

The Council has received a significant level of 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 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 in the 2020/21 statements.

What did we do and what judgements did we focus on?

We considered the Council's judgement on material grants received in relation to whether it is acting as:

- Agent, where it has determined that it is acting as an intermediary; or
- Principal, where the Council has determined that it is acting on its own behalf.

We sought to determine whether conditions were attached to the grant funding received and whether those conditions were met or not. Considering the outcome of the above we considered the appropriateness of the accounting treatment for the grants, in particular whether the grants were correctly classified, and whether associated disclosure were also accurate.

We also undertook detailed testing to ensure that income under the Government's Coronavirus Job Retention Scheme had been claimed and recognised in accordance with the scheme rules.

What are our findings & conclusions?

Based on our work we are satisfied that the accounting treatment adopted for Covid-19 related government grants accorded with the Council's assessment of whether it was acting as agent or principal, the underlying conditions of the grant and whether those conditions had been met.

Based on our own assessment and intelligence gained from other audits we further challenged the Council's assessment that it acts as agent in its role in administering the Adult Social Care Infection Control Grant. We ultimately concluded that the Council's assessment was not unreasonable, but asked management to further disclose the basis for their judgement. Management has included this additional narrative at Note 42 to the amended financial statements.

Our detailed testing of funding claimed under the Coronavirus Job Retention Scheme identified no issues.

03 Audit Report

Draft audit report

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST SUSSEX COUNTY COUNCIL

Our opinion on the financial statements

Opinion

We have audited the financial statements and the firefighters' pension fund financial statements of West Sussex County Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, Balance Sheet, Comprehensive Income and Expenditure Statement, Cash Flow Statement and the related notes 1 to 44 and Expenditure and Funding Analysis on page 23, and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement at note 45.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of West Sussex County Council as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance and Support Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 18 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance and Support Services with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2020/21, other than the financial statements and our auditor's report thereon. The Director of Finance and Support Services is responsible for the other information contained within the Statement of Accounts 2020/21.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is

Draft audit report

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST SUSSEX COUNTY COUNCIL

Our opinion on the financial statements

a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

Responsibility of the Director of Finance and Support Services

As explained more fully in the Statement of Responsibilities set out on page 20, the Director of Finance and Support Services is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Support Services is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

Draft audit report

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST SUSSEX COUNTY COUNCIL

Our opinion on the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant are:

- the Local Government Act 1972;
- the Local Government Act 2003;
- the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020;
- the National Health Service Act 2006;
- the Local Audit and Accountability Act 2014; and
- the Accounts and Audit Regulations 2015.

In addition, the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how West Sussex County Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority's committee minutes. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified the inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.
- To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.
- To address our fraud risk of management override of controls, we tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; assessed accounting estimates for evidence of management bias; and evaluated the business rationale for significant unusual transactions.

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

Draft audit report

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST SUSSEX COUNTY COUNCIL

Our opinion on the financial statements

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in April 2021, as to whether West Sussex County Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether West Sussex County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, West Sussex County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

In addition, we cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to address an objection received from a local elector. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of West Sussex County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted and uncorrected differences

There are no unadjusted differences as at 14 September 2021.

There were no misstatements greater than £23.9m which have been corrected by management. The IAS19 pension liability has been reduced by approximately £7.8m, with a corresponding entry made to the pensions reserve, to adjust for differences between the Council’s share of estimated Pension Fund assets considered by the actuary in determining the pension liability and the Council’s share of actual Pension Fund assets accounted for in the final 2020/21 Pension Fund accounts.

A small number of other amendments were also made to disclosures appearing in the financial statements as a result of our work.

05 Value for Money

Value for money

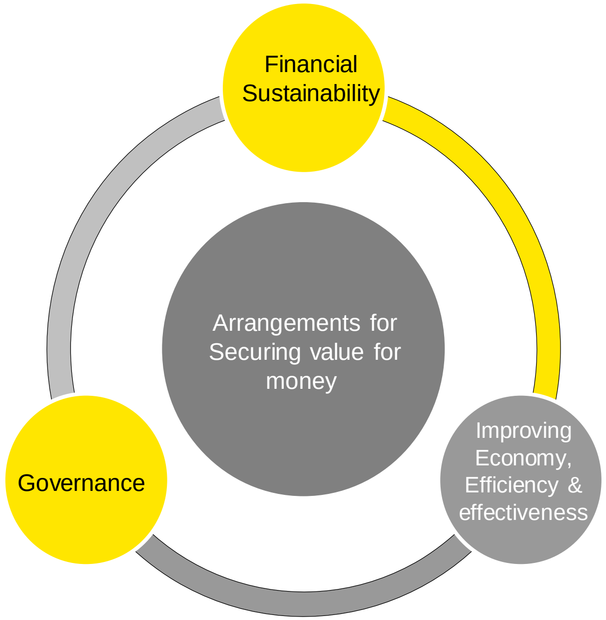
The Council's responsibilities for value for money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in an annual governance statement. In preparing its annual governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA Code of Practice on Local Authority Accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

We have previously reported to the Committee the outcome of our assessment of the risk of significant weaknesses in the Council 's VFM arrangements - that we had not identified any risks. We have revisited our risk assessment and have not identified any additional risks.



Value for money

Status of our VFM work

As at 14 September 2021 we are continuing to undertake work to determine whether the objection raised has any impact on our value for money reporting or other audit responsibilities for 2020/21. Subject to this, we have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03). We plan to issue the VFM commentary by the end of December 2021 as part of issuing the Auditor's Annual Report.

06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2020/21 with the audited financial statements We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited financial statements. We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no matters to report as a result of this work. We have no other matters to report.

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 return. The extent of our review, and the nature of our report, is specified by the NAO.

We have not yet been able to perform the procedures required by the NAO on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020/21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance was not expected to be available until Autumn 2021. Therefore the 2020/21 WGA component data will not be available for auditors to review until after that. Group Audit Instructions and the timetable for 2020/21 will necessarily follow any changes HMT make to the DCT and process.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). As at 14 September 2021 we are continuing to undertake work to determine whether the objection raised has any impact on any of our other audit responsibilities for 2020/21.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have nothing to report.

07 Assessment of Control Environment

Assessment of Control Environment

Financial Controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control. We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware, but wish to draw the following issues to your attention which follow-up on issues raised as part of our 2019/20 audit.

Completeness of the Authority's lease register

During the course of our prior year work we identified a number of operating leases present on the Council's lease register in 2019/20 that were not present in 2018/19 and prior years, even though the lease had been extant for a number of years. This was as a result of ongoing work by the Council to collate and review all contracts it is party to with the purpose of identifying contractual arrangements that may be operating lease agreements. The exercise was initiated by the Council in anticipation of the adoption of a new accounting standard, IFRS 16, which will significantly change accounting requirements in respect of leases when fully adopted, with adoption of the standard now planned for the 2022/23 financial year. We therefore recommended that the Council fully embed and continue to operate the new arrangements it established to ensure that all operating leases are identified and recorded on its lease register. Our current year testing has identified one further operating lease where the Council is lessee that has been extant since 2015 but not included on the lease register until 2020/21. The value of the omitted lease was not significant and the amounts omitted from prior year disclosures do not impact our responsibilities. However, given the finding we are not able to conclude the prior year recommendation has been fully addressed and therefore continue to raise it below.

Recommendation

Fully embed and continue to operate the new arrangements established by the Council to ensure that all operating leases are identified and recorded on the Council's lease register.

Assessment of Control Environment

Financial Controls (continued)

Related party declarations

As part of our work to gain assurance over related party transactions disclosed in the 2019/20 financial statements we identified that the Councill did not routinely request related party declarations from departing senior officers. Although we were satisfied that related party transaction disclosures appearing in the financial statements were complete we concluded this should be a routine part of the Council's processes to identify related party interests and transactions and raised an associated recommendation for improvement.

Our current year work on related party transaction disclosures in the 2020/21 financial statements has identified a further instance of a senior officer leaving in-year without providing a declaration of interests. We note the officer departed during November 2020 at around the time we issued the prior year recommendation, so arrangements to address the recommendation were not developed at the time of departure. We also acknowledge that it is often difficult to obtain declarations retrospectively. We were able to undertake alternative procedures to gain assurance that related party disclosures in the financial statements were complete. However, given the finding we are not able to conclude the prior year recommendation has been fully addressed and therefore continue to raise it below.

Recommendation

Ensure that related party declarations are routinely requested obtained for senior officers leaving the Council prior to their departure.

08 Independence

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 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The table below sets out a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute.

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.

	Final fee 2020/21	Planned fee 2020/21	Final Fee 2019/20
	£	£	£
Scale Fee – Code work	£90,561	£90,561	£90,561
Planned 2019/20 recurrent fee variation reflecting the underlying level of additional risk at the Council yet to be agreed by PSAA (See Note 1)	£66,426	£66,426	£66,426
Revised Proposed Scale Fee agreed by the Council to date	£156,987	£156,987	£156,987
Risked based fee variations (see Note 2)	TBC	TBC	£60,500
Total Fees	TBC	TBC	£217,487

Note 1 - In order to meet regulatory and compliance audit requirements not present in the market at the time of our most recent bid to PSAA, we undertook additional work at a fee of £66,426 to deliver the audit in 2019/20 which we expect to reoccur in 2020/21 and subsequent years. This additional fee has been accepted by the Director of Finance and Support Services for 2020/21 and future years, but not 2019/20. The proposed recurrent fee variation has also not yet been approved by PSAA.

Note 2 - These 2019/20 risk based fees have been agreed with the Director of Finance and Support Services except for £1,000 relating to additional work on the Council's Whole of Government Accounts return. They have not yet been approved by PSAA. We are yet to fully quantify 2020/21 risk based fee variations and agree them with the Council. We will provide an update in due course.

Other communications

EY Transparency Report 2020

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

EY UK Transparency Report 2020 | EY UK

09 Appendices

Appendix A

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

There were no significant changes to our audit approach apart from the additional work we were required to undertake to address the requirements of the new auditing standard on accounting estimates. This primary impacted out audit procedures on:

- The revaluation of land and buildings classified as Property, Plant and Equipment (PPE), Investment Property (IP) and Surplus Assets.
- Pension liability and asset valuation.

Appendix B

Summary of communications

Date	Nature	Summary
Throughout the year	Meetings, calls and emails.	The Associate Partner and Senior Manager has been in regular contact with the Director of Finance and Support Services and the corporate finance team in respect of the Council's risks, accounts closedown and the audit approach.
Throughout the year	Meetings, calls and emails.	The Associate Partner has met with the Director of Finance and Support Services and Chief Executive on a ad hoc basis throughout the year to discuss key audit findings and reporting up to the date of issue of this report.
All Regulation, Audit and Accounts Committee meetings held in the year	Committee attendance	The Associate Partner and/or Senior Manager have attended those meetings of the Regulation, Audit and Accounts Committee held throughout the financial year and to the date of issue of this report. All pre-meetings have also been attended. Specific reports issued and communications with the Committee are detailed in Appendix C.

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

Required communications with the Regulation, Audit and Accounts Committee

There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Regulation, Audit and Accounts Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report – dated June 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report – dated June 2021
Significant findings from the audit	• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process	Audit results report – dated September 2021

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty related to going concern • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The appropriateness of related disclosures in the financial statements	No conditions or events were identified, either individually or together to raise any doubt about West Sussex County Council's ability to continue for at least 12 months from the date of our report.
Misstatements	• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management	Audit results report – dated September 2021
Subsequent events	• Enquiry of the Regulation, Audit and Accounts Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit results report – dated September 2021
Fraud	• Enquiries of the Regulation, Audit and Accounts Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Regulation, Audit and Accounts Committee responsibility.	Audit results report – dated September 2021

Appendix C

Our Reporting to you

Required communications	What is reported?	When and where
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity	Audit results report – dated September 2021
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees	Audit Plan – dated June 2021 and Audit Results Report – September 2021

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
	• Details of any inconsistencies between the Ethical Standard and the Fund's policy for the provision of non-audit services, and any apparent breach of that policy • Details of any contingent fee arrangements for non-audit services • Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard • The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	
External confirmations	• Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures.	We have received all expected confirmations.
Consideration of laws and regulations	• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the Regulation, Audit and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	• Significant deficiencies in internal controls identified during the audit.	Audit results report – dated September 2021

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	• Written representations we are requesting from management and/or those charged with governance	Audit Results Report – September 2021
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	• Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report – September 2021
Auditors report	• Key audit matters that we will include in our auditor's report • Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report – September 2021
Fee Reporting	• Breakdown of fee information when the audit planning report is agreed • Breakdown of fee information at the completion of the audit • Any non-audit work	Audit Plan – dated June 2021 and Audit Results Report – September 2021

Draft management representation letter

Management Rep Letter

This letter of representations is provided in connection with your audit of the financial statements of West Sussex County Council ("the Council") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of West Sussex County Council as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and are free of material misstatements, including omissions. We have approved the financial statements.

.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;

Draft management representation letter

Management Rep Letter

- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.

3. We have made available to you all minutes of the meetings of the Council and committees held through 2020/21 to the most recent meeting of the Regulation, Audit and Accounts Committee held on 22 September 2021.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

6. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

7. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

8. From the date of our last management representation letter at 20 November 2020 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 40 to the financial statements all guarantees that we have given to third parties.

Appendix D

Draft management representation letter

Management Rep Letter

E. Going Concern

1. Notes 41 and 42 to the financial statements disclose all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than as described in Note 38 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information included in the Statement of Accounts 2020/21, other than the financial statements and our auditor's report thereon.

2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land an d buildings classified as property, plant & equipment, investment property and surplus assets and valuation of pension liabilities and assets, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

I. Estimates

Revaluation of land and buildings classified as Property, Plant and Equipment (PPE), Investment Property (IP) and Surplus Assets

1. We confirm that the significant judgments made in performing the revaluation of land and buildings classified as PPE, IP and surplus assets have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in performing the revaluation of land and buildings classified as PPE, IP and surplus assets.

3. We confirm that the significant assumptions used in performing the revaluation of land and buildings classified as PPE, IP and surplus assets appropriately reflect our intent and ability to carry out the revaluation on behalf of the entity.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

5. We confirm that appropriate specialized skills or expertise has been applied in undertaking the revaluation of land and buildings classified as PPE, IP and surplus assets.

6. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements, including due to the COVID-19 pandemic.

Pension Liability and Asset Valuation

7. We confirm that the significant judgments made in performing the pension liability and asset valuation have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.

8. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in performing the pension liability and asset valuation.

Draft management representation letter

Management Rep Letter

9. We confirm that the significant assumptions used in performing the pension liability and asset valuation appropriately reflect our intent and ability to carry out the revaluation on behalf of the entity.

10. We confirm that the disclosures made in the financial statements with respect to the accounting estimate, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

11. We confirm that appropriate specialized skills or expertise has been applied in undertaking the pension liability and asset valuation.

12. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements, including due to the COVID-19 pandemic.

Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

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Katharine Eberhart, Director of Finance and Support Services

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Dr Nigel Dennis, Chairman of the Regulation, Audit and Accounts Committee

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.
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ED None

ey.com

Key decision: Not applicable
Unrestricted

Regulation, Audit and Accounts Committee

22 September 2021

Financial Statements 2020/21

Report by Director of Finance and Support Services

Summary

The audits of the Statement of Accounts for 2020/21 for both West Sussex County Council and the West Sussex Pension Fund have largely concluded. At the time of writing, the audit of the West Sussex Pension Fund statements is complete, and the audit of the West Sussex County Council statements is substantially complete. Both audits have progressed well with EY identifying only a small number of changes to both sets of accounts, as outlined below. These changes have been reflected in the attached updated statements. An unqualified opinion will be issued for the Pension Fund statements, while work is ongoing on the County Council statements.

Given the outstanding work at the time of the despatch of the papers for the Committee meeting, a verbal update will be given at the meeting.

Recommendation

The Committee is asked to approve the Statement of Accounts for 2020/21 for West Sussex County Council and the West Sussex Pension Fund, for signing by the Chairman of the Committee, as attached at Appendices Ai and Aii.

1 Background and context

1.1 One of the outcomes of the Redmond Review was a temporary two-year revision to the legislative deadlines starting in 2021, with the date when the draft accounts are required to be submitted for audit moving from 31 May to 31 July and the date of publication of the audited accounts moving from 31 July to 30 September.

1.2 A complete set of draft accounts for the Pension Fund were submitted to EY on 18 June while a complete set of draft accounts for the County Council were submitted to EY for audit on 9 July. EY commenced their audit, initially of the Pension Fund accounts, on 21 June. The accounts inspection period ran from 29 July to 9 September inclusive.

1.3 Members have already had the opportunity to review the financial statements for both West Sussex County Council and West Sussex Pension Fund at the member briefing session held on 16 September 2021. This aimed to help members gain a greater understanding of the accounts, including a walk-through of the financial statements.

1.4 At the time of writing, the audit of the West Sussex Pension Fund statements is complete, and the audit of the West Sussex County Council statements is substantially complete, with a few areas of work outstanding as set out in the Audit Results Report elsewhere on the agenda.

1.5 One area of work outstanding relates to the valuations of schools. Our new valuers, Bruton Knowles, have adopted a different valuation approach to our previous valuers, Montagu Evans, and the accounts for 2020/21 have been prepared using the Modern Equivalent Asset (MEA) approach. This change is recognised in the accounts both in Note 4 Property, Plant and Equipment and Note 43 Assumptions and Estimation Uncertainty. All schools were revalued, and this has resulted in a movement from the carrying amount as of 31 March 2020 of £259m. EYRE were commissioned to consider the valuation approach and the final output of this review has not yet been received.

1.6 The production and audit of the Whole of Government Accounts submission is outstanding awaiting the publication of the tool used to report to HM Treasury. We have recently been notified that the tool will not be available until at least December 2021. This will delay the issuance of the audit certificate by EY.

1.7 An unqualified opinion will be issued for the Pension Fund statements, while work is ongoing on the County Council statements. EY have received an objection to the financial statements from a local elector and this is being considered as part of the audit process.

1.8 As part of the audit, EY also consider whether the Council has put in place "proper arrangements" to secure economy, efficiency, and effectiveness on our use of resources. The reporting criteria has changed for 2020/21 and the 2020 Code requires the auditor to undertake work to provide them with sufficient assurance to enable them to report against specified reporting criteria on the arrangements the Council has in place to secure value for money through economic, efficient, and effective use of its resources. The specified criteria are financial sustainability, governance and improving economy, efficiency, and effectiveness. EY have completed their planned VFM procedures, and subject to final consideration of matters raised by a local elector, have no matters to report by exception. EY plan to issue the VFM commentary as part of the Auditor's Annual Report for consideration both by this committee and Full Council.

2 Financial Statements

2.1 West Sussex County Council - the following changes have been reflected in the latest version of the accounts:

- Narrative Report
  - Covid grants "received in 2020/21" – the text in the Narrative Report and Note 42 (Going Concern Assessment) has been amended to make it clear that the amount stated is the total grant funding received to date and includes the Emergency Funding received in previous financial year, but excludes the amounts which were passported directly through to schools, to be consistent with the presentation in the outturn QPM
  - Updated the Pension Fund 31 March 2021 asset values to align with audited Pension Fund accounts

- Note 4 PPE – added to 'Revaluations' text at the end of the note to cross-reference to the existing estimation uncertainty disclosure regarding the impact of change in the valuation of schools
- Note 31
    - Senior Officer Remuneration – amended the footnote for Kim Curry to reflect her leaving date of 1 April 2020
    - Exit packages – amended the disclosure to revise the banding of payments to a small number of employees
- Note 42 Critical Judgements – added a section to disclose Covid grants where the authority has judged it is acting as agent (Infection Control £20.8m and Rapid Testing £2.9m)
- Note 43 Estimation Uncertainty – revised the reduction in the school carrying value attributable to the change in the valuation methodology to Modern Equivalent Asset (MEA) approach
- IAS 19 changes – updated the accounts to reflect the increased asset values (£7.8m) in the audited Pension Fund accounts owing to the final private equity and private debt valuations not being available at the time the actuary's original reports were produced

2.2 The changes outlined above have had no impact on the General Fund balance and have been reflected in the latest version of the statements attached at Appendix Ai.

2.3 As part of their work to assess the control environment, EY have not identified any significant deficiencies which might result in a material misstatement in the financial statements. However, two issues have been raised (and both were previously reported as part of the 2019/20 audit):

- Related party declarations – these are routinely requested from senior officers prior to their departure from the Authority. EY identified for one senior officer who left in November 2020 that an appropriate declaration of interest had not been provided. The Council has already reviewed this process as part of the 2019/20 audit findings, but due to the timing of that audit, these were not in place in November 2020.

- New leasing arrangements – the Council has established a process to ensure that all operating leases are recorded on its lease register in anticipation of the adoption of the new accounting standard IFRS 16 in 2022/23. As a result, during 2020/21 the Council identified one lease which was entered into in 2015 but had not previously been recorded on its leasing register. The Council corrected this in the draft statements submitted for audit and EY have noted this in their audit findings. The Council will continue to ensure that all operating leases are identified and recorded appropriately.

2.4 West Sussex Pension Fund – during the audit, a small number of changes were made to the draft statements, including:

- Additional narrative to support the accounts being prepared on a going concern basis. The wording in Note 2 was expanded to make clear that cashflow forecasting had taken place and extended beyond 12 months from the reporting date.
- Revision to the classification of some assets based on the valuation techniques used (with active market assets being the highest level, and where there are no observable inputs).

2.5 Due to the tight deadline to complete a set of draft accounts, the Fund included an estimate for private equity and private debt valuations. This is an approach agreed with EY. The final valuations were received from the private equity managers and one private debt manager during the audit. These showed valuations which were £8.1m higher than estimated (£7.5m for private equity and £0.6m for private debt).

2.6 All the changes outlined above have been amended in the final version of the statements attached at Appendix Aii.

3 Consultation, engagement and advice

3.1 A Customer Focus Appraisal is not required for this decision as it is a report dealing with internal and procedural matters only.

4 Finance

4.1 The level of resources allocated to the preparation and supporting the production and audit of the Statement of Accounts is necessarily tight, making it important that a streamlined, disciplined approach is followed. No additional staffing resources were required throughout the processes and in fact any additional resource applied would only be at the expense of other areas within the teams.

4.2 EY's proposed audit fee, as set out in their Audit Results Report (Section 8), is £156,987 for West Sussex County Council and £62,897 for West Sussex Pension Fund. For West Sussex County Council this includes a proposed additional fee of £66,426 on top of the base scale fee (£90,561) and an additional £33,533 for the Pension Fund, both of which are subject to the approval of Public Sector Audit Appointments Ltd (PSAA). These additional fees cover the additional work required to meet regulatory and compliance audit requirements which were not present in the market at the time of EY's most recent bid to PSAA. The final fees for both County and the Pension Fund are subject to further risk-based variations which have yet to be quantified by EY, which will also be subject to the approval of the PSAA.

5 Risk implications and mitigations

Risk	Mitigating Action (in place or planned)
Failure to complete the County Council and Pension Fund accounts by the due date and to appropriate standards undermines the Council's reputation and ability to move ahead in its management of the current year and planning for future years. It also increases the risk of additional fees if more audit testing is required for EY to issue its opinion.	Within the project plans which were approved by the committee in March 2021, there are detailed risk registers which were monitored throughout both the preparation and audit of the County Council and Pension Fund statements.

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Appendices
Appendix Ai – West Sussex County Council - Statement of Accounts 2020/21
Appendix Aii – West Sussex Pension Fund – Statement of Accounts 2020/21

Background Papers
None

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West Sussex County Council

Introduction to West Sussex

West Sussex County Council covers an area of around 768 square miles, with a population of around 870,000, comprising 70 electoral divisions. It is bordered by Hampshire to the west, East Sussex to the east, Surrey to the north and the English Channel to the south. It is a significant rural county, with urban centres and most people living in one of the four largest towns: Crawley and Horsham in the north and Bognor Regis and Worthing in the coastal areas. West Sussex has a range of scenery, and the highest point of the county is Blackdown in the Western Weald. It has over 300 square miles of national park and 100 square miles of Areas of Outstanding Natural Beauty including the South Downs National Park and the Sussex Downs. It has over 200 conservation areas and over 7,000 listed buildings. There are a number of stately homes in the county, including Goodwood, Petworth House and Uppark, along with both Arundel Castle and Bramber Castle.

The Council forms the upper tier of local government within West Sussex, providing a wide range of services such as social care, education, planning, libraries, waste management and trading standards to residents in the county. There are seven districts and boroughs and 159 parish and town councils, providing a further range of services to both businesses and residents.

West Sussex County Council's vision

Our Council Plan (originally known as the Reset Plan), which was approved in February 2021 alongside the Council's budget, sets out our shared priorities for the next four years, and has been built with significant input from members, residents, staff and a number of our partners. As we developed the plan, we spoke to community groups and residents to understand the effects of Covid-19, and what they need from us going forward. The plan is the way our County Council's decision making and planning will happen from now. We will ensure we are making the very best use of the resources available.

Our Council Plan priorities are:

- Keeping people safe from vulnerable situations
- A sustainable and prosperous economy
- Helping people and communities fulfil their potential
- Making the best use of resources

All are underpinned by the cross-cutting theme of climate change.

Our Council Plan is designed to make sure we meet the challenges facing local government today. There are tough choices and challenges facing us around meeting the huge demand on our services with limited resources in a continued uncertain future. Our Council Plan is a living document. It will be reviewed on an annual basis to make sure that we are delivering what we said we would do and that we stay focused on the right outcomes.

You can read the plan in full here.

Political and Democratic Structures

At the end of March 2021, the County Council was made up of 70 councillors (known as members), controlled by the Conservatives. The political composition was:

- Conservative: 50
- Liberal Democrat: 8
- Labour: 4
- Independent Conservative: 2
- Independent: 4
- Vacancies: 2

The Council follows the Leader and Cabinet model as its democratic structure, with functions allocated across the full Council itself, the Cabinet and a range of committees. Many functions are delegated from the Cabinet and committees to officers. The Council's Constitution explains how the County Council operates, how decisions are made and the procedures which are followed to make sure that these are efficient, transparent and accountable to local people. Further details can be found on the Council's website.

In April 2020, in response to the Covid-19 emergency, the Government passed new Regulations enabling formal local authority meetings to be held virtually. Prior to this, committee members were required to be physically present. All public meetings, including full Council, Cabinet, non-executive and scrutiny committees have continued to conduct business throughout 2020/21. In order to do so, the Council has produced new Standing Orders to cover the requirements for virtual meetings, which include that public meetings must be capable of being heard or viewed via the internet. These new Standing Orders are part of the Constitution and are available online here.

Management Structure

In support of the democratic structure, the officer management structure of the Council is headed by an Executive Leadership Team (ELT), led by the interim Chief Executive, Becky Shaw. The role of ELT is to work closely with the Leader and Cabinet to ensure the delivery of public services for the residents of West Sussex. ELT is comprised of:

- Chief Executive
- Chief Fire Officer
- Executive Director of Adults and Health
- Executive Director of Children, Young People and Learning
- Executive Director of Place Services
- Director of Finance and Support Services
- Director of Human Resources and Organisational Development
- Director of Law and Assurance

Council Employees

At the end of March 2021, the Council employed 4,733 full time equivalents (5,322 people), excluding school-based employees, in both full and part time contracts. Key facts about our workforce include:

- Gender – Across the Council, 68.4% of employees are female and 31.6% are male.
- Age – The Council has an older age profile than the working age population of West Sussex, with 27% of employees aged 55+ and those aged 16–24 are particularly under-represented at only 3.1% of the workforce.
- Ethnicity – 2.2% of the workforce are recorded as belonging to black and minority ethnic groups. However, 45% of employees are of unknown ethnicity, so the actual proportion could be higher or lower.

In line with the Government guidance in relation to Covid-19, the Council adopted a policy of advising employees to work from home throughout 2020/21, where possible. This way of working was already within the Council's flexible working policies and an established way of working for many staff, albeit not to the level that was experienced from March 2020.

The top overall reason for sickness absence for each quarter during 2020/21 has been Anxiety, Stress, Depressions & Mental Health, with Musculoskeletal the second highest reason for sickness absence. For Quarter 4, the top reason for short-term sickness absence was Covid-19 which reflects the level of positive Covid-19 cases experienced across the county during the winter months of 2020/21.

West Sussex Plan Performance for 2020/21

The Council measured its performance for 2020/21 against the West Sussex Plan, which was approved in October 2017 and replaced by Our Council Plan from April 2021. The Performance Framework supports this plan and sets out 68 measures to monitor performance against the five priority areas within the plan: Best Start in Life; A Prosperous Place; A Strong, Safe and Sustainable Place; Independence for Later Life and A Council that works for the Community.

This year, 21 measures had no data to report as a result of the Covid-19 pandemic. Central bodies such as the NHS and the Department of Education made the decision early in 2020 to suspend monitoring.

Against the remaining 47 measures we have successfully exceeded or met 29 targets (62%), with a further 10 (21%) being close to meeting the target, giving an overall total of 83%. There were 8 (17%) measures however which did not meet the target. Some key highlights and challenges are summarised below.

Best Start in Life

Our key successes this year include exceeding our target for healthy weight in 10-11-year olds. Although performance has slightly fallen compared to last year to 69.8%, West Sussex ranks 7th best of all 151 Local Authorities. England average is now 63.4% and we remain in the top quartile of all Local Authorities.

As part of the Troubled Families programme, we achieved 4,600 families turned around by December 2020, ahead of the target deadline of March 2021. The quarterly publication of national results continues to show West Sussex as one of the foremost authorities in the local delivery of the government's ambitions for families.

The number of West Sussex children looked after per 10,000 remains in line with national average, at 50.4 against a milestone target of 52 per 10,000 and we have also performed consistently well this year to keep the number of children, subject to a Child Protection Plan for two years or more, low. We exceeded our target of 1.35% and are currently performing at 0.95% for March 2021, remaining in the top quartile for statistical neighbours.

Challenges remain for children looked after with three or more placements. Latest performance is 13.5% against a target of 10.5%. However, performance will improve with the introduction of the entry to care panel aimed at ensuring children are in the right placement to meet their needs from the earliest possible point.

A Prosperous Place

It is important that we continue to support businesses, tourism and local people and provide a place that is attractive to business with the necessary infrastructure in place. This year we installed a further 5km of new cycle path installations, totalling 33.7km since 2017, which exceeded the target of 25.53km by March 2021. We have also continued to maintain our A-Roads to ensure we have 5% or less considered poor and requiring maintenance. Additionally, access to superfast fibre broadband remains above target at 96.7%.

Economically active 16-64-year olds who are employed also remains higher than the England and the South East average. Latest available data (to December 2020) show West Sussex in the top quartile of our statistical neighbours, ranking 2nd out of 15 at 79.7% compared to the regional (78.3%) and national (75.7%) averages. However, all three areas have seen a downturn in the employment rate over the year – presumably an impact of Covid-19. There has also been a significant improvement in the number of 16-17-year olds who are not in education, employment, or training. The current figure is 7.3%, compared to 11.1% at the end of February 2020, an improvement of 3.8% and the best result for the last four years.

Challenges remain with the numbers of apprentices across West Sussex, although this year we saw growth both locally and nationally. The number of new starts (to Quarter 3) in West Sussex was 3,670. It is likely that this is due to employers and training providers becoming more familiar with the apprenticeship levy and the significant development of new apprenticeship standards, meaning they more readily meet the need of employers. However, the target to achieve 5% year-on-year increase against a baseline of 5,790 in 2017, remained too ambitious in light of the changes to the Government framework.

Performance for adults with learning disabilities in paid employment remained static this year at 2.1% against a target of 6%. It is recognised that more work needs to be undertaken to improve the number of people with a learning disability in work within West Sussex. There are a wide range of initiatives in progress which will take some time to have an impact but will change the attitude to employment from young people, parents and schools.

A Strong, Safe Sustainable Place

For the last two years the Council has exceeded the target to generate renewable energy of 9,141 MWh per year and this year has generated over 16,000 MWh. We continue to invest in new solar systems where feasible, such as a newly designed system on the County Records building in Chichester. We also reduced our carbon emissions by 52.9% by March 2020, which means we halved our carbon emissions three years ahead of schedule.

Safety within the county remains good with the latest data showing crime rate at 66.5 per 1,000 population, well below the national average of 80.5. Safe and well visits to those at highest risk were lower than in previous years, but it is anticipated that they will increase again over the forthcoming months, however this is dependent on the number of referrals received and the impact of any further Covid-19 restrictions.

Ongoing challenges remain with permanency planning for children looked after, emergency hospital admissions for self-harm and killed and seriously injured on our roads.

The average time between a child entering care and moving in with their adoptive family has remained stable at 500.48 days, higher than our target of 426 days. This is still a positive position in light of the ongoing court related delays in care proceedings which have led to children being the subject of interim placements for longer periods which is out of the control of the local authority. Children’s matches are progressing more quickly once orders are made as the interface between West Sussex and Adoption South East continues to improve.

Emergency hospital admissions for intentional self-harm has increased from 235 to 247.5 per 100,000 population. There are a number of actions that have taken place to reduce the incidence of self-harm emergency admissions. These include the recruitment of a Schools and Colleges Programme Manager for Self-Harm, who has developed a number of resources and ensures that self-harm prevention and improved response is at the core of WSCC children and young people's mental health and wellbeing offer. A Pan-Sussex self-harm learning network aims to increase knowledge and skills amongst different stakeholder groups and for learning to take place both within and across Local Authority areas.

The number of people killed or seriously injured (KSI) in road traffic accidents per billion vehicle miles is currently 118, above the milestone target of 68. The latest published results (November 2020) show that the total number of reported injury collisions in West Sussex dropped by 22% against the same period in 2019. The decrease in collisions led to a 27% reduction in the number of casualties, mainly a result of Covid-19 related travel restrictions. KSIs are down 10% on 2019 and while car-occupants have seen a large drop, pedal cyclists KSI increased by 34%. The increase in cycling KSIs appears to correspond with an uptake of cycling beginning in the spring of 2020, at the time of the first pandemic lockdown. Our on-going road safety engineering schemes, education, training, and publicity will continue to improve road safety.

Independent for Longer in Later Life

Although hip fractures in people aged 65+ increased to 571 per 100,000 population for 2019/20 (from 560 previously), we still remain better than target (612). In light of the Covid-19 recovery response taking place at present, there is currently a concerted effort to identify and mitigate any deviance from the original target set for this measure in order to sustain the most positive outcome as the pandemic pathway progresses during the remainder of the year.

Performance continues to improve against the measure 'people who use services who say that those services have made them feel safe and secure', to 93% for 2019/20 compared to 91.9% for the previous period. We continue to perform better than the England average at 86.8% and South East average at 88.1%. 2020/21 results are not yet published.

Some performance measures have no updates this year due to the Covid-19 pandemic, such as delayed transfers of care, whilst other measures remain relatively static, such as quality of care in care homes, with very few inspections taking place this year.

A Council that works for the Community

This year we greatly exceeded our target to webcast our formal member meetings. Performance rose from 61.4% in 2019/20 to 100%. Due to the continuing public health restrictions there is a requirement for all formal member meetings to be webcast in order to qualify as valid meetings. This means that in addition to the Council's usual practice of webcasting all meetings of the Cabinet, the Full Council, the Planning and Rights of Way Committee and all Scrutiny Committees, all other formal committee meetings were also webcast. We also exceeded our targets for the number of Facebook fans, currently at 13,700 fans against the target of just over 8,000 fans and compared to approximately 3,986 fans since the start of the West Sussex Plan in 2017. Subscribers to online updates is also up to 38,300 compared to 25,600 last year.

In contrast, response times to Freedom of Information requests remains below the target of 95%, with average performance at 86% for 2020/21. We also remain below target to ensure 72.5% of decisions have been in the Forward Plan for two months or more before being published. Figures for 2020/21 show an average of 66%. There will always be the challenge of urgent decisions - exacerbated this year by the ongoing effect of the Covid-19 pandemic, which will have an impact on the overall figure.

Full details of the outcomes against all 68 of the targets can be found on the West Sussex Performance Dashboard.

External Performance Assessment and Review

Two key service areas were initially subject to independent external assessment during 2018/19 with improvements noted during 2019/20. Further updates on the progress made in each of these areas during 2020/21, all of which have been achieved whilst in the pandemic, are set out below:

Fire and Rescue Service

In November 2018, Her Majesty's Inspectorate of Constabulary and Fire and Rescue Service (HMICFRS) undertook an inspection of our Fire and Rescue Service. The report was published on 20 June 2019 and rated the service as requiring improvement in areas of service effectiveness and efficiency and as inadequate in relation to supporting its people.

The Council continues to invest in the improvement needed and as at 31 March 2021 the Council has spent £2.9m in total addressing the areas of concern raised by HMICFRS in their original report with further investment planned for 2021/22.

The third HMICFRS service reinspection report, which was carried out in February 2021, acknowledged that the Fire & Rescue Improvement Plan project has made tangible progress, and the Inspectorate concluded that:

- The amount of improvement work and change in the service continues to be significant. Since our last revisit, extra funding has been used to create an appropriately skilled and dedicated programme management team, which has since evolved into the organisational assurance and governance team. This has brought an increased level of co-ordination and supports organisation-wide improvement.
- The service has used the extra funding from West Sussex County Council to increase capacity in its prevention and protection teams. This has contributed to the improvements that are being made.
- The increased capacity in prevention and protection teams has been used to improve how resources are targeted towards risk and quality assurance processes. The new IT system is supporting these improvements, and there are plans for further progress when the system is fully operational.

Full detail on how the service has addressed the original four areas of concern can be read in the letter to the Chief Fire Officer.

Children's Services

Since Ofsted judged Children's Services in West Sussex to be inadequate in May 2019 and the Secretary of State for Education's statutory direction that children's services be moved out of Council control and into a Children's Trust, significant investment has been allocated to the Children First Improvement Plan. Progress in terms of improving services and the wider corporate culture has been such that in December 2020 the Secretary of State agreed to pause the Children's Trust process, with direct control of Children's Services remaining with the County Council for a further year. The Council has achieved this result in two key areas: first, it has made the necessary constitutional changes and adopted appropriate corporate practice to give assurance of sound and compliant governance; and second, based on the opinions of Ofsted and the Commissioner, it has made enough progress against a trajectory of improvement, together with its declared forward intentions to transform its Children's Services, to justify retaining direct control of them.

These events mark a change from normal DfE practice of imposing an alternative delivery model on inadequate authorities, although it should be noted that this new situation formally marks only a suspension of the Trust process. Despite the positive indications, the Minister states: 'it is clear that there is still much work to do to address the weaknesses identified in 2019, and bring the standard of service up to the quality that children and families in West Sussex deserve.'

This means that the imperative to make continuous positive change, as set out within the Children First programme is as strong as ever. The Minister's letter concludes: 'There therefore needs to be, over the next twelve months, real determination, effort and energy put into achieving the Council's improvement plan and demonstrating a tangible and lasting impact on social work practice and outcomes.' The Council remains committed to achieving this.

The Commissioner has established a framework with DfE and the Council through which continued progress can be assessed. The framework document will be used to take a mid-year review, at around July 2021, and then a final review by January 2022. It is anticipated that at that point it will be clear if the Trust proposal can be fully discounted or if moves should be made directly to establish the Trust. In his March 2021 update, the Commissioner stated "Without pre-judging that July review, it should be noted that the corporate progress has continued unabated, and it is also fair to note that the political and officer leadership of WSCC have rightly received the news of the suspension as a significant expression of confidence in their achievements to date, but with no complacency. In the meantime, WSCC has approved its budgets and, particularly, approved the "Reset Plan" which represents the cultural change programme identified as Recommendation 10 in the original Commissioner's report."

Financial Performance

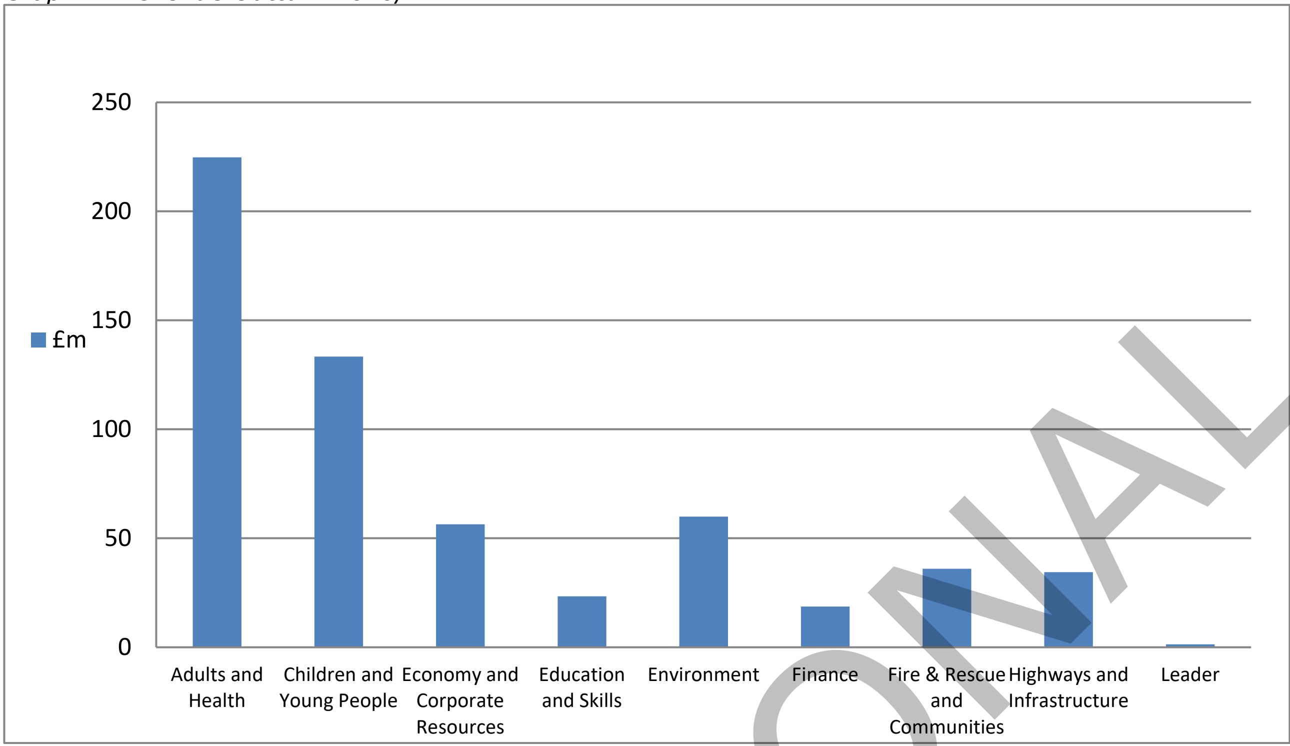
The budget for 2020/21, agreed by County Council in February 2020, supported the objectives of the West Sussex Plan and was set against the background of continuing austerity in public finances. The budget aimed to support the delivery of members' vision and deliver the priorities of the plan. The budget for the year was set ahead of the start of the pandemic, whereas the whole of the financial year was dominated by Covid-19.

Measures to balance the portfolio budgets for both 2020/21 and 2021/22 were developed as part of the budget process, on the basis of maximising efficiency, finding new ways of service provision and engaging partners in collaboration. The budget for 2020/21 assumed savings of £18.4m and by the year end, £12.0m was achieved as originally envisaged or was delivered by other means. The balance, £6.4m, was not delivered in the financial year and of this, £6.1m was undelivered due to the Covid-19 pandemic, therefore these savings have been mitigated by the use of Covid-19 grant funding. The remaining £0.3m of savings not delivered are reported as part of the portfolio position.

As part of the budget approved in February 2020, the County Council approved the use of £5.3m of capital receipts in 2020/21 to fund specific transformation projects. Due to the pandemic, a number of projects have been delayed or paused which has led to only £1.2m of capital receipts being utilised in year.

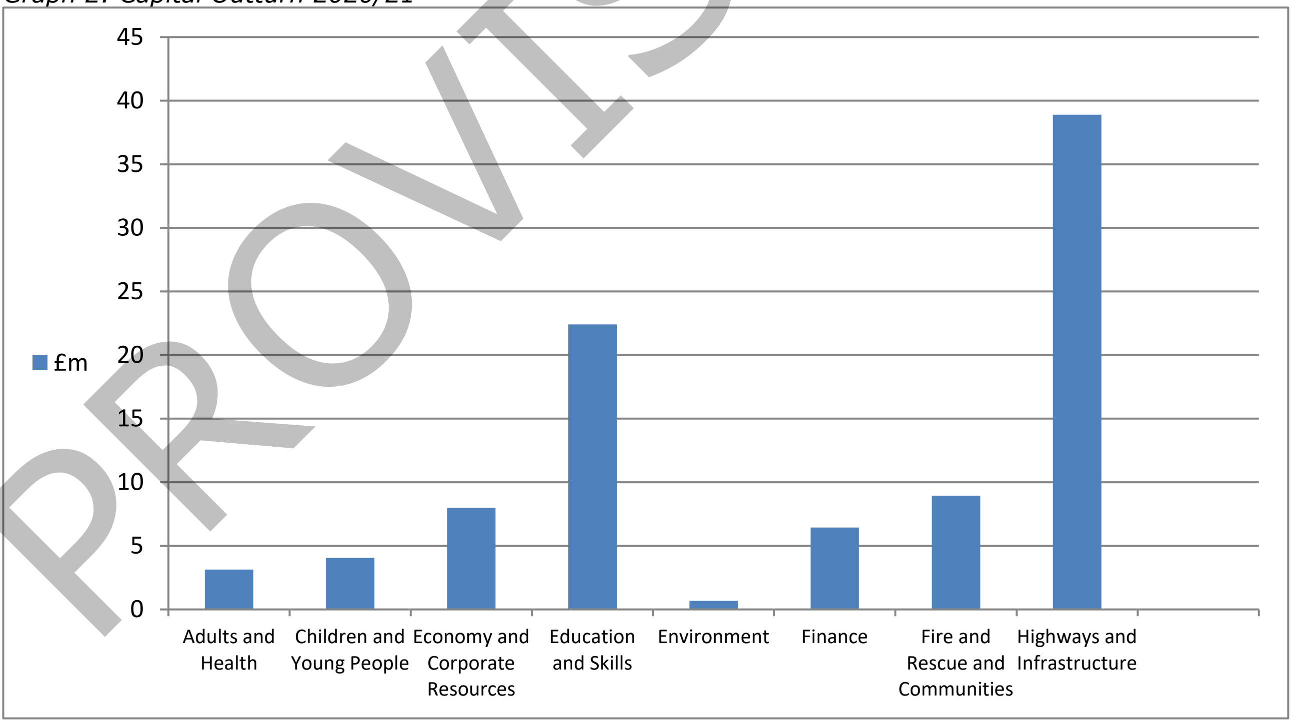
The revenue spending for 2020/21 on portfolio budgets is £588.4m, an underspend of £3.1m within the portfolio budgets. This includes underspendings within the Adults and Health (£5.2m) and Highways and Infrastructure (£2.5m) portfolios offset by overspendings within the Children and Young People (£1.5m), Economy and Corporate Resources (£1.8m) and Finance (£1.7m) portfolios. In addition to this, there was an underspend on the contingency budget of £5.7m along with additional s31 business rates grant of £0.1m, with an overall underspending of £8.9m. This underspending has been transferred to three reserves – £4.7m to the Adults and Health Pressures and Recovery reserve to fund anticipated pandemic rebound pressures in 2021/22; £1.2m to the Ash Dieback reserve to fund critical tree felling work that needs to be accelerated in 2021/22 and £3.0m, arising from savings from homeworking and change in service delivery savings as a result of the pandemic, to the Service Transformation reserve to fund future innovative projects. Full details are set out in the outturn Quarterly Performance Monitor (QPM). The QPM is the Council's monitoring and reporting mechanism for finance performance (revenue and capital), savings delivery, and business performance. It is regularly scrutinised by the Performance and Finance Scrutiny Committee and available from Committee papers on the Council's website. Graph 1 below illustrates the net outturn spend for the year, by portfolio:

Graph 1: Revenue Outturn 2020/21



The delivery of the capital programme has been affected by the pandemic with spending totalling £92.5m for the year, against the capital programme of £103.4m (as approved at County Council in February 2021), a total variation of £10.9m or 10.5%. Graph 2 below sets out the capital outturn for 2020/21, by portfolio:

Graph 2: Capital Outturn 2020/21



During the year, despite the pandemic, a number of capital projects were completed across the county. The most noteworthy include:

Project	Location	Description
April		
Downslink	Various	Programme of improvements to the Public Rights of Way network
June		
SEND Strategy – Herons Dale	Adur	Development of courtyard area to provide facilities enabling additional five pupils
September		
Ifield Community College	Crawley	Provision of additional equipment to enable additional places to be taken up to cover a one-year bulge class
December		
Manor Green SEND Strategy	Crawley	Extension to provide 36 additional SEND primary places
January		
Bognor Regis Creative Hub	Arun	Creative digital hub at Bognor Railway Station to support economic outcomes
February		
Felpham Community College	Arun	Basic Need increase by two forms of entry (300 places by year 5)
March		
Shelly Primary School	Horsham	4-class Basic Need increase of school capacity to 2.5 forms of entry

In 2020/21 a further seven schools obtained Academy status, at which point the building ceased to be a County Council asset (resulting in assets to the value of £46.4m being removed from the Balance Sheet). Furthermore, the Council has revalued the land that these Academies occupy to reflect the restricted use to the authority (resulting in a further reduction of £28.2m to the Balance Sheet). As of March 2021, there are 78 schools with Academy status in the County, with a further 207 schools remaining under local authority control.

Reserves and Balances

The Balance Sheet distinguishes between “usable” and “unusable” reserves. An analysis of the movement in reserve balances during 2020/21 is provided by the Movement in Reserves Statement, and is summarised below:

Table 1: Movement in Reserve Balances 2020/21

	Balance at 1 April 2020 £000	2020/21 Movement £000	Balance at 31 March 2021 £000
General Fund	20,286	0	20,286
Earmarked Reserves	181,716	34,530	216,246
Capital Grants Unapplied Account	55,587	-556	55,031
Capital Receipts Reserve	3,959	830	4,789
Total Usable Reserves	261,548	34,804	296,352
Unusable Reserves	976,235	-696,026	280,209
Total Authority Reserves	1,237,783	-661,222	576,561

Unusable reserves are held to offset the impact of accounting adjustments required by International Accounting Standards; for example, charges to the Comprehensive Income and Expenditure Statement in relation to depreciation, asset revaluation and the accrued pension liability. These reserves are not cash-backed and therefore are not available to finance the provision of services. Furthermore, with the exception of the General Fund the usable reserves are earmarked for specific purposes and are not available to support general revenue spending. The General Fund balance at 31 March 2021 is £20.3m, which (at 3.2% of the net expenditure budget for 2021/22) is considered to be a prudent buffer against the significant financial pressures affecting the Council, although this does not include funding for any impact that Covid-19 may have on the Council's financial position. The General Fund would provide some additional means for the County Council to protect itself from future demand pressures that could adversely impact on our financial position and strengthen the Council's financial resilience. Earmarked reserves totalling £216.2m are held as at 31 March 2021; this includes the Budget Management reserve of £54.4m, £21.9m one-off business rates pilot funding that the Council is committed to spending in conjunction with the districts and boroughs and £7.0m of Covid-19 Emergency Fund grant which was received during 2020/21. A detailed analysis of this balance is provided in Note 3 to the accounts.

Under International Accounting Standard 19, the Council shows the total future costs of pension liabilities for both the Local Government Pension Scheme and Firefighters. This is a purely notional figure, as the County's budget is constructed on the basis of actual contributions payable. The IAS19 notional liability of £666.0m is offset by a matching notional reserve ensuring there is no impact on the local taxpayer.

Future Capital Programme and Borrowing

The Council's Capital Strategy for the period 2021 to 2041 was approved by full Council in February 2021 and within that sets out the five-year capital programme. The strategy is the foundation for proper long-term planning of capital investment and how this links into the Council's overall corporate objectives and strategic priorities. The total value of schemes in the 2021/22 to 2025/26 capital programme is £666.5m.

The authority borrows prudentially for capital investment purposes. The Council did not undertake any external borrowing during 2020/21, but £7.0m of debt was repaid during the year. Outstanding Public Works Loans Board borrowing as at 31 March 2021 was £474.8m (excluding accrued interest), with an average interest rate of 4.1%. This borrowing should be seen in the context of the long- term assets valued at £1.7billion on the Balance Sheet.

Performance and Financial Monitoring

Financial performance, workforce information and service performance are presented in the Quarterly Performance Monitor and reported to Cabinet. Scrutiny Committees also consider this and the Leader and the Cabinet Member for Finance ultimately approve any decisions sought as part of the Quarterly Performance Monitor. This process provides a regular challenge relating to the Council's performance.

The impact of Covid-19 on the provision of Council services

The year has been dominated by the Covid-19 pandemic and the impact of this national health emergency on our County. Throughout this unprecedented period, the Government has enforced restrictions on social interaction, including three national lockdown periods. This has inevitably affected the day-to-day services the County Council provides to its residents, with temporary closures of public buildings and the suspension of services. However, staff and partners have strived to continue and deliver vital services where possible and have found innovative ways to reach residents.

At the start of the pandemic, the Covid-19 Community Hub (in partnership with District and Borough Councils) was launched to focus on ensuring that the most vulnerable people in the community were supported. This has been a crucial lifeline to many residents who have needed help and support during the last year. The Community Hub is still in operation and continues to assist residents at this time.

As part of the response to the national health emergency, social care have been working with NHS colleagues and other partners to help alleviate pressure on hospitals, including collaborative working on the County's Hospital Discharge Scheme which included the use of contracted County Council bed provision.

During the early stages of the pandemic, the Council committed to supporting suppliers and the local economy during the time of economic uncertainty, including paying supplier invoices as quickly as possible to support their cashflows. This support continued until the autumn when suppliers moved back to their normal payment terms.

As we move forward with the easing of lockdown restrictions the future remains uncertain as the longer-term impact of the pandemic becomes clearer on the services the Council provides to residents as well as the impact on businesses and individuals' livelihoods in the County.

Financial impact of Covid-19

The Covid-19 pandemic has had a significant impact on the national and local economy and affected the day-to-day services the County Council provides to its residents, with temporary closures of public buildings and the suspension of services. Many service areas have had to adapt to different ways of working to enable the business to continue in an efficient and effective manner. In response to the pandemic, the Government made a number of funding streams available to local authorities to address budget pressures. Since the onset of the pandemic, the total revenue grant funding received by West Sussex is £113.4m (excluding amounts passported through to schools), of which £85.2m has been spent to date, with £28.2m carried forward into 2021/22 to fund the continuing pandemic costs.

Of the total £113.4m grant funding received to date, £85.6m was awarded directly to West Sussex, acting as the principal, and £27.8m was passed through the Authority on behalf of the Government, where in this instance the Council acted as the agent. Full details of the split between principal and agent are set out in Appendix 2 in the Outturn Quarterly Performance Monitor.

There are a number of different categories of expenditure or loss of income that the funding has supported. The £85.6m directly for West Sussex is categorised as:

- **Additional costs (£36.8m):** increased costs as a result of Covid-19 activities and additional pressure on services, examples being increased Adult Social Care costs including: supporting the care sector markets, cost associated with Children's Social care as a result of increased vulnerable children, test and trace activities, supporting the vulnerable with food, energy and other essentials, additional costs within the home to school transport area to maintain appropriate distancing, cost of personal protective equipment and a hospital discharge programme
- **Loss of income (£9.1m):** fees and charges and commercial income losses as a result of the lockdowns and restrictions on social interaction (for example, social care contributions, library fees, ceremony fees, highways charges)
- **Cost of delayed projects (£11.5m):** the impact on the Council's planned activities (for example, highways schemes and non-delivery of savings plans as efforts have been refocused on Covid-19 measures)
- **Carry forward (£28.2m):** funds were carried forward into 2021/22 to fund the continuing pandemic costs

A further £2.4m of capital grant funding was provided in the form of 'Emergency Active Travel Fund', of which £0.5m has been spent on the installation of temporary cycle lane provision and the remainder will be held for longer term projects.

In addition to the spend detailed above, there has also been a significant impact on the local economy and employment levels, consequently income levels for both business rates and council tax have reduced. To compensate, the government has provided funding to meet 75% of the irrecoverable losses for Council Tax and Business Rates in 2020/21. In line with Government guidance, £4m for Local Tax Income Guarantee has been included in the Council's accounts and has been transferred to the Budget Management reserve.

While the pandemic has created significant budget pressures, the Council has, on the other hand, seen some financial benefits associated with home working. In line with government guidelines, the Council has asked its employees to work from home where possible which has resulted in £3.0m of savings predominantly as a result of reduced staff travel/vehicle mileage and reduction in utility expenditure due to the reduced occupancy in the majority of council buildings. These savings have been transferred to the Service Transformation reserve.

The future remains uncertain with rapidly changing circumstances. However, the impact of the pandemic on the demand for council services continues to be assessed as the longer-term economic impacts are better understood and financial projections for future years will be adjusted accordingly.

Planning for the future

Alongside the budget and Medium-Term Financial Strategy (MTFS) sits the Council's new corporate plan – Our Council Plan (2021/22 to 2024/25). The plan has been developed collaboratively with elected Members, West Sussex County Council staff, partners and communities to prioritise the most important areas that the Council needs to focus on going forward, in order for the Council's limited resources to be spent and focused on the areas that it is needed most.

Our Council Plan has been developed in parallel with the budget for 2021/22 and is fully funded. As it is aligned to the budget and medium-term financial strategy, it acts as the framework in which investment decisions can be made based on the priorities of the Council and the outcomes we want to achieve for people in West Sussex. An integrated business and financial planning cycle, based on a good understanding of the factors that drive high quality financial management and service delivery, reflecting the national and local policy context, a comprehensive understanding of the financial position (revenue and capital) and the service challenges in supporting the needs of residents, businesses and communities is a key factor in achieving value for money and a sustainable and resilient financial framework.

The process brings together our business planning, financial planning and risk management processes. It provides the framework for the County Council's decision making and planning to ensure we are making the very best use of the resources available, understanding the value for money we deliver and at the same time remaining focussed on our priority outcomes. It will also ensure we understand the implications of the tough choices that will need to be made in the face of huge resource and demand challenges, as well as the on-going uncertainties arising from the pandemic, Brexit and outstanding questions about the future of local government funding.

Financial Outlook

The pandemic has and will continue to have a significant impact on local government finances. In February 2020, when the Council set the budget for 2020/21, it was anticipated that there would be a three-year Comprehensive Spending Review undertaken by the Government ahead of 2021/22. However, due to the Covid-19 pandemic, the Government deferred this review for a further year and the Chancellor of the Exchequer announced a one-year Spending Review for 2021/22 on 25 November 2020. Also as a consequence of the impact of the Covid-19 pandemic, further delays have been experienced in undertaking national reviews that will have significant impacts upon the future of local government funding, specifically the Fair Funding and Business Rates Review and the long awaited reform of Adult Social Care.

The Spring 2021 budget focused primarily on jobs and livelihoods, support for businesses to recover from the pandemic and supporting the UK's long-term economic recovery, leaving the allocations and funding streams set out for local government in the November Spending Review largely unchanged.

The County Council's budget for 2021/22 utilises the flexibilities announced in the November 2020 Spending Review which keeps within the 2% threshold for core council tax rises and uses the flexibility to raise a further 3% precept for Adult Social Care. The announcements also confirmed funds for the Improved Better Care Fund (iBCF), the Social Care Support Grant and the New Homes Bonus would continue to be available.

The Government also pledged to continue to provide funding for costs associated with the pandemic and the Local Government Covid-19 Support Package for 2021/22 comprised of £1.55bn of un-ringfenced grant to manage both the immediate and the long term impacts of the pandemic, £670m to enable councils to continue reducing council tax bills for the least able to pay and an extension of the sales, fees and charges income support scheme to June 2021. The allocations provide West Sussex with £15.6m un-ringfenced Covid-19 emergency pressures grant and £6.6m Local Council Tax Support Grant, as well as subsequent announcements of additional funding streams for Infection Control and Contain Outbreak Management Fund (COMF).

Throughout 2020/21 a programme of work was undertaken to review the MTFS and set a balanced budget for 2021/22, in accordance with statutory responsibilities and for 2022/23, the MTFS published as part of the Budget Book in February 2021, assumes the national reviews for Fair Funding and Business Rates (increasing the local share of business rates from 50% to 75%) are implemented and the impact is currently reflected in the budget gap of £35.8m. Whether government meets this timetable will become clearer as the year progresses.

Given the extraordinary level of uncertainty facing the Council and the country, it is vitally important we draw on our good track record of delivering even more sustainable efficiencies and respond innovatively to the challenges we face. As always there is a risk that the savings levels needed will not be achieved or will be delivered late. That risk is magnified by a variety of factors, including the continuation of the pandemic, competing priorities, and organisational capacity.

In addition, given the continuing uncertainty and volatility of public funding expected in the coming years, as well as the aftermath of the Covid-19 pandemic on the Council's finances, it is more important than ever that the County Council holds adequate reserves for the future. Due to the Government's intervention and the allocation of Covid-19 grants during the year, the County Council has not, so far, needed to use any of the reserves, however it should be noted that the County Council has spent £85.2m more than it had planned in 2020/21. Had the Government not provided a national funding response to the pandemic, the County Council would have been at serious financial risk.

As at the end of March 2021, the total earmarked reserves (excluding schools) is £191.5m, with full details set out in the Reserves and Balances section above. The majority of the reserves are held within earmarked reserves to fund future commitments that the County Council has entered into. These relate to large programmes of work which include the Service Transformation reserve and reserves for specific long-term contracts (e.g. Waste Management MRMC, Street Lighting PFI Reserve and Waste Management PFI Reserve). Two new reserves have been created as part of the outturn position; £4.7m has been allocated to the Adults and Health Pressures and Recovery reserve and £1.2m has been allocated to the Ash Dieback reserve.

The Council is currently in a solvent position; however, the impact of the pandemic has not diminished, and the long-term impact continues to remain uncertain. A number of areas are being monitored, including pent-up demand in social care and the impact of business rates as the normalisation of the business sector begins; however it is likely that the effects will be longer-lasting and will have a significant financial impact. The financial resilience of the Council will need continued vigilance and resourcefulness to provide the strengthening it will need in future years, in the face of the on-going financial challenges reflected within the MTFS and emerging through the Covid-19 pandemic.

Future Opportunities

Our Council Plan includes the priority – making the best use of resources. The Council is committed to achieving the best value for residents which means that we must work better, be more efficient and get the best from what we have to manage increasing demand in a different way. To achieve this, the Council will focus activity in the following areas – to act on the findings of the good governance review to remove silos and work across team boundaries; to ensure staff have the confidence and support to deliver change and continuous improvement in line with the People Framework; to maximise the use of our assets by disposing of surplus assets and looking creatively at how we might use our assets to support economic growth and for retained assets, to reduce our overall energy consumption to meet our ambition of being a net carbon zero organisation by 2030; to benchmark the unit costs of our services and maximise every pound spent and achieve value for money and to combine or share approaches and services to achieve greater efficiency.

Corporate Risks

The Risk Management Strategy has been reviewed and updated to ensure it continues to provide coherent and robust governance to support risk management across the Council. Corporate and Directorate risk registers are reviewed and updated at least quarterly, with a clear mechanism for escalation and de-escalation provided.

The current key corporate risks and summary mitigating actions that are captured within the Corporate Risk Register are as follows:

Risk	Mitigation
Cyber-security – Loss of data and system failure	Robust IT governance and education of staff, collaborative working and periodic testing.
Social care provisions – Failure leading to personal and/or reputational harm	Improvement/development of current governance arrangements and stakeholder groups.
Children’s services will fail to deliver an acceptable provision to the community.	Deliver Children First Improvement Plan. Continued work with partner in practice (Hampshire County Council).

All risks detailed above have been assessed by a suitably experienced person as having at least a high likelihood of occurring, and a major impact should it happen. These risks and their mitigating actions are reviewed and updated at least quarterly by the risk owner and Corporate Risk Manager. In addition, ELT and Cabinet review the key corporate risks monthly, with the Regulation, Audit and Accounts Committee receiving quarterly updates on any risk developments.

West Sussex Statement of Accounts

The Statement of Accounts on the following pages sets out the Council's income and expenditure for the year, and its financial position at 31 March 2021. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which in turn is underpinned by International Financial Reporting Standards. It comprises core and supplementary statements. The Core Statements are as follows:

Movement in Reserves Statement	Sets out the change in the authority's "net worth" over the year
Balance Sheet	Shows the value of the County's assets and liabilities at the year end, and how they are financed
Comprehensive Income & Expenditure Statement	Shows all the financial gains and losses experienced by the County over the year
Cash Flow Statement	Summarises movements of cash into and out of the authority over the year

The Expenditure and Funding Analysis is a note to the financial statements. However, it is positioned with the core statements as it provides a link from the portfolio-based analysis of the revenue outturn presented in the Narrative Report to the analysis within the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

A glossary of key terms is provided at the end of this publication.

Provisions and contingencies

The Council continues to hold both short and long term provisions which total £9.7m at 31 March 2021, of which £5.0m relates to the insurance provision and £4.0m relates to the Non- Domestic Rates (NDR) Appeals provision.

Changes to accounting policies

The County Council accounting policies have been updated, to streamline the policies to reflect the recommended format in the Code and to update them to reflect feedback from last year's audit and other minor changes. The Pension Fund policies have also been updated to reflect minor changes.

Conclusion

Through careful planning and management, West Sussex County Council has been able to close its accounts showing a relatively strong financial position, which will support the Council in meeting its future challenges.

West Sussex Pension Fund

The Local Government Pension Scheme (LGPS) is a national defined benefit pension scheme administered by West Sussex County Council on behalf of 207 active employers and 80,806 members (contributors, pensioners and deferred).

The Annual Report and Financial Statements for the Pension Fund set out the benefit arrangements for the LGPS, the details of the governance structure in which it operates and the investment and administrative performance of the West Sussex LGPS. The report also sets out in detail the mandates which the third-party investment managers have been awarded and their short, medium and long-term performance. It further considers the Fund's approach to Responsible Investment.

Administration

The provision of administration services has been provided by Hampshire County Council since 6 March 2019. The team have made substantial progress on the Data Improvement Plan and met all their key performance indicators during 2020/21.

Funding

Every three years the Fund is required to undertake a full actuarial valuation of its assets and liabilities. The latest full valuation showed the Fund to be 112% funded, and this set employer contributions from 1 April 2020 to 31 March 2023. The funding position has increased to 123% as at the end of 31 March 2021.

Assets

The Pension Fund invests in equities, bonds, property, private equity and private debt as summarised below. The Fund has also made a commitment to an infrastructure fund as part of its investment strategy review, but as at 31 March 2021 no monies had been invested. The mix of assets reflects the Fund's revision to its investment strategy reflecting the need to protect the strong funding position, increase diversification, provide additional cashflows and its commitment to responsible investment.

	31 March 2020 £m	31 March 2021 £m
Equities	1,985	2,896
Bonds	1,655	1,886
Direct Property	366	380
Private Equity	91	85
Private Debt	0	61
Cash or cash equivalents	88	82
Total	4,185	5,390

The Fund seeks to integrate Environmental, Social and Governance (ESG) issues throughout its investment decision-making process, from setting investment strategy to monitoring the Fund's investment managers – taking appropriate advice. The Committee expects that ESG principles, including the transition pathway to a low carbon future, are considered at all times in the investment process. In turn, the fund managers invest considerable resources to support their research driven investment decision making, long term stewardship and engagement with companies on the future direction and the risks associated with their business, including climate change.

In response to the Government's requirement that Administering Authorities "pool investments to significantly reduce costs while maintaining investment performance" the County Council is working with eleven like-minded LGPS funds under the name ACCESS (A Collaboration of Central, Eastern and Southern Shires). During 2020/21 the Fund has invested 54% of its assets in the ACCESS pool. This initial investment was valued at £2.9bn as at 31 March 2021. Work is now taking place to transition the remaining equity and bond portfolio by 31 March 2022.

In this context during the year, the Fund's assets returned 26.95% compared to the market of 19.93%. The Pension Fund is a long-term investor, and as shown in the table below, has benefited from strong active management of the Fund's investments, which have provided higher returns, net of fees, to the Fund over the long term than the benchmark (market) index. This helps manage the cost of benefits.

	12 months	3 years pa	10 years pa
Total Fund	26.95%	9.97%	10.25%
Benchmark	19.93%	8.21%	9.03%
Difference	7.02%	1.76%	1.22%

Statement of Responsibilities

The Chief Financial Officer's responsibilities:

The Director of Finance and Support Services is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

In preparing this Statement of Accounts, the Director of Finance and Support Services has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.

The Director of Finance and Support Services has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts set out in the following pages presents a true and fair view of the financial position of the County Council as at 31 March 2021, and of its income and expenditure for the year ending on that date.

Katharine Eberhart
Director of Finance and Support Services
22 September 2021

The County Council's responsibilities:

The County Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Support Services;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

I confirm that the Statement of Accounts were considered and approved by the Regulation, Audit and Accounts Committee at its meeting on 22 September 2021 on behalf of West Sussex County Council.

Dr Nigel Dennis
Chairman of the Regulation, Audit and Accounts Committee
22 September 2021

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves. The Statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund balance movements in the year following those adjustments.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2019	**-20,286**	**-163,313**	**0**	**-44,669**	**-228,268**	**-606,870**	**-835,138**
Movement in Reserves during 2019/20:							
Total Comprehensive Income and Expenditure	-2,041	-	-	-	-2,041	-400,604	-402,645
Adjustments between Accounting and Funding Basis (Note 2)	-16,362	-	-3,959	-10,918	-31,239	31,239	0
(Increase)/Decrease before Reserve Transfers	**-18,403**	**-**	**-3,959**	**-10,918**	**-33,280**	**-369,365**	**-402,645**
Transfers to/from Earmarked General Fund Reserves (Note 3)	18,403	-18,403	-	-	0	-	0
(Increase)/Decrease in 2019/20	**0**	**-18,403**	**-3,959**	**-10,918**	**-33,280**	**-369,365**	**-402,645**
Balance at 31 March 2020	**-20,286**	**-181,716**	**-3,959**	**-55,587**	**-261,548**	**-976,235**	**-1,237,783**
Movement in Reserves during 2020/21:							
Total Comprehensive Income and Expenditure	343,997	-	-	-	343,997	317,225	661,222
Adjustments between Accounting and Funding Basis (Note 2)	-378,527	-	-830	556	-378,801	378,801	0
(Increase)/Decrease before Reserve Transfers	**-34,530**	**-**	**-830**	**556**	**-34,804**	**696,026**	**661,222**
Transfers to/from Earmarked General Fund Reserves (Note 3)	34,530	-34,530	-	-	0	-	0
(Increase)/Decrease in 2020/21	**0**	**-34,530**	**-830**	**556**	**-34,804**	**696,026**	**661,222**
Balance at 31 March 2021	**-20,286**	**-216,246**	**-4,789**	**-55,031**	**-296,352**	**-280,209**	**-576,561**

The total General Fund of the Council is equal to the sum of the *General Fund Balance* and the *Earmarked General Fund Reserves* disclosed above. The total General Fund of the Council, including Earmarked General Fund Reserves, is therefore £236,532,000 as at 31 March 2021.

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between Accounting and Funding Basis'.

1 April 2020 £000		Notes	31 March 2021 £000
1,972,822	Property, Plant & Equipment	4	1,500,802
280	Heritage Assets	5	280
91,401	Investment Property	7	89,172
390	Intangible Assets	8	0
62,215	Long Term Investments	9	48,283
28,894	Long Term Debtors	9	31,633
2,156,002	**Long Term Assets**		**1,670,170**
210,683	Short Term Investments	9	215,105
1,840	Assets Held for Sale	10	845
374	Inventories	N/A	356
119,172	Short Term Debtors	11	126,998
66,513	Cash and Cash Equivalents	12	151,913
398,582	**Current Assets**		**495,217**
-16,439	Short Term Borrowing	9	-13,416
-132,295	Short Term Creditors	13	-220,316
-23,199	Short Term Provisions	14	-6,129
-2,973	Short Term PFI Liability	15	-3,287
-99	Short Term Finance Lease Liability	16	-108
-175,005	**Current Liabilities**		**-243,256**
-474,819	Long Term Borrowing	9	-471,303
-3,165	Long Term Provisions	14	-3,567
-95,010	Long Term PFI Liability	15	-91,724
-1,703	Long Term Finance Lease Liability	16	-2,115
-473,985	Pension Liability	17	-665,952
-91,195	Capital Grants Receipts in Advance	25	-109,137
-1,919	Other Long Term Liabilities	9	-1,772
-1,141,796	**Long Term Liabilities**		**-1,345,570**
1,237,783	**Net Assets**		**576,561**
-261,548	Usable Reserves	MIRS	-296,352
-976,235	Unusable Reserves	19	-280,209
-1,237,783	**Total Reserves**		**-576,561**

These financial statements replace the unaudited financial statements certified by the Director of Finance and Support Services on 9 July 2021.

Katharine Eberhart
Director of Finance and Support Services **22 September 2021**

EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The Expenditure and Funding Analysis is a note to the financial statements. However, it is positioned here as it provides a link from the portfolio-based analysis of the revenue outturn presented in the Narrative Report to the analysis within the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

2019/20				2020/21		
Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
206,167	1,771	207,938	Adults and Health	224,743	-8,675	216,068
117,316	11,689	129,005	Children and Young People	133,389	6,229	139,618
48,040	8,870	56,910	Economy and Corporate Resources	56,422	5,423	61,845
28,549	16,968	45,517	Education and Skills	23,356	286,679	310,035
63,712	3,878	67,590	Environment	59,930	12,235	72,165
13,864	2,117	15,981	Finance	18,684	6,445	25,129
35,551	5,409	40,960	Fire & Rescue and Communities	36,035	3,056	39,091
39,249	26,797	66,046	Highways and Infrastructure	34,474	27,024	61,498
1,495	134	1,629	Leader	1,342	59	1,401
553,943	77,633	631,576	Net Cost of Services	588,375	338,475	926,850
-572,346	-61,271	-633,617	Other Income and Expenditure	-622,905	40,052	-582,853
-18,403	**16,362**	**-2,041**	**(Surplus) or Deficit**	**-34,530**	**378,527**	**343,997**

-20,286	Opening General Fund Balance	-20,286
-18,403	Add (Surplus)/Deficit on General Fund Balance in Year	-34,530
18,403	Add Transfers to/(from) Earmarked General Fund Reserves in Year	34,530
-20,286	**Closing General Fund Balance**	**-20,286**

The total General Fund of the Council is equal to the sum of the *General Fund Balance* and the *Earmarked General Fund Reserves* as disclosed in note 3 to the accounts. The total General Fund of the Council, including Earmarked General Fund Reserves, is therefore £236,532,000 as at 31 March 2021.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both in the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net Expenditure £000		2020/21 Gross Expenditure £000	2020/21 Gross Income £000	2020/21 Net Expenditure £000
383,322	-175,384	207,938	Adults and Health	415,832	-199,764	216,068
203,529	-74,524	129,005	Children and Young People	214,378	-74,760	139,618
60,715	-3,805	56,910	Economy and Corporate Resources	63,998	-2,153	61,845
518,372	-472,855	45,517	Education and Skills	801,498	-491,463	310,035
79,275	-11,685	67,590	Environment	83,654	-11,489	72,165
18,939	-2,958	15,981	Finance	27,213	-2,084	25,129
49,184	-8,224	40,960	Fire & Rescue and Communities	50,838	-11,747	39,091
85,178	-19,132	66,046	Highways and Infrastructure	80,058	-18,560	61,498
1,661	-32	1,629	Leader	1,499	-98	1,401
1,400,175	**-768,599**	**631,576**	**Cost of Services**	**1,738,968**	**-812,118**	**926,850**
19,100	0	19,100	Other Operating Expenditure (Note 22)	58,958	0	58,958
86,225	-50,999	35,226	Financing and Investment Income and Expenditure (Note 23)	88,582	-51,327	37,255
0	-687,943	-687,943	Taxation and Non-Specific Grant Income (Note 24)	0	-679,066	-679,066
1,505,500	**-1,507,541**	**-2,041**	**(Surplus) or Deficit on Provision of Services**	**1,886,508**	**-1,542,511**	**343,997**
		4,648	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Chargeable to the Revaluation Reserve (Note 4)			151,452
		0	Fair Value Gains/(Losses) released from the Pooled Investment Funds Adjustment Account and recognised in Financing and Investment Income (Note 19)			0
		-405,252	Actuarial (Gains) and Losses on Remeasurement of Pension Scheme Assets and Liabilities (Note 17)			165,773
		-400,604	**Other Comprehensive Income and Expenditure**			**317,225**
		-402,645	**Total Comprehensive Income and Expenditure**			**661,222**

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2019/20 £000		2020/21 £000
-2,041	Net (surplus) or deficit on the provision of services	343,997
-115,332	Adjustments to net surplus or deficit on the provision of services for non cash movements (Note 34)	-497,206
93,589	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 35)	78,268
-23,784	Net cash flows from Operating Activities	-74,941
126,730	Investing Activities (Note 36)	-20,994
-88,149	Financing Activities (Note 37)	10,535
14,797	Net (increase)/decrease in cash and cash equivalents	-85,400
-81,310	Cash and cash equivalents at the beginning of the reporting period	-66,513
-66,513	**Cash and cash equivalents at the end of the reporting period (Note 12)**	**-151,913**

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

1. Prior Period Adjustment

There are no prior period adjustments.

2. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against:

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid, and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

2020/21	**Usable Reserves**		
	General Fund Balance £000	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
• Pensions costs (transferred to or from the Pensions Reserve)	-26,194	-	-
• Financial instrument revaluations (transferred to the Pooled Investment Funds Adjustment Account or, for equity investments, the Capital Adjustment Account)	1,051	-	-
• Council tax and NDR (transferred to or from the Collection Fund Adjustment Account)	-26,635	-	-
• Holiday pay (transferred to the Accumulated Absences Account)	-2,315	-	-
• DSG deficits (transferred to the Dedicated Schools Grant Adjustment Account)	-10,388	-	-
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	-339,912	-	-73,738
Total Adjustments to Revenue Resources	-404,393	-	-73,738
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	4,545	-4,545	-
Transfer of deferred sales proceeds from revenue to the Deferred Capital Receipts Reserve	0	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-15	15	-
Write down of finance lease debtor (transfer from Deferred Capital Receipts Reserve)	-241	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	15,815	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	5,762	-	-
Total Adjustments between Revenue and Capital Resources	25,866	-4,530	-
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	3,700	-
Application of capital grants to finance capital expenditure	-	-	74,294
Cash payments in relation to deferred capital receipts	-	0	-
Total Adjustments to Capital Resources	-	3,700	74,294
Total Adjustments	**-378,527**	**-830**	**556**

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

2019/20	**Usable Reserves**		
	General Fund Balance £000	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
• Pensions costs (transferred to or from the Pensions Reserve)	-60,673	-	-
• Financial instrument revaluations (transferred to the Pooled Investment Funds Adjustment Account or, for equity investments, the Capital Adjustment Account)	-2,104	-	-
• Council tax and NDR (transferred to or from the Collection Fund Adjustment Account)	-1,773	-	-
• Holiday pay (transferred to the Accumulated Absences Account)	-392	-	-
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	20,895	-	-82,437
Total Adjustments to Revenue Resources	-44,047	-	-82,437
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	11,209	-11,209	-
Transfer of deferred sales proceeds from revenue to the Deferred Capital Receipts Reserve	0	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-57	57	-
Write down of finance lease debtor (transfer from Deferred Capital Receipts Reserve)	-234	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	16,470	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	297	-	-
Total Adjustments between Revenue and Capital Resources	27,685	-11,152	-
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	7,901	-
Application of capital grants to finance capital expenditure	-	-	71,519
Cash payments in relation to deferred capital receipts	-	-708	-
Total Adjustments to Capital Resources	-	7,193	71,519
Total Adjustments	**-16,362**	**-3,959**	**-10,918**

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

3. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans, and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21.

	Balance at 1 April 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31 March 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31 March 2021
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Adults & Health Pressures and Recovery	0	0	0	0	0	-4,700	-4,700
Ash Dieback	0	0	0	0	0	-1,200	-1,200
Budget Management	-30,110	17,556	-2,398	-14,952	1,530	-40,995	-54,417
Business Rates Pilot Fund	0	619	-21,082	-20,463	1,340	-2,747	-21,870
Capital Infrastructure	-12,028	0	0	-12,028	12,028	0	0
Children First Improvement Plan	0	0	0	0	0	-2,285	-2,285
Covid-19 Fund	0	3	-20,528	-20,525	44,925	-31,372	-6,972
Dedicated Schools Grant (DSG)	-6,245	9,721	-1,737	1,739	0	-1,739	0
Economic Growth	-1,297	0	0	-1,297	0	-762	-2,059
Highways Commuted Sums	-3,057	807	-1,110	-3,360	378	-1,087	-4,069
Highways On-Street Parking	-968	1,900	-2,582	-1,650	1,911	-2,182	-1,921
Infrastructure Works Feasibility	-1,348	1,351	-1,000	-997	1,076	-1,515	-1,436
Insurance	-5,356	13	-502	-5,845	0	0	-5,845
Interest Smoothing Account	-1,078	0	0	-1,078	0	-1,176	-2,254
Recycling & Waste PFI	-12,479	1,800	-62	-10,741	200	-6	-10,547
School Balances	-16,452	16,452	-16,241	-16,241	16,241	-24,778	-24,778
Schools Sickness and Maternity Scheme	-2,085	152	0	-1,933	162	0	-1,771
Service Transformation Fund	-6,747	1,437	-6,500	-11,810	3,200	-4,959	-13,569
Social Care Support Grant 2018/19	-1,517	0	0	-1,517	0	0	-1,517
Special Support Centres	0	0	-1,845	-1,845	1,845	0	0
Statutory Duties	-2,437	0	0	-2,437	0	0	-2,437
Strategic Economic Plan	-1,295	234	0	-1,061	1,061	0	0
Street Lighting PFI	-23,522	226	-289	-23,585	236	-13	-23,362
Unapplied Revenue Grants	-343	99	-175	-419	59	-685	-1,045
Waste Materials Resource Management Contract (MRMC)	-28,057	1,500	-143	-26,700	1,350	-14	-25,364
Other Earmarked Reserves	-6,892	5,712	-1,791	-2,971	991	-848	-2,828
Earmarked Reserves	**-163,313**	**59,582**	**-77,985**	**-181,716**	**88,533**	**-123,063**	**-216,246**

- The **Adults & Health Pressures and Recovery** reserve is held to guard against rebound pressures which are anticipated to materialise within the Adults & Health portfolio as we emerge from the coronavirus pandemic.
- The **Ash Dieback** reserve is held to mitigate against budgetary pressures arising from the need to accelerate critical tree felling work during 2021/22.
- The **Budget Management** reserve is held to guard against uncertainty and volatility over future Local Government Finance Settlements, business rate income and localisation of Council Tax benefits, as well as mitigation towards the risk of non delivery of savings and unforeseen service pressures. The reserve also holds the S31 Business Rates Relief 2020/21 NNDR3 Reconciliation Grant (see Note 25), which in accordance with proper accounting practice has been recognised as income in 2020/21, but is earmarked to finance collection fund deficits which under statutory arrangements will not become chargeable to the taxpayer until future years.
- The **Business Rates Pilot Fund** holds the gains arising from the 75% local retention pilot scheme in 2019/20. The fund will be invested jointly by the County Council and its billing authorities on project work with economic benefit, but the income is initially recognised in the County's accounts as the lead authority in the Pilot.

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

- The **Capital Infrastructure** reserve was created to support capital plans over the longer term, thus avoiding the need to borrow and incurring the associated long term capital financing costs. The balance of the reserve was consolidated within the Budget Management Reserve during 2020/21.
- The **Children First Improvement Plan** reserve was created to support the delivery of the improvement plan following the 2019 Ofsted inspection of Children's Services.
- The **Covid-19 Fund** holds the unspent balance of monies allocated by central government to support local authorities with pressures arising from the coronavirus pandemic.
- The **Dedicated Schools Grant (DSG)** is ring-fenced, and can only be applied to finance expenditure on schools. This includes individual school budgets and central expenditure on educational services provided on a County-wide basis. In accordance with regulatory changes, during 2020/21 the deficit balance on this reserve has been reclassified as an Unusable Reserve. Further detail can be found in Notes 19 and 29.
- The **Economic Growth** reserve is held to support the delivery of the Economic Growth Plan 2018-2023, including the progression of the economic priorities within the Coast to Capital Local Enterprise Partnership.
- The **Highways Commuted Sums** reserve holds a balance of contributions received from developers in respect of future maintenance costs of non-standard highways infrastructure.
- The **Highways On-Street Parking** reserve holds the surplus of charges over enforcement and associated costs, which is used to finance on street parking development and eligible transport network expenditure.
- The **Infrastructure Works Feasibility** reserve provides revenue funding for feasibility works to support the development of the Council's capital programme.
- The **Insurance** reserve is held in respect of the Authority's self-funding insurance scheme, and provides for the risk of unknown future claims (i.e. in excess of the known claims as provided for in the insurance provision - see Note 14).
- The **Interest Smoothing Account** is held to meet temporary shortfalls arising from fluctuations in interest rates, such as a reduction in investment returns or increased costs of borrowing.
- The **Recycling & Waste PFI** and **Street Lighting PFI** reserves hold the surplus of government credits and other sources of finance over unitary charge payments and other expenditure in the early years of the respective contracts, to meet future expenditure over the life of the PFI arrangements. This equalises the costs to the taxpayer of building and maintaining the facilities over the duration of the contracts.
- The **School Balances** reserve holds net underspending on locally managed school budgets.
- The **Schools Sickness and Maternity** reserve holds the accumulated surplus on the sickness and maternity insurance scheme operated by the Authority for its maintained schools.
- The **Service Transformation Fund** is held to meet the costs of major organisational transformation. It is used to fund short-term costs in order to deliver ongoing savings, and as a source of investment to finance improvements to services so that they become more efficient and provide better outcomes.
- The **Social Care Support Grant 2018/19** reserve holds the balance of monies allocated to the Council in the 2018/19 Local Government Finance Settlement to support the provision of adult social care. This has been earmarked as a contribution towards funding the cost of delivering the Adults' Improvement Programme.
- The **Special Support Centres** reserve was originally held to fund the creation of special support centres at mainstream schools. Alternative funding sources have been identified within the capital programme to support these schemes, and therefore this funding has been released into the Service Transformation Fund during 2020/21.
- The **Statutory Duties** reserve holds funding to meet statutory obligations over and above that which the Authority has made provision for.
- The **Strategic Economic Plan** reserve was held to support the progression of the economic priorities within the Coast to Capital Local Enterprise Partnership. This fund has now been consolidated into the Economic Growth Reserve during 2020/21.
- The **Unapplied Revenue Grants** reserve represents the unspent balance on revenue grants which are received for specific purposes but where there are no outstanding conditions on the grant which could require its repayment. The grant has therefore been recognised in full in the Comprehensive Income and Expenditure Statement, but the unapplied balance is held in a reserve to fund future expenditure plans relevant to the purpose of the grant.
- The **Waste Materials Resource Management Contract (MRMC)** reserve is the County Council's investment fund to meet the 25-year contract with Biffa Waste Services Ltd for the treatment and disposal of waste, including the development of appropriate facilities.
- **Other Earmarked Reserves** represents the cumulative balances and transactions on a number of smaller reserves which are individually immaterial.

NOTES TO THE BALANCE SHEET

4. Property, Plant and Equipment

Movements in 2020/21	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Surplus Assets £000	Assets under Construction £000	**Total Property, Plant & Equipment £000**	PFI Assets included in Property, Plant & Equipment £000
Cost or Valuation							
At 1 April 2020	1,507,658	113,878	609,605	36,165	9,019	2,276,325	172,091
Additions	24,914	8,738	42,974	150	9,582	86,358	1,083
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-182,324	0	0	11,046	0	-171,278	-23,625
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-279,307	0	0	2,043	0	-277,264	0
Disposals	0	-3,138	0	-585	0	-3,723	0
Derecognition - Academies	-48,287	0	0	0	0	-48,287	0
Derecognition - Finance Leases	0	0	0	0	0	0	0
Derecognition - Other	-11,125	-17,881	-39,762	-57	0	-68,825	-615
Assets reclassified (to)/from Assets Held for Sale	-1,512	0	0	1,346	0	-166	0
Assets reclassified (to)/from Investment Property	-43	0	0	0	0	-43	0
Transfer in asset category	1,341	0	10,655	-1,482	-10,514	0	0
At 31 March 2021	**1,011,315**	**101,597**	**623,472**	**48,626**	**8,087**	**1,793,097**	**148,934**
Accumulated Depreciation and Impairment							
At 1 April 2020	0	-44,713	-258,790	0	0	-303,503	-28,755
Depreciation charge	-37,517	-12,425	-34,010	-676	0	-84,628	-5,443
Depreciation written out to the Revaluation Reserve on revaluation	19,314	0	0	512	0	19,826	1,788
Depreciation written out to the Surplus/Deficit on the Provision of Services on revaluation	15,999	0	0	108	0	16,107	0
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Disposals	0	0	0	27	0	27	0
Derecognition - Academies	1,863	0	0	0	0	1,863	0
Derecognition - Finance Leases	0	0	0	0	0	0	0
Derecognition - Other	303	17,881	39,762	0	0	57,946	615
Depreciation written out on newly classified Assets Held for Sale	67	0	0	0	0	67	0
Depreciation written out on newly classified Investment Property	0	0	0	0	0	0	0
Transfer in asset category	-29	0	0	29	0	0	0
At 31 March 2021	**0**	**-39,257**	**-253,038**	**0**	**0**	**-292,295**	**-31,795**
Net Book Value							
At 1 April 2020	**1,507,658**	**69,165**	**350,815**	**36,165**	**9,019**	**1,972,822**	**143,336**
At 31 March 2021	**1,011,315**	**62,340**	**370,434**	**48,626**	**8,087**	**1,500,802**	**117,139**

NOTES TO THE BALANCE SHEET

Comparative Movements in 2019/20	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Surplus Assets £000	Assets under Construction £000	**Total Property, Plant & Equipment £000**	PFI Assets included in Property, Plant & Equipment £000
Cost or Valuation							
At 1 April 2019	1,485,971	114,218	605,396	39,493	11,533	2,256,611	178,224
Additions	18,649	11,165	34,133	394	17,310	81,651	377
Donations	11,708	0	0	0	0	11,708	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-26,907	0	0	-2,438	0	-29,345	-5,283
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	21,017	0	0	-1,359	0	19,658	0
Disposals	-49	-738	0	0	0	-787	0
Derecognition - Academies	-9,643	0	0	0	0	-9,643	0
Derecognition - Finance Leases	-2,866	0	0	0	0	-2,866	0
Derecognition - Other	-9,096	-10,767	-29,924	0	-53	-49,840	-1,227
Assets reclassified (to)/from Assets Held for Sale	-268	0	0	-924	0	-1,192	0
Assets reclassified (to)/from Investment Property	0	0	0	370	0	370	0
Transfer in asset category	19,142	0	0	629	-19,771	0	0
At 31 March 2020	**1,507,658**	**113,878**	**609,605**	**36,165**	**9,019**	**2,276,325**	**172,091**
Accumulated Depreciation and Impairment							
At 1 April 2019	0	-43,579	-255,998	0	0	-299,577	-26,297
Depreciation charge	-35,309	-11,901	-32,716	-824	0	-80,750	-5,815
Depreciation written out to the Revaluation Reserve on revaluation	24,156	0	0	541	0	24,697	2,130
Depreciation written out to the Surplus/Deficit on the Provision of Services on revaluation	10,969	0	0	170	0	11,139	0
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
Derecognition - Academies	0	0	0	0	0	0	0
Derecognition - Finance Leases	75	0	0	0	0	75	0
Derecognition - Other	212	10,767	29,924	0	0	40,903	1,227
Depreciation written out on newly classified Assets Held for Sale	0	0	0	10	0	10	0
Depreciation written out on newly classified Investment Property	0	0	0	0	0	0	0
Transfer in asset category	-103	0	0	103	0	0	0
At 31 March 2020	**0**	**-44,713**	**-258,790**	**0**	**0**	**-303,503**	**-28,755**
Net Book Value							
At 1 April 2019	**1,485,971**	**70,639**	**349,398**	**39,493**	**11,533**	**1,957,034**	**151,927**
At 31 March 2020	**1,507,658**	**69,165**	**350,815**	**36,165**	**9,019**	**1,972,822**	**143,336**

NOTES TO THE BALANCE SHEET

Depreciation

Depreciation is provided on all Property, Plant and Equipment assets. An exception is made for assets without a determinable finite useful life (i.e. freehold land and heritage assets) and assets that are not yet available for use (i.e. assets under construction). New assets will be depreciated from 1 April of the year that follows the date of initial recognition.

The useful lives used in the calculation of depreciation are set out in Note 41 Accounting Policies.

Capital Commitments

The Authority has entered into a number of contracts prior to 31 March 2021 for the construction or enhancement of Property, Plant and Equipment. It has commitments totalling £46.7m to be paid in 2021/22 and thereafter (commitments at 31 March 2020 were £21.3m). The major commitments are:

Name of capital project	**Programme duration**	**Outstanding commitments £000**
A259 Corridor Capacity Enhancement, East Arun	2015-2023	12,319
A2300 Corridor Capacity Enhancement, Burgess Hill	2018-2023	6,019
Choices for the Future (In-House Social Care)	2019-2022	3,681
Converged Fibre	2019-2022	1,412
Additional Highways Delivery Programme	2020-2022	1,188
Principal Roads Resurfacing	2020-2022	1,151
Crawley Growth Programme	2017-2025	967
A284 Lyminster Bypass	2015-2023	828
Community Highways Schemes	2020-2022	731
West of Horsham	2016-2022	625
Seaside Children's Home	2019-2022	606
Horsham Enterprise Park	2018-2022	604
Woodlands Meed College	2018-2023	536
Orchard House	2021-2023	530
Crawley County Buildings Demolition	2019-2022	525
Worthing Community Hub	2019-2022	523
Your Energy Sussex Programme	2019-2022	520

Revaluations

The Authority carries out a rolling revaluation programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. Further detail on the Authority's revaluation programme and the measurement bases for its Property, Plant and Equipment assets can be found in Note 41 Accounting Policies.

The Authority undertook a number of valuations at 31 March 2021. Valuations were instructed by the Director of Finance and Support Services, and carried out by external independent valuers: Bruton Knowles LLP Chartered Surveyors, 60 Church Street, Birmingham, B3 2DJ. Valuations were undertaken in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS) and the CIPFA Code of Practice.

The Authority changed its valuer in 2020/21, and a different technique applied by the new valuer in relation to school assets has had a significant impact on the Council’s balance sheet. Further detail regarding this change is provided in Note 43 to the accounts.

Fair Value Hierarchy

The Council's Surplus Property, Plant and Equipment assets are valued at fair value in accordance with the requirements of IFRS 13 Fair Value Measurement. All surplus assets have been subject to revaluation in 2020/21. A de minimis of £250,000 has been applied in the tables below.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly

Level 3 – unobservable inputs for the asset

Details of the Authority's Surplus Assets, and information about the fair value hierarchy as at 31 March 2021, are as follows:

	Quoted prices in active markets for identical assets (Level 1) £000	**Other significant observable inputs (Level 2) £000**	**Significant unobservable inputs (Level 3) £000**	**Fair value as at 31 March 2021 £000**
Commercial	0	0	3,564	3,564
Office Units	0	0	3,392	3,392
Residential	0	0	40,186	40,186
Sub Total	0	0	47,142	47,142
De minimis	0	0	1,484	1,484
Total	**0**	**0**	**48,626**	**48,626**

Comparative figures as at 31 March 2020:

	Quoted prices in active markets for identical assets (Level 1) £000	**Other significant observable inputs (Level 2) £000**	**Significant unobservable inputs (Level 3) £000**	**Fair value as at 31 March 2020 £000**
Commercial	0	0	2,461	2,461
Office Units	0	3,550	1,626	5,176
Residential	0	0	24,752	24,752
Sub Total	0	3,550	28,839	32,389
De minimis	0	0	3,776	3,776
Total	**0**	**3,550**	**32,615**	**36,165**

There were no transfers between the levels of the fair value hierarchy during the year.

Quantitative Information about Fair Value Measurement of Surplus Assets using Significant Unobservable Inputs – Level 3

	Fair Value at 31 March 2021 £000	Valuation technique used to measure Fair Value	Unobservable inputs	Range (weighted average used)	Valuation process
Commercial	3,564	Market Approach	Market comparables	Commercial yield evidence ranges between 4% - 9% typically with a gross yield 0.5% higher	Analysed comparable land evidence data from across the county (obtained from either CoStar or EIG) to place a land value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality of land.
Office Units	2,072	Market Approach	Market comparables	Commercial yield evidence ranges between 4% - 9% typically with a gross yield 0.5% higher	Analysed comparable land evidence data from across the county (obtained from either CoStar or EIG) to place a land value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality of land.
	1,320	Market Approach	Market comparables	£71,000 - £5,263,000 per acre for residential development land	Analysed comparable land evidence data from across the county (obtained from either CoStar or EIG) to place a land value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality of land.
Residential	33,728	Market Approach	Market comparables	£71,000 - £5,263,000 per acre for residential development land	Analysed comparable land evidence data from across the county (obtained from either CoStar or EIG) to place a land value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality of land.
	1,120	Market Approach	Market comparables	Residential values £50,000 to £800,000	Analysed comparable land evidence data from across the county (obtained from either CoStar or EIG) to place a land value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality of land.
	2,970	Market Approach	Residential values, condition, refurbishment costs	Residential values £50,000 to £500,000	Analysed comparable land evidence data from across the county (obtained from either CoStar or EIG) to place a land value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality of land.
	2,368	Market Approach	Residential values, condition, specification, refurbishment costs	£71,000 - £5,263,000 per acre for residential development land	Analysed comparable land evidence data from across the county (obtained from either CoStar or EIG) to place a land value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality of land.

5. Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom requires Heritage Assets to be carried on an Authority's balance sheet at valuation (subject to materiality).

The Authority recognises one Heritage Asset on its balance sheet. Halnaker Windmill is a tower mill which stands on Halnaker Hill, northwest of Chichester. Originally built as the feudal mill of the Goodwood Estate, the surviving mill is thought to date from the 1740s. The carrying value of the mill on the Authority's balance sheet at 31 March 2021 is £280,000.

The Authority holds a number of other assets of historical, artistic and cultural significance, such as graded and listed buildings. However, where the asset serves an operational purpose it is not appropriate to account for it as a Heritage Asset. Such assets are accounted for within Property, Plant and Equipment.

However, the Authority does own a number of assets which do not serve any operational purpose, and are held principally for their contribution to knowledge and culture. Whilst these are therefore considered to be Heritage Assets, they have not been recognised on the balance sheet on the basis that it is not practicable to establish the fair value of the assets. The principal source of such assets is the Record Office in Chichester. The Office holds the written and recorded heritage of the county of West Sussex. This includes paper and parchment documents, books and files, maps and plans, photographs and cine films, and electronic records, the earliest documents dating back to the 8th century. The assets of the Office are not valued for insurance purposes, and whilst they are of significance to the local community, their value is not considered to be material in the context of the Authority's £1.7billion long term asset base.

6. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

CAPITAL EXPENDITURE AND CAPITAL FINANCING

	2019/20		2020/21	
	£000	£000	£000	£000
Capital Financing Requirement				
Balance brought forward at 1 April		618,178		609,905
Capital Investment for the Year by Portfolio:				
Adults and Health	1,675		3,131	
Children and Young People	2,551		4,052	
Economy and Corporate Resources	12,610		7,994	
Education and Skills	31,955		22,408	
Environment	1,473		664	
Finance	4,550		6,446	
Fire & Rescue and Communities	3,295		8,949	
Highways and Infrastructure	33,390		38,898	
Finance Lease Notional Investment	463		524	
Recycling & Waste PFI Notional Investment	377		902	
		92,339		93,968
Source of Finance:				
Capital Receipts	-7,901		-3,700	
External Contributions	-6,330		-4,499	
External Contributions applied to REFCUS	-501		-1,554	
Government Grants	-65,189		-69,795	
Government Grants applied to REFCUS	-3,924		-2,799	
Revenue Contribution to Capital Outlay	-297		-5,762	
		-84,142		-88,109
Sums set aside from revenue (MRP)		-16,470		-15,815
Balance carried forward at 31 March		**609,905**		**599,949**
Change in Capital Financing Requirement		-8,273		-9,956

REFCUS expenditure of £7.359m is included within portfolio totals in 2020/21 (2019/20 £10.536m). Included within this total is £1.200m (2019/20 £4.051m) that has been capitalised in accordance with a direction issued by the Secretary of State for Housing, Communities and Local Government under the Local Government Act 2003. This direction provides local authorities with the freedom to use capital receipts from the sale of assets to help fund the revenue costs of transformation projects in order to achieve ongoing savings and reduce costs or demand for public services.

	2019/20	2020/21
	£000	£000
Explanation of change in CFR:		
Increase in underlying need to borrow	7,357	4,433
Assets acquired under finance leases	463	524
Assets acquired under PFI contracts	377	902
Less the total of the Minimum Revenue Provision	-16,470	-15,815
	-8,273	-9,956

NOTES TO THE BALANCE SHEET

Reconciliation of the Capital Financing Requirement to the Balance Sheet

	31 March 2020 £000	31 March 2021 £000
Capital Financing Requirement	609,905	599,949
Property Plant & Equipment (Note 4)	1,972,822	1,500,802
Heritage Assets (Note 5)	280	280
Investment Property (Note 7)	91,401	89,172
Intangible Assets (Note 8)	390	0
Equity Investments (Note 9)[1]	2	2
Other Long Term Liabilities (Note 9)[2]	-1,919	-1,772
Assets Held for Sale (Note 10)	1,840	845
Capital Adjustment Account (Note 19)	-1,039,859	-748,952
Revaluation Reserve (Note 19)	-415,052	-240,428
	609,905	599,949

[1] Shareholding in the UK Municipal Bond Agency plc, initially categorised as an Unquoted Equity Investment in 2014/15 (held at cost). Subsequently re-classified as a Quoted Equity Investment and held at fair value, with resulting revaluation losses charged initially to the Available for Sale Financial Instruments Reserve and, subsequent to its abolition upon the Code's adoption of IFRS 9 Financial Instruments, the Capital Adjustment Account.

[2] Deferred income to be released to the Comprehensive Income and Expenditure Statement over the remaining term of the Recycling and Waste Handling Private Finance Initiative.

NOTES TO THE BALANCE SHEET

7. Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2019/20 £000		2020/21 £000
-1,732	Rental income from investment property	-2,406
0	Direct operating expenses arising from investment property	1
55	(Gains) and losses on sale of investment property	58
-12,245	Change in fair value of investment property	2,215
-13,922	**Net (gain)/loss**	**-132**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

2019/20 £000		2020/21 £000
79,569	Balance at 1 April	91,401
	Additions:	
0	Purchases	0
139	Subsequent expenditure	251
-182	Disposals of Investment Properties	-58
12,245	Net gains from fair value adjustments	-2,215
	Transfers:	
-370	(To)/from Property, Plant and Equipment	43
0	(To)/from Assets Held for Sale	-250
91,401	**Balance at 31 March**	**89,172**

Revaluation of Investment Property is undertaken by external independent valuers: Bruton Knowles LLP Chartered Surveyors of 60 Church Street, Birmingham, B3 2DJ in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Manual.

Fair Value Hierarchy

The Council's Investment Property assets are valued at fair value in accordance with the requirements of IFRS 13 Fair Value Measurement. All Investment Property assets have been subject to revaluation in 2020/21. A de minimis of £250,000 has been applied in the tables below.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly

Level 3 – unobservable inputs for the asset

Details of the Authority's Investment Property, and information about the fair value hierarchy as at 31 March 2021, are as follows:

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2021 £000
Agricultural	0	0	5,000	5,000
Commercial	0	0	58,606	58,606
Residential	0	0	22,200	22,200
Sub Total	0	0	85,806	85,806
De minimis	0	0	3,366	3,366
Total	**0**	**0**	**89,172**	**89,172**

Comparative figures as at 31 March 2020:

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2020 £000
Agricultural	0	0	3,997	3,997
Commercial	0	0	60,711	60,711
Residential	0	0	21,320	21,320
Sub Total	0	0	86,028	86,028
De minimis	0	0	5,373	5,373
Total	**0**	**0**	**91,401**	**91,401**

There were no transfers between the levels of the fair value hierarchy during the year.

Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs – Level 3

	Fair Value at 31 March 2021 £000	Valuation technique used to measure Fair Value	Unobservable inputs	Range (weighted average used)	Valuation process
Agricultural	4,262	Market Approach	Market comparables	Commercial yield evidence ranges between 4% - 9% typically with a gross yield 0.5% higher	Analysed comparable land evidence data from across the county (obtained from either CoStar or EIG) to place a land value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality of land.
	738	Income Approach	Market comparables	Commercial yield evidence ranges between 4% - 9% typically with a gross yield 0.5% higher	Analysed comparable land evidence data from across the county (obtained from either CoStar or EIG) to place a land value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality of land.
Commercial	35,296	Income Approach	Market comparables	Commercial yield evidence ranges between 4% - 9% typically with a gross yield 0.5% higher	Capitalisation of the current passing rent until lease expiry where assumptions for when the tenant will vacate the property are made. Full market value to the land has been applied and deferred for the appropriate number of years.
	20,045	Market Approach	Market comparables	Commercial yield evidence ranges between 4% - 9% typically with a gross yield 0.5% higher	Based on a discounted cashflow methodology, considering the net income and remaining life of the solar panels. The calculation assesses the internal rate of return for the solar panel site. Yield evidence from CoStar and EIG has been used to assist in a cross reference exercise against the adopted multiplier within the valuation.
	2,856	Market Approach	Market comparables	Commercial yield evidence ranges between 4% - 9% typically with a gross yield 0.5% higher	Analysed comparable land evidence data from across the county (obtained from either CoStar or EIG) to place a land value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality of land.
	409	Income Approach	Market comparables	Commercial yield evidence ranges between 4% - 9% typically with a gross yield 0.5% higher	Analysed the car parking space values and obtained car parking rates for the local area, then applied the income approach to arrive at the final valuation.

NOTES TO THE BALANCE SHEET

	Fair Value at 31 March 2021 £000	Valuation technique used to measure Fair Value	Unobservable inputs	Range (weighted average used)	Valuation process
Residential	15,281	Market Approach	Residential land values	£500,000 - £2,500,000 per acre	Analysed comparable land evidence data from across the county (obtained from either CoStar or EIG) to place a land value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality of land.
	4,103	Market Approach	Residential property values	£226,000 - £580,000 per dwelling	Analysed residential comparable sales evidence (obtained from either Rightmove or Rightmove+), then made adjustments to reflect the current nature/tenancy of the property.
	2,407	Market Approach	Market comparables	Commercial yield evidence ranges between 4% - 9% typically with a gross yield 0.5% higher	Information regarding assumed passing rents, consideration of lease expiry dates and a reversion approach has been used on the basis that the tenant continues to occupy the property. Where passing rents have been provided, these have been capitalised to come to a value for the property. Additional evidence has been obtained from CoStar/EIG.
	409	Income Approach	Market comparables	Commercial yield evidence ranges between 4% - 9% typically with a gross yield 0.5% higher	Assessment of passing rents which have then been capitalised to come to a value for the property. Further evidence has been obtained from CoStar/EIG.

NOTES TO THE BALANCE SHEET

8. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets relate to purchased licenses.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The current licenses have been assigned a useful life of 10 years.

The carrying amount of the intangible asset is amortised on a straight-line basis. The amortisation of £390,000 charged to revenue in 2020/21 was charged to the Economy and Corporate Resources portfolio in the Net Cost of Services. The movement on Intangible Asset balances during the year is as follows:

	2019/20 £000	**2020/21 £000**
Balance at 1 April		
- Gross carrying amounts	3,583	3,483
- Accumulated amortisation	-2,803	-3,093
Net carrying amount at start of year	780	390
Purchases	0	0
Amortisation for the period	-390	-390
Balance at 31 March	**390**	**0**
Comprising:		
Gross carrying amounts	3,483	0
Accumulated amortisation	-3,093	0
	390	0

9. Financial Instruments and Nature and Extent of Risks arising from Financial Instruments

The definition of a financial instrument is: "*Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity*".

Financial Assets: A Financial Asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during 2020/21 are classified in accordance with the Code of Practice as follows:

Amortised cost (financial assets whereby the Council's business model is to collect contractual cash flows with intention of holding to maturity; such cash flows being solely payments of principal and interest) comprising:

- Cash held at Lloyds Bank plc (including school bank accounts)
- Fixed-term deposits and call/notice accounts with banks and building societies
- Certificate of deposits, bonds (senior unsecured) & covered bonds issued by banks and building societies
- British Government securities (not held for trading) including Treasury Bills, Gilts & other securities
- Loans to other UK local authorities (by way of fixed-term investments or bonds issued by an authority)
- Loans to UK Registered Social Landlords (by way of fixed-term investments with the housing association)
- Corporate bonds issued by companies (non-bank)
- Money market funds that preserve investment value through a constant or low volatility net asset valuation
- Loans to third parties (not made for the delivery of Council services)
- Trade receivables (debtors) for goods and services delivered

Fair value through profit or loss (financial assets whose contractual payments are not solely payments of principal and interest; such assets incurring fair value gains and/or losses over the lifetime of the investment) comprising:

- Externally managed pooled funds (collective investment schemes) including multi-asset, property and ultra-short dated bond funds
- Equity investment in the UK Municipal Bond Agency

At 31 March 2021 the Council did not have (or elect to hold) any investments to be measured at fair value through other comprehensive income. Balances in bank call accounts and money market funds (both instant access) are shown under 'Cash and Cash Equivalents' in the Balance Sheet as they represent highly liquid investments that are readily convertible to known amounts of cash.

Financial Liabilities: A Financial Liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

The Council's non-derivative financial liabilities (measured at amortised cost) held during the year comprised:

- Long-term borrowing from the Public Works Loan Board (PWLB)
- Short-term borrowing from the Chichester Harbour Conservancy (and its associated charities)
- Overdraft facility with Lloyds Bank plc
- Private Finance Initiative (PFI) contracts
- Finance leases on land and buildings
- Trade payables (creditors) for goods and services received

The Council's Treasury Management Strategy approves temporary borrowing for cash flow purposes from UK local authorities and financial institutions authorised by the Prudential Regulation Authority (PRA) to operate in the UK. Excluding the Council's main provider of banking service (Lloyds) where overdraft facilities exist, no such borrowing was taken during 2020/21. Additionally the Council holds cash on behalf of the Chichester Harbour Conservancy as part of the Harbour's own investment strategy. This is presented as short term borrowing as the amount held is available for repayment back to the Chichester Harbour Conservancy on any given notice.

At 31 March 2021, the Council did not hold any derivative financial liabilities, for example forward contracts on fixed rate investments where interest rates had moved in the other party's favour since the contract was agreed.

Transaction Costs:

During 2020/21 transactions costs relating to the Council's financial instruments (loans and investments) have been charged in full to the Comprehensive Income and Expenditure Statement.

NOTES TO THE BALANCE SHEET

a. Financial Instruments Balances

The financial assets and liabilities disclosed in the Balance Sheet are made up of the following categories of financial instruments:

Financial Assets	**Long Term** 1 April 2020 £000	**Long Term** 31 March 2021 £000	**Current** 1 April 2020 £000	**Current** 31 March 2021 £000
Investments (including accrued interest)	24,977	9,994	210,389	214,818
Cash and cash equivalents	0	0	66,513	151,913
Trade Debtors	28,894	31,633	32,798	47,084
Amortised cost	53,871	41,627	309,700	413,815
Fair value through other comprehensive income	0	0	0	0
Pooled funds (including accrued interest)	37,236	38,287	294	287
Equity investments	2	2	0	0
Fair value through profit and loss	37,238	38,289	294	287
Total Financial Assets	91,109	79,916	309,994	414,102
Soft loans provided [1]	979	1,063	276	360

[1] Included within trade debtors total.

Financial Liabilities	**Long Term** 1 April 2020 £000	**Long Term** 31 March 2021 £000	**Current** 1 April 2020 £000	**Current** 31 March 2021 £000
Borrowing [1] (principal amount)	-474,819	-471,303	-11,975	-9,080
Accrued interest (PWLB)	0	0	-4,464	-4,336
PFI liability	-95,010	-91,724	-2,973	-3,287
Finance lease liability	-1,703	-2,115	-99	-108
Other long-term liabilities	-1,919	-1,772	0	0
Trade Creditors	0	0	-71,714	-114,117
Cash and cash equivalents	0	0	0	0
Amortised cost	-573,451	-566,914	-91,225	-130,928
Fair value through profit and loss	0	0	0	0
Total Financial Liabilities	-573,451	-566,914	-91,225	-130,928

[1] The County Council began long-term borrowing during 2000/01; no additional PWLB long-term borrowing was arranged during 2020/21. All outstanding loans at 31 March 2021 are scheduled to be repaid between 2021 and 2069.

The portion of long-term liabilities and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under 'Current Liabilities' or 'Current Assets'. This would include accrued interest on long term liabilities and investments that are payable and/or receivable in 2021/22.

(i) Soft Loans

In accordance with the 2020/21 Code of Practice, where loans are advanced at below market (commercial) rates they are classified as 'soft loans'. The County Council made one such loan during March 2015; a twenty-year loan advanced to the Littlehampton Harbour Board for the purchase of a multi-purpose vessel at a borrowing rate of 2.56%. The Council estimates that had interest been charged at market rates (assumed as 4% above the prevailing Bank of England base interest rate) interest receivable in the Comprehensive Income and Expenditure Statement would have increased by £3,600 (considered below de minimis for full disclosure).

Additionally, during 2019/20 the Council introduced the "Financial Support for Recruitment and Retention-Employee Loan" scheme, whereby eligible employees (in posts designated by the Council as hard to fill) could apply for interest free loans up to £10,000 with repayment terms over a maximum 5-year period. The Council estimates that had interest on these loans been charged at market rates (assumed at 4% above the prevailing Bank of England base interest rate; illustrative APR ranging between 3% to 4% for such personal loans) interest receivable in the Comprehensive Income and Expenditure Statement would have increased by £48,350. Again this is considered to be below the de minimis for full disclosure in the financial statements as per the Council's accounting policy for soft loans as detailed at Note 41.

The position relating to soft loans at 31 March 2021 is therefore:

	2019/20 £000	2020/21 £000
Balance brought forward	255	1,255
Loans advance	1,153	599
Repayments Received	-161	-438
Interest charged to Comprehensive I&E Statement (CIES)	7	6
Expected credit loss allowance (movement charged to CIES)	1	1
Soft Loans Total (within trade debtors)	1,255	1,423

(ii) Other

During 2020/21, with regard to financial instruments the County Council had no unusual movements, reclassification of instruments, derecognition of instruments or defaults and breaches.

b. Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2019/20			2020/21		
	Financial Liabilities	Financial Assets		Financial Liabilities	Financial Assets	
	Amortised Cost £000	Amortised Cost £000	Fair Value through Profit and Loss £000	Amortised Cost £000	Amortised Cost £000	Fair Value through Profit and Loss £000
Interest:						
Expense	-31,242	-	-	-30,856	-	-
Income	-	2,709	1,523	-	1,988	1,514
Total Interest	-31,242	2,709	1,523	-30,856	1,988	1,514
Fair value gains/losses:						
Equity	0	0	-2	0	0	0
Multi-asset income funds	0	0	-1,427	0	0	1,441
Property funds	0	0	-675	0	0	-390
Ultra-short dated bond funds	0	0	187	0	0	19
Total fair value gains/losses	0	0	-1,917	0	0	1,070
Other:						
Fee expense (brokerage)	-35	-11	0	0	0	0
ECL allowance (prior year reversal)	0	15	0	0	41	0
ECL allowance at 31 March	0	-41	0	0	-31	0
Total fair value gains/losses	-35	-37	0	0	10	0
Total gains and losses recognised in Surplus or Deficit on Provision of Services (CIES)	-31,277	2,672	-394	-30,856	1,998	2,584

The Ministry of Housing, Communities and Local Government (MHCLG) introduced a statutory override for English local authorities effective from 1 April 2018 for an initial 5-year period up to 31 March 2023, whereby fair value movements on qualifying pooled funds are accounted for through the pooled investment funds adjustment account. The Council has maintained this accounting policy throughout 2020/21 with regard to its multi-asset income and property pooled funds.

c. Financial Instruments - Fair Values

The basis for recurring fair value measurements are:

- Level 1 - Fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date (for example bond prices).
- Level 2 - Fair value is calculated from inputs other than quoted prices that are observable for the asset or liability (for example interest rates or yields for similar instruments).
- Level 3 - Fair value is determined using unobservable inputs for the asset or liability.

(i) Fair Value of Financial Assets

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Financial Assets (measured at fair value through profit & loss)	Fair Value Level	Valuation technique used to measure Fair Value	Original Invested Value £000	2019/20 Fair Value £000	2020/21 Fair Value £000
Fidelity Multi-Asset Income Fund	1	Unadjusted quoted prices in active markets (see note below) [1]	7,500	7,009	7,773
NinetyOne Diversified Income Fund	1		7,500	6,863	7,540
Accrued interest (multi-asset funds)	1		n/a	72	64
Hermes Property Unit Trust	2	Prices obtained directly from respective Fund Managers (see note below) [2]	10,000	9,363	9,105
Local Authorities' Property Fund	2		10,000	9,491	9,423
Lothbury Property Trust	2		5,001	4,510	4,446
Accrued interest (property funds)	2		n/a	222	223
Shareholding in the UKMBA Plc	3	Discounted cash flow (see note below) [3]	200	2	2
			40,201	37,532	38,576

[1] The Council's fair value measurement of its multi-asset income pooled funds is based directly from quoted market prices at 31 March 2021.

[2] The Council's fair value measurement of its property pooled funds is based directly from the bid/redemption prices obtained from the respective fund managers; indicating the value that units can be sold (in accordance with the Code of Practice). During 2020/21 all three fund managers lifted the temporary redemption suspensions that were in place at 31 March 2020. However, given that monthly prices are calculated using the respective property fund's valuers valuation of the underlying assets and that subscription/redemption trades are typically set on a forward pricing basis with the trading price agreed at a future point in time, the Council has maintained property funds at Level 2 of the fair value hierarchy.

[3] Equity in the UK Municipal Bond Agency (UKMBA) plc have been valued at the company's share capital valuation (£0.01 per share) as shown within their latest audited financial statements (no assumptions made regarding future profits).

(ii) Financial Assets and Liabilities that are not measured at Fair Value (but Fair Value disclosures are required)

Except for the financial assets carried at fair value through profit and loss, all other financial assets and financial liabilities (including trade debtors and creditors) held by the Council are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

NOTES TO THE BALANCE SHEET

- For Public Works Loan Board (PWLB) loans, New Loan Rates effective at 31 March 2021 from the PWLB (discounted by the 0.2% "Certainty Rate" available to local authorities) have been applied to provide the fair value under PWLB debt redemption procedures; as set out in PWLB Interest Rate Notice No. 127/21.
- The fair values of PFI schemes and finance lease liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA rated corporate bond yield.
- For long-term investments, covered bonds and other securities, prevailing (benchmark where applicable) market rates have been used to provide the fair value at 31 March 2021.
- The fair value of other financial instruments (including those with a maturity of less than 12 months), trade debtors and trade creditors, is assumed to approximate the carrying amount (no fair value hierarchy level).

		2019/20		2020/21	
Financial Liabilities	**Fair Value Level**	**Carrying Amount £000**	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
PWLB borrowing (including accrued interest)	2	-486,299	-568,930	-479,155	-587,265
PFI and finance lease liabilities	2	-99,785	-188,203	-97,234	-193,350
Other liabilities (Waste PFI deferred income)		-1,919	-1,919	-1,772	-1,772
Short-term (non-PWLB) borrowing		-4,959	-4,959	-5,564	-5,564
Trade creditors [1]		-71,714	-71,714	-114,117	-114,117
Bank current accounts		0	0	0	0
Total Financial Liabilities		-664,676	-835,725	-697,842	-902,068

[1] Excludes receipts in advance (£68.732m at 31 March 2021) and statutory creditors (£37.467m at 31 March 2021) including HM Revenue & Customs (Tax/National Insurance pay-over and Construction Industry Tax Deduction Scheme), Teachers Pensions, government department accruals, council tax prepayments and leave accrued by employees.

The fair value of financial liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates. Additionally, during 2019/20 HM Treasury raised the margin on PWLB borrowing rates by 1% and subsequently reversed this increase in 2020/21. As a result the comparative fair values for PWLB borrowing at 31 March 2020 are lower on a like-for-like basis than at 31 March 2021.

		2019/20		2020/21	
Financial Assets (held at amortised cost)	**Fair Value Level**	**Carrying Amount £000**	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Bank covered bond	1	10,002	9,887	10,001	10,056
Other long-term investments	2	15,099	15,289	0	0
Short-term investments (less than 1-year to maturity)		210,265	210,265	214,811	214,811
Cash & cash equivalents		66,513	66,513	151,913	151,913
Trade debtors [1]		61,692	61,692	78,717	78,717
Total Financial Assets		363,571	363,646	455,442	455,497

[1] Excludes payments in advance (£20.158m at 31 March 2021) and statutory debtors (£59.756m at 31 March 2021) including HM Revenue & Customs (VAT repayment), government department accruals, council tax arrears and provision for doubtful debts.

The fair value of financial assets is higher than the carrying amount because the Council's investment portfolio includes a 3-year bank covered bond whereby fair value is based on the actual market price sourced from the custodian manager at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2021) attributable to the commitment to receive repayments (including interest) at prevailing market rates.

d. Nature and Extent of Risk Arising From Financial Instruments

(i) Key Risks

The Council's activities expose it to a variety of financial risks. The key risks are:

- **Credit Risk**: The possibility that other parties might fail to pay amounts due to the Council.
- **Liquidity Risk**: The possibility that the Council might not have funds available to meet its commitments to make payments.
- **Re-financing Risk**: The possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **Market Risk**: The possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates, stock market movements or foreign currency exchange rates.

(ii) Overall Procedures for Managing Risk

The Council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on resources available to fund services.

Risk management is carried out by a central treasury management team, under policies approved by County Council in the annual Treasury Management Strategy. The Council maintains written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk, and the investment of surplus cash through treasury management practices (TMPs).

(iii) Credit Risk

Credit risk arises from investments with banks and other institutions, as well as credit exposures to the Council's customers. This risk is minimised through the annual investment strategy (as set out within the Treasury Management Strategy) which requires that such investments are not made with organisations unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services.

The annual investment strategy also considers maximum monetary amounts and time limits in respect of each organisation (dependent on the creditworthiness of the entity and the secured/unsecured nature of the investment); details as contained within the Treasury Management Strategy published on the Council's website.

The rating criteria for new investments with organisations (excluding non-UK banks) to be considered of high credit quality was set at those having a long-term credit rating of A- (or equivalent rating across the three rating agencies) or higher. For non-UK commercial entities the minimum sovereign long-term rating was set at AA+ (with non-UK banks required to hold a credit rating of A+ or higher). The maximum non-UK investment exposure at any point of time being set at £90m (£30m per individual country). Recognising that credit ratings are imperfect predictors of default, the Council continued to use other means of assessing an organisation's credit worthiness over and above sole reliance on credit ratings when selecting appropriate investment counterparties; including credit default swap (CDS) prices, share prices, media coverage and any other such information pertaining to an organisation's financial standing.

The annual investment strategy further approved investments in BBB+ rated corporate (non-bank) organisations up to a maximum duration of 100 days; and the National Westminster Bank plc (ring-fenced part of the bank) up to a maximum of one year given the part nationalised status of the bank. The total level of internally managed investments with corporates (non-bank) rated below A- being limited to a maximum of £30m (£10m maximum per organisation); such investments being classified as 'non-specified' in accordance with MHCLG Investment Guidance.

Throughout 2020/21 the Council continued to make use of an HSBC custodian service provided by King & Shaxson Ltd, thereby diversifying its investment portfolio into financial instruments approved within the annual investment strategy; namely covered bonds, certificate of deposits (CDs) and corporate bonds. Additionally, investments in externally managed pooled funds (including multi-asset income, property and ultra-short dated bond funds) continue to be approved for Council investment.

NOTES TO THE BALANCE SHEET

The table below summarises the fair value/amortised cost of the Council's investment portfolio at 31 March 2021 and confirms that all investments were made in line with the Council's approved credit rating criteria:

Counterparty	Credit rating criteria met when investment placed YES / NO	Credit rating criteria met on 31 March 2021 YES / NO	Balance invested at 31 March 2021 Up to 1 month £000	>1 month; <6 months £000	>6 month; <1 Year £000	>1 year £000	Total £000
Bank Unsecured: [1]							
-UK Bank	YES	YES	1,913	49,499	9,997	0	61,409
-Non-UK Bank	YES	YES	5,009	5,010	4,999	0	15,018
-Money market funds	YES	YES	150,000	0	0	0	150,000
Bank Secured [2]	YES	YES	0	7	0	9,994	10,001
Housing Associations	YES	YES	0	10,077	0	0	10,077
Local authorities	YES	YES	5,049	40,085	85,086	0	130,220
Pooled funds [3]	n/a	n/a	173	114	0	38,287	38,574
Other	n/a	n/a	0	0	0	2	2
			162,144	104,792	100,082	48,283	415,301

[1] The Council's exposure to credit risk in relation to its unsecured investments in banks and money market funds at 31 March 2021 (£226.4m) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sums will be specific to each institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2021 that such risks were likely to materialise.

[2] The credit quality of £10.0m of the Council's investments is enhanced by collateral held in the form of covered bonds (bank secured); collateralised by UK residential mortgages. For these investments the collateral significantly reduces the likelihood of the Council suffering a credit loss on these investments.

[3] The Council's investments in multi-asset income and property funds (not subject to minimum credit rating criteria) is approved on the basis of a long-term investment duration (minimum three and five years respectively).

The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating:

	Long Term 2019/20 £000	Long Term 2020/21 £000	Short Term 2019/20 £000	Short Term 2020/21 £000
AAA (Covered Bonds, Pooled Funds/MMFs)	9,987	9,994	66,237	150,007
AA- (Assumed UK Local Authority Rating)	5,000	0	165,238	145,221
A+	0	0	15,239	46,421
A	0	0	30,108	15,005
A-	9,990	0	80	10,077
Multi-Asset Income Funds	13,872	15,313	72	64
Property Funds	23,364	22,974	222	223
UK Municipal Bond Agency [1]	2	2	0	0
Total	62,215	48,283	277,196	367,018

[1] Bonds issued by the Agency are expected to receive investment grade credit ratings given that participants (and shareholders of the Agency) are primarily individual local authorities.

(iv) Amounts Arising from Expected Credit Losses

In relation to the Council's financial investments held at amortised costs, where risk is mitigated through the creditworthiness policies contained within the annually approved Treasury Management Strategy (as summarised above), the Council has applied a 12-month expected credit loss model to its investments (where required by the Code of Practice) thereby reducing the carrying amounts as disclosed in the Balance Sheet.

Additionally, the Council had a third party loan outstanding with the Littlehampton Harbour Board which is considered as low credit risk given that annual repayments continue to be deducted from precepts paid by the Council to the Harbour Board. As a consequence the Council has applied a 12-month expected credit loss model to this loan in 2020/21.

Expected Credit Loss Allowance (Trade Debtors): The Council does not generally allow credit for its trade debtors, however £39.5m of the total £78.7m debtor balance is past its due date for payment. The amount overdue at 31 March 2021, none of which has been impaired, can be analysed by age as follows:

	£000
Up to one month overdue	3,517
Greater than one month up to three months	3,969
Greater than three months up to six months	7,726
Greater than six months up to one year	5,147
Greater than one year up to two years	7,963
Greater than two years up to five years	9,236
More than five years	1,931
Total	39,489

Included within the £39.5m trade debtor balance that is past its due payment date, the Council has identified that £5.864m is potentially at risk of being irrecoverable. This is based on an assessment of overdue debt at 31 March 2021 and the likelihood of recovery, reflecting that recovery reduces as the age of the debt increases, with anticipated recovery of 90% of debts aged up to one year old and no expected recovery of debts over six years old. The impact of Covid-19 on the Council's outstanding debt has also been considered when assessing the potential for non-recovery. At 31 March 2021, none of this liability has actually been impaired due to continued negotiations between the Council's Legal Services team and the relevant debtors.

Movement in Expected Credit Loss Allowances	2019/20 £000	2020/21 £000	Movement £000
Financial investments held at amortised cost (12-month ECL)	-33	-24	9
Loan to the Littlehampton Harbour Board (12-month ECL)	-8	-7	1
Provision for bad debts (Lifetime ECL model; detailed above)	-3,392	-5,864	-2,472
Provision for council tax & business rate debts	-16,523	-17,252	-729
Total	-19,956	-23,147	-3,191

Collateral (Trade Debtors): The Council initiates a legal charge on property where, for instance, clients require the assistance of the Council's Adult Services but cannot afford to pay immediately; the total debt relating to such cases at 31 March 2021 was £9.9m.

(v) Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings at favourable rates from the money markets to cover any day-to-day cash flow need, and the Public Works Loan Board (and other financial institutions) provide access to longer-term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. As a consequence there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets (including accrued interest and any expected credit loss adjustments) is as follows:

	2019/20 £000	2020/21 £000
Less than one year	277,196	367,018
Between one and two years	14,990	9,994
Between two and three years	9,987	0
More than three years	37,238	38,289
Financial Assets Total	339,411	415,301

Trade debtors (£78.7m) are not included in the table above.

(vi) Refinancing Risk

The Council maintains significant debt and investment portfolios and is therefore exposed to the risk that it will need to refinance a proportion of its investments and borrowings at a time of unfavourable interest rates. Whilst the cash flow procedures employed by the Council are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of long-term financial liabilities and long-term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day-to-day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

The following table provides a maturity analysis of the Council's financial liabilities (excluding accrued interest) and the associated contractual interest obligations, alongside the maximum limits for fixed interest rates maturing in each period:

	Minimum Approved Limit	Maximum Approved Limit	Principal Maturity		Interest Obligation	
			2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Less than 1 year	0%	25%	11,975	9,080	19,493	19,293
Between 1 and 5 years	0%	35%	13,563	34,063	75,840	75,124
Over 5 years to 10 years	0%	45%	122,023	141,378	82,470	76,493
Over 10 years to 15 years	0%	65%	199,233	155,862	38,990	30,388
Over 15 years to 20 years	0%	25%	0	0	19,987	19,987
Over 20 years to 25 years	0%	25%	15,000	15,000	18,780	18,122
Over 25 years to 30 years	0%	25%	0	0	16,695	16,695
More than 30 years	0%	40%	125,000	125,000	48,893	45,554
Financial Liabilities Total			486,794	480,383	321,148	301,656

(vii) Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;

- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Council's balance sheet, so nominal gains and losses on fixed rate debt would not impact the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund balance.

The Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure.

The central treasury team will monitor markets and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods where economic circumstances make it favourable (including continued periods of low interest rates) fixed rate investments may be taken for longer durations to secure better long term returns; similarly the drawing of long term fixed rate borrowings may be postponed.

At 31 March 2021 the Council held no variable long term borrowings, but held 52% (£215.5m) of its investment portfolio in variable rate bank call/notice accounts, money market funds, bank floating rate notes, pooled funds (collective investment schemes) and equities.

During 2020/21 total interest of £1.7m has been charged to the Comprehensive Income and Expenditure Statement in respect of all the Council's variable rate investments, representing a 0.90% rate of return on an average investment portfolio of £192.8m. If all applicable rates had been 1% higher the financial impact would have been a £1.9m increase in interest charged to the Comprehensive Income and Expenditure Statement.

Price Risk

The market prices of the Council's fixed/variable rate investments and units held in ultra-short dated bond funds during 2020/21 are governed by prevailing interest rates; the market risk associated with these investments is managed alongside interest rate risk.

At 31 March 2021 the Council held £38.6m (including accrued income) in multi-asset income and property pooled funds which is subject to price variations. During 2020/21 the price movements in these funds did not impact the General Fund Balance due to statutory regulations currently in force to ameliorate the impact of fair value movements. Given continued market volatility as a result of the Covid-19 global pandemic (impacting commercial property valuations) without these current regulations the Council would have recognised a £0.4m loss in the Surplus or Deficit on the Provision of Services in relation to its property fund investments. The accumulated loss in the Council's pooled investment funds adjustment account at 31 March 2021 was £1.7m.

Additionally, the Council held a shareholding in the UK Municipal Bond Agency Plc; currently there is no active trading in these shares and the Council's investment is exposed to the ongoing sustainability of the company.

Inflationary Risk

Inflationary risk relates to the diminution of the spending powers of the Council's cash holdings, or the potential escalation of financial liabilities if linked to inflation indices. Throughout 2020/21 the Council achieved a 0.77% return on its investment portfolio as compared against average UK CPI inflation of 0.58% during the same period. Latest Bank of England forecasts report that UK CPI inflation was 0.7% in the twelve months to March 2021, and likely to increase to over 2% during the remainder of 2021 before falling back towards target; additional market forecasts indicate CPI averaging around 2% until 2025. With low investment rates set to continue over the same period the Council may seek to partially mitigate any resulting inflationary risks through its prescribed cash flow procedures; including the identification of reserves that may be set aside for the continued use of longer-term (higher yielding) investments. The Council does not currently hold any inflation linked borrowings.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

NOTES TO THE BALANCE SHEET

10. Assets Held for Sale

2019/20 £000		2020/21 £000
7,507	**Balance outstanding 1 April**	1,840
	Assets newly classified as held for sale:	
2,113	- Property, Plant and Equipment	1,445
0	- Investment Property	250
	Assets declassified as held for sale:	
-931	- Property, Plant and Equipment	-1,346
-5	Revaluation gains/(losses)	-850
-6,844	Assets sold	-494
1,840	**Balance outstanding at 31 March**	**845**

11. Short-Term Debtors

2019/20 £000		2020/21 £000
22,917	Central government bodies	49,487
32,969	Other local authorities	13,583
5,353	NHS bodies	11,198
0	Public corporations and trading funds	0
57,933	Other entities and individuals	52,730
119,172	**Total**	**126,998**

12. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

2019/20 £000		2020/21 £000
66,229	Cash held by the Authority	150,001
284	Bank current accounts	1,912
66,513	**Total**	**151,913**

13. Short-Term Creditors

2019/20 £000		2020/21 £000
-27,455	Central government bodies	-51,615
-9,618	Other local authorities	-33,082
-4,115	NHS bodies	-28,047
-1	Public corporations and trading funds	-1
-91,106	Other entities and individuals	-107,571
-132,295	**Total**	**-220,316**

14. Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

	Balance at 1 April 2020 £000	Amounts used in 2020/21 £000	Additional provisions made in 2020/21 £000	Balance at 31 March 2021 £000
Long-Term				
Insurance	-2,779	1,754	-2,385	-3,410
Fire Pensions Opt-Out	-243	219	0	-24
Teachers' Pension Scheme	-143	10	0	-133
Total Long-Term Provisions	**-3,165**	**1,983**	**-2,385**	**-3,567**
Short-Term				
Insurance	-1,568	1,769	-1,754	-1,553
Loss of Office	0	0	-354	-354
NNDR Appeals	-21,146	21,146	-4,045	-4,045
NNDR 75% Local Retention Pilot	-290	300	-10	0
Property Tenancy Dispute	-195	195	0	0
Registrars Tax Liabilities	0	0	-177	-177
Total Short-Term Provisions	**-23,199**	**23,410**	**-6,340**	**-6,129**
Grand Total Provisions	**-26,364**	**25,393**	**-8,725**	**-9,696**

Long Term Provisions - Descriptions

The **Insurance** provision is maintained to meet claims relating to the County Council's self-funding insurance scheme, including for property, vehicle and liability risks. The balance on the provision represents the estimated obligation in relation to known claims as at 31 March 2021, adjusted to remove amounts for part-settled claims. The long-term element of the provision represents the value of claims estimated to be settled at various intervals over the next number of years (but not within one year).

The **Fire Pensions Opt-Out** provision is held to finance additional employer liabilities in respect of the Firefighters' Pension Scheme. A number of employees were given incorrect advice which led to them opting out of the scheme in 2011/12. This resulted in an additional pension liability over and above that which can be funded by the Firefighters' Pension Scheme. The provision represents the gross additional liability to be met by the County Council until the employees reach the eligible retirement age. This amount is offset by amounts owed by the Firefighters' Pension Scheme in respect of lump sum payments (held within debtors on the balance sheet), which are recoverable by the Authority upon retirement.

The **Teachers' Pension Scheme** provision is for additional employer contributions to the Teachers' Pension Scheme (administered by the Department for Education), which the Authority is obliged to make over a number of years as a result of its restructuring of the Learning Service (and associated redundancies) in 2011.

NOTES TO THE BALANCE SHEET

Short Term Provisions - Descriptions

The **Insurance** provision is maintained to meet claims relating to the County Council's self-funding insurance scheme, including for property, vehicle and liability risks. The balance on the provision represents the estimated obligation in relation to known claims as at 31 March 2021, adjusted to remove amounts for part-settled claims. The short-term element of the provision represents the value of claims estimated to be settled within one year.

The **Loss of Office** provision provides for the cost of redundancies to which the Authority was committed at the balance sheet date. All obligations are expected to be settled in 2021/22.

As part of the introduction of the localised business rates system on 1 April 2013, a liability was assumed by NNDR (National Non-Domestic Rates) billing authorities for refunding ratepayers who successfully appeal against the rateable value of their properties. This includes the liability in respect of appeals against amounts paid to central government prior to that date. As a precepting authority, West Sussex is liable for a share of any successful **NNDR Appeals**, and this provision represents the Authority's estimate of its cumulative liability based upon the total liabilities estimated by its individual billing authorities. The Authority entered into a 75% local business rates retention pilot scheme in 2019/20, and as a consequence the share of the billing authority collection fund provisions notionally attributable to West Sussex County Council was 55% at 31 March 2020. The Council's share reverted to 10% upon the cessation of the pilot in 2020/21. In accordance with statutory arrangements, the movement in this provision is mitigated via the Collection Fund Adjustment Account, and so there is no impact on Usable Reserves.

A provision was held for monies owed to billing authorities under the **NNDR 75% Local Retention Pilot** which the Authority formed part of in 2019/20. Whilst the pilot arrangements ensured that the West Sussex Pool as a whole retained a greater share of business rates locally, individual billing authorities retained less than they would have under previous arrangements. Under the terms of this pilot, it was agreed that any billing authorities incurring such losses would be compensated from the additional funds retained by the wider Pool. As the administering authority for the Pool, the County Council recognised this provision to recompense its billing authorities in its accounts; however, the liability was settled in 2020/21 using funds attributable to the Pool, and so there were no funding implications for the Council.

The Authority held a provision for a **Property Tenancy Dispute**. The obligation was for third party legal costs relating to an eviction notice which was subject to arbitration, and was settled in 2020/21.

A provision is held in relation to **Registrars Tax Liabilities**. A potential obligation has arisen relating to VAT which may be due on ceremonies income received during 2020/21. Settlement of any such obligation is anticipated in 2021/22, subject to the resolution of planned discussions between HMRC and CIPFA which are intended to achieve a final decision regarding the treatment of VAT for registrars and ceremonies.

15. Private Finance Initiatives and Similar Contracts

Crawley Schools PFI

In January 2004, the County Council entered into a 30 year PFI contract with Crawley Schools Ltd for the provision of three new/replacement secondary schools in Crawley. The contractor is responsible for maintaining and operating the buildings for the duration of the contract. At the end of the contract period the assets will revert to the ownership of the County Council.

The Unitary Charge is net of capital contributions of £28.6m that were paid by the County Council in 2004/05 and 2005/06, and offset by government grant linked to notional credit approvals of £131m, which is payable over the period of the contract. The balance of the Unitary Charge is met by contributions from schools' delegated budgets.

During 2008/09 the facilities at Thomas Bennett (one of the three schools in the original PFI contract) were developed and incorporated into an extension of the PFI agreement with Crawley Schools Ltd. The unitary charge payment increased in 2009/10 to reflect the extended facilities coming into use and will be met by government grant and contributions from the school's delegated budgets.

In September 2012 Thomas Bennett obtained Academy status at which point the building ceased to be a County Council asset (resulting in £19.1m being removed from the Authority's balance sheet). Subsequent to the academisation of Thomas Bennett, the Authority remains the contracted partner and the analysis of PFI commitments in note (iii) below includes the unitary charge payable to the contractor in relation to this school.

Recycling and Waste Handling PFI

In March 2004 the County Council entered into a 25-year PFI contract with Viridor Waste Management Ltd for recycling and waste handling. The annual charge is offset by government grant linked to notional credit approvals of £25m, with the balance being funded from the waste management budget. An initial contract variation was entered into in January 2019, extending the agreement by a further four years. A further contract variation was agreed in May 2019, whereby the monthly gate fee (unitary charge) was reduced in return for an upfront capital repayment of £1.8m made by the Council.

Throughout the contract the contractor is responsible for the replacement of equipment at the facilities. The lifecycle costs incurred to date have been included in the balance sheet on the basis of the actual provision. As at 31 March 2021 £14.2m of lifecycle costs remained to be delivered. The payments to the contractor for the lifecycle costs are on a consistent basis across the life of the contract.

At the end of the contract period all assets will revert to County Council ownership.

Street Lighting PFI

In December 2009 the County Council reached financial close on a 25-year contract with Tay Valley Lighting for the provision and maintenance of streetlights. The contract commenced on 1 April 2010. The annual charge is offset by government grant linked to notional credit approvals of £78.5m, with the balance being funded from the Highways and Infrastructure budget.

The contract initially allowed for a 5-year installation programme ending on 31 March 2015, this however was extended to 31 March 2017 to ensure all the installations were fully complete.

In 2017, the contractor notified the Council of its intention to refinance the scheme via a Deed of Variation in line with the terms and conditions of the Project Agreement. Subsequent to a competitive selection process, financial close on the refinancing was agreed in December 2018. The Authority received a sum of £3.8m by opting to take the refinancing gain as an upfront payment. These funds were allocated to the earmarked Street Lighting PFI Reserve in 2018/19 and are being released to the revenue account over the remaining life of the scheme.

At the end of the contract period all assets revert back to the ownership of the County Council and must have a minimum of 5 years useful life remaining.

NOTES TO THE BALANCE SHEET

Note (i) – Value of Assets held under PFI contract

	Opening Balance at 1 April 2020 £000	Additions £000	Depreciation £000	Revaluation £000	Closing Balance at 31 March 2021 £000
Crawley Schools PFI					
Ifield Community College	26,510	181	-800	-11,062	**14,829**
Oriel High School	28,967	0	-658	-9,834	**18,475**
Recycling & Waste PFI					
Infrastructure	5,893	0	-351	0	**5,542**
Land and Buildings	13,782	0	-329	-941	**12,512**
Plant and Equipment	3,952	902	-661	0	**4,193**
Street Lighting PFI	64,232	0	-2,644	0	**61,588**
Total PFI Assets	**143,336**	**1,083**	**-5,443**	**-21,837**	**117,139**

Note (ii) – Value of Liability resulting from PFI Contract

	Opening Balance at 1 April 2020 £000	Increase due to Investment £000	Repayment of Liability £000	Closing Balance at 31 March 2021 £000
Crawley Schools PFI	-24,988	0	857	**-24,131**
Recycling & Waste PFI	-11,897	-902	1,282	**-11,517**
Street Lighting PFI	-61,098	0	1,735	**-59,363**
Total Liability	**-97,983**	**-902**	**3,874**	**-95,011**

Note (iii) – Payments due under PFI Contracts

	Repayment of Liability £000	Interest £000	Service Charges £000	Total £000
Within one year	3,287	10,898	27,343	**41,528**
Within two to five years	16,748	41,128	119,528	**177,404**
Within six to ten years	34,280	43,973	169,200	**247,453**
Within eleven to fifteen years	40,696	20,799	93,422	**154,917**
Total	**95,011**	**116,798**	**409,493**	**621,302**

NOTES TO THE BALANCE SHEET

16. Leases

Authority as Lessee

Finance Leases

The Council has acquired a number of non-current assets under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

1 April 2020 £000		31 March 2021 £000
28,127	Land and Buildings	26,615
3,769	Vehicles, Plant, Furniture and Equipment	3,141
0	Infrastructure Assets	10,514
6,530	Assets Under Construction	0
38,426		40,270

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

1 April 2020 £000		31 March 2021 £000
1,802	Finance Lease Liability	2,223
877	Finance costs payable in future years	1,808
2,679	Minimum lease payments	4,031

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	1 April 2020 £000	31 March 2021 £000	1 April 2020 £000	31 March 2021 £000
No later than one year	173	204	99	108
Later than one year and not later than five years	692	815	448	486
Later than five years	1,814	3,012	1,255	1,629
	2,679	4,031	1,802	2,223

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Operating Leases

The future minimum lease payments due under non-cancellable leases in future years are:

1 April 2020 £000		31 March 2021 £000
1,376	Not later than one year	1,507
2,817	Later than one year and not later than five years	2,990
866	Later than five years	684
5,059		5,181

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £1.695m. Of this total, £0.873m was chargeable to the Highways and Infrastructure portfolio, £0.492m was chargeable to the Fire & Rescue and Communities portfolio, and £0.317m was chargeable to the Finance portfolio. A small balance of £0.013m was charged to other portfolios.

NOTES TO THE BALANCE SHEET

Authority as Lessor

Finance Leases

As at the reporting date, the Authority has leased out ten properties on finance leases (excluding peppercorn agreements). The Authority has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the properties when the lease comes to an end. The minimum lease payments comprise the long-term debtor for the interest in the property acquired by the lessee and the finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

1 April 2020 £000		31 March 2021 £000
7,110	Finance lease debtor	6,869
3,359	Unearned finance income	3,122
0	Unguaranteed residual value of property [1]	0
10,469	Gross investment in the lease	9,991

[1] Due to the length of these leases it is assumed that there is no residual value at the end of term

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	1 April 2020 £000	31 March 2021 £000	1 April 2020 £000	31 March 2021 £000
No later than one year	496	496	242	250
Later than one year and not later than five years	1,982	1,984	1,056	1,094
Later than five years	7,991	7,511	5,812	5,525
	10,469	9,991	7,110	6,869

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Operating Leases

Assets leased out by the County Council under operating leases include:

- Land leased for grazing
- Smallholdings
- Staff Housing
- Small Industrial Units

The future minimum lease payments receivable under non-cancellable leases in future years are:

1 April 2020 £000		31 March 2021 £000
3,344	Not later than one year	3,378
9,581	Later than one year and not later than five years	9,377
8,394	Later than five years	6,198
21,319		18,953

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

17. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a requirement to disclose these commitments at the time that employees earn their future entitlement.

The Authority participates in two post-employment schemes:

▪ Local Government Pension Scheme – West Sussex County Council participates in the Local Government Pension Scheme, and acts as an administering authority. This is a funded defined benefit career-average salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The scheme is open to all employees of West Sussex County Council, with the exception of firefighters and teachers and Public Health staff who have transferred to the Authority on NHS terms and conditions.

▪ Uniformed Firefighters – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. The scheme is administered by the Home Office, which sets the contribution rate chargeable to the accounts.

Transactions Relating to Post-Employment Benefits

The cost of retirement benefits are recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement (see Note 2). The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund via the Movement in Reserves Statement during the year.

NOTES TO THE BALANCE SHEET

	Local Government Pension Scheme		Uniformed Firefighters	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
<u>Comprehensive Income and Expenditure Statement</u>				
Cost of Services:				
Current service cost	93,678	71,874	6,842	5,531
Past service cost (including curtailments)	196	137	0	0
(Gain)/loss from settlements	0	74	0	0
Financing and Investment Income and Expenditure:				
Interest cost on defined benefit obligation	57,703	47,283	9,435	8,169
Interest income on plan assets	-46,989	-44,339	0	0
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	104,588	75,029	16,277	13,700
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement:				
Remeasurement (gains) and losses	-360,897	79,597	-44,355	86,176
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	-256,309	154,626	-28,078	99,876
<u>Movement in Reserves Statement</u>				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	-104,588	-75,029	-16,277	-13,700
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	51,393	52,912		
Retirement benefits payable to pensioners			8,799	9,623

<u>Assets and Liabilities in Relation to Post-Employment Benefits</u>

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Uniformed Firefighters	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Opening balance at 1 April	-2,376,650	-2,047,182	-394,183	-357,306
Current service cost	-93,678	-71,874	-6,842	-5,531
Interest cost	-57,703	-47,283	-9,435	-8,169
Contributions by scheme participants	-12,989	-13,794	-1,691	-1,824
Remeasurement gains and (losses):				
Actuarial gains/(losses) arising from changes in demographic assumptions	114,959	-8,833	12,188	-4,604
Actuarial gains/(losses) arising from changes in financial assumptions	210,626	-567,443	34,017	-84,871
Other experience	107,180	23,219	-1,850	3,299
Past service cost (including curtailments)	-196	-137	0	0
Transfers to/(from) other authorities	0	0	-97	-16
Benefits paid	61,269	58,625	10,587	11,463
Liabilities extinguished on settlements	0	8,497	0	0
Closing balance at 31 March	-2,047,182	-2,666,205	-357,306	-447,559

NOTES TO THE BALANCE SHEET

Reconciliation of the movements in the fair value of the scheme (plan) assets:

	Local Government Pension Scheme		Uniformed Firefighters	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Opening balance at 1 April	1,952,269	1,930,503	0	0
Interest income on plan assets	46,989	44,339	0	0
Remeasurement gains and (losses): Return on plan assets (excluding interest income)	-71,868	473,460	0	0
Contributions by scheme participants	12,989	13,794	1,691	1,824
Employer contributions	51,393	52,912	8,799	9,623
Benefits paid	-61,269	-58,625	-10,587	-11,463
Transfers (to)/from other authorities	0	0	97	16
Settlements	0	-8,571	0	0
Closing balance at 31 March	1,930,503	2,447,812	0	0

Scheme History

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Present value of liabilities:					
Local Government Pension Scheme	-2,044,784	-2,094,358	-2,376,650	-2,047,182	-2,666,205
Uniformed Firefighters	-375,993	-374,720	-394,183	-357,306	-447,559
Fair value of assets:					
Local Government Pension Scheme	1,716,646	1,816,232	1,952,269	1,930,503	2,447,812
Uniformed Firefighters	0	0	0	0	0
Net defined liability:					
Local Government Pension Scheme	-328,138	-278,126	-424,381	-116,679	-218,393
Uniformed Firefighters	-375,993	-374,720	-394,183	-357,306	-447,559
Total	-704,131	-652,846	-818,564	-473,985	-665,952

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £665.952m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:
▪ The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary, Hymans Robertson LLP.
▪ Finance is only required to be raised to cover Uniformed Firefighters' benefits when the pensions are actually paid.

The total contribution expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2022 is £47.566m. Payments (net of employee contributions) in respect of the Uniformed Firefighters scheme for the year to 31 March 2022 are projected to be £8.872m.

NOTES TO THE BALANCE SHEET

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and Uniformed Firefighters liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		**Uniformed Firefighters**	
	2019/20 £000	**2020/21 £000**	**2019/20 £000**	**2020/21 £000**
Mortality assumptions:				
Longevity at 65 for current pensioners:				
▪ Men	22.2	22.1		
▪ Women	24.2	24.4		
Longevity at 60 for current pensioners:				
▪ Men			26.4	26.6
▪ Women			28.5	28.9
Longevity at 65 for future pensioners:				
▪ Men	23.3	23.1		
▪ Women	25.9	26.1		
Longevity at 60 for future pensioners:				
▪ Men			27.5	27.9
▪ Women			29.7	30.3
Rate of increase in salaries / CARE revaluation rate	2.30%	3.35%	2.80%	3.30%
Rate of increase in pensions	1.90%	2.85%	1.90%	2.85%
Rate for discounting scheme liabilities	2.30%	2.00%	2.30%	2.00%

For the Local Government Pension Scheme, an allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

For the Uniformed Firefighters scheme, it is assumed that future retirements elect to take 90% of the maximum additional tax free cash up to HMRC limits.

The Uniformed Firefighters arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2020 %	**31 March 2021 %**
Equity Securities	50%	51%
Debt Securities	2%	1%
Private Equity	2%	2%
Real Estate	8%	7%
Investment Funds and Unit Trusts	34%	35%
Cash and Cash Equivalents	4%	4%
	100%	100%

Further information regarding the composition and measurement of the scheme's assets, and the risks associated with holding those assets, can be found in the West Sussex Pension Fund financial statements at the rear of this document (see notes 14 and 18 respectively).

18. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2020/21, the County Council paid £38.016m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. Employer contributions of £32.512m were made in 2019/20 (16.48% of pensionable pay for the period to August 2019, and 23.68% of pensionable pay from September 2019). The Council receives a grant from the Department for Education to support it with the cost of the increase to the employer contribution rate implemented in September 2019 (see Note 25).

The contributions due to be paid in the 2021/22 financial year are estimated to be £38.0m.

NOTES TO THE BALANCE SHEET

19. Unusable Reserves

1 April 2020 £000		31 March 2021 £000
9,840	Accumulated Absences Account	12,155
2,765	Pooled Investment Funds Adjustment Account [1]	1,714
-1,039,859	Capital Adjustment Account	-748,952
-804	Collection Fund Adjustment Account	25,831
-	Dedicated Schools Grant Adjustment Account	10,388
-7,110	Deferred Capital Receipts Reserve	-6,869
473,985	Pensions Reserve	665,952
-415,052	Revaluation Reserve	-240,428
-976,235	**Total Unusable Reserves**	**-280,209**

[1] Previously 'Financial Instruments Revaluation Reserve' - the reserve has been renamed in accordance with the requirements of the Code as for the reported periods the balance relates entirely to unrealised fair value gains and losses on pooled investment funds.

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund be neutralised by transfers to or from the Account.

2019/20 £000		2020/21 £000	£000
9,448	**Balance at 1 April**		**9,840**
-9,448	Settlement or cancellation of accrual made at end of the preceding year	-9,840	
9,840	Amounts accrued at the end of the current year	12,155	
392	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		2,315
9,840	**Balance at 31 March**		**12,155**

Pooled Investment Funds Adjustment Account

Owing to a statutory override, the Authority transfers all fair value movements recognised in the Surplus or Deficit on the Provision of Services relating to its pooled investment funds (categorised as fair value through profit or loss) into this reserve.

Accumulated gains and losses are written out of the reserve and recognised in the General Fund when the instrument is sold or matures.

2019/20 £000		2020/21 £000	£000
663	**Balance at 1 April**		**2,765**
0	Upward revaluation of investments	-1,441	
2,102	Downward revaluation of investments	390	
2,102			-1,051
0	Accumulated gains and (losses) on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement		0
2,765	**Balance at 31 March**		**1,714**

NOTES TO THE BALANCE SHEET

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 2 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2019/20		**2020/21**	
£000		**£000**	**£000**
-990,726	**Balance at 1 April**		**-1,039,859**
	Reversal of items relating to capital expenditure debited/credited to the Comprehensive Income and Expenditure Statement:		
80,750	Charges for depreciation of non current assets	84,628	
390	Charges for amortisation of intangible assets	390	
0	Charges for impairment of non current assets	0	
-30,792	Revaluation (gains) / losses on Property, Plant and Equipment and Assets Held for Sale	262,007	
2	Revaluation (gains) / losses on equity investments	0	
10,536	Revenue Expenditure Funded from Capital Under Statute (REFCUS)	7,359	
29,184	Amounts written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	61,551	
-148	Release of deferred income from Private Finance Initiatives	-147	
-11,708	Gains from Donated Assets	0	
78,214			415,788
-14,490	Adjusting amounts written out of the Revaluation Reserve		-23,172
63,724	**Net written out amount of the cost of non current assets consumed in the year**		**392,616**
	Capital financing applied in the year:		
-7,901	Use of the Capital Receipts Reserve to finance new capital expenditure	-3,700	
-71,519	Application of grants to capital financing from the Capital Grants Unapplied Account	-74,294	
-4,425	Capital grants and contributions applied to REFCUS	-4,353	
-16,470	Statutory provision for the financing of capital investment charged against the General Fund balance	-15,815	
-297	Revenue Contribution to Capital Outlay	-5,762	
-100,612			-103,924
-12,245	Movements in the market value of Investment Properties debited/ credited to the Comprehensive Income & Expenditure Statement		2,215
-1,039,859	**Balance at 31 March**		**-748,952**

NOTES TO THE BALANCE SHEET

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2019/20		2020/21	
£000		£000	£000
-2,577	**Balance at 1 April**		**-804**
2,577	Settlement or cancellation of accrual made at end of the preceding year	804	
-804	Amounts accrued at the end of the current year	25,831	
1,773	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements		26,635
-804	**Balance at 31 March**		**25,831**

Dedicated Schools Grant Adjustment Account

Statutory arrangements dictate that school budget deficits must be carried forward to be funded from future Dedicated Schools Grant (DSG) income, unless permission is granted by the Secretary of State for Education for an Authority to fund the deficit from its general resources. The Dedicated Schools Grant Adjustment Account therefore holds accumulated DSG deficits until such time that these can be recovered from future DSG income.

2019/20 [1]		2020/21
£000		£000
-	**Balance at 1 April**	**0**
-	Accumulated deficit at 1 April transferred from Earmarked Reserves	1,739
-	Deficit between grant receivable and eligible expenditure for the year	8,649
-	**Balance at 31 March**	**10,388**

[1] Reserve established 1 April 2020 in accordance with the provisions of the Local Authority (Capital Finance and Accounting) (England) (Amendment) Regulations 2020, therefore no prior-year comparators

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2019/20		2020/21
£000		£000
-8,052	**Balance at 1 April**	**-7,110**
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
234	Write down of Finance Lease debtor	241
708	Transfer to the Capital Receipts Reserve upon receipt of cash	0
-7,110	**Balance at 31 March**	**-6,869**

NOTES TO THE BALANCE SHEET

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2019/20 £000		2020/21 £000
818,564	**Balance at 1 April**	**473,985**
-405,252	(Gains)/losses on remeasurement of pension assets/liabilities	165,773
120,865	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	88,729
-60,192	Employer's pensions contributions and direct payments to pensioners payable in the year	-62,535
473,985	**Balance at 31 March**	**665,952**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2019/20		2020/21	
£000		£000	£000
-434,190	**Balance at 1 April**		**-415,052**
-45,128	Upward revaluation of assets	-31,683	
49,776	Downward revaluation of assets and revaluation losses not charged to the Surplus/Deficit on the Provision of Services	183,135	
0	Impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	
4,648	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**151,452**
8,642	Difference between fair value depreciation and historical cost depreciation	9,113	
5,848	Accumulated gains on assets sold or scrapped	14,059	
14,490	**Amount written off to the Capital Adjustment Account**		**23,172**
-415,052	**Balance at 31 March**		**-240,428**

20. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2020/21

Adjustments from General Fund to Comprehensive Income and Expenditure Statement	Adjustments for Capital Purposes [1] £000	Net Pensions Adjustments [2] £000	Other Differences [3] £000	Total Adjustments £000
Adults and Health	5,485	3,012	-17,172	-8,675
Children and Young People	2,194	3,634	401	6,229
Economy and Corporate Resources	1,236	1,474	2,713	5,423
Education and Skills	279,262	8,085	-668	286,679
Environment	13,999	391	-2,155	12,235
Finance	4,103	843	1,499	6,445
Fire & Rescue and Communities	6,137	-3,133	52	3,056
Highways and Infrastructure	33,040	724	-6,740	27,024
Leader	0	51	8	59
Net Cost of Services	345,456	15,081	-22,062	338,475
Other Income and Expenditure	-31,410	11,113	60,349	40,052
Difference between General Fund Surplus and Comprehensive Income and Expenditure Deficit	**314,046**	**26,194**	**38,287**	**378,527**

NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis 2019/20

Adjustments from General Fund to Comprehensive Income and Expenditure Statement	Adjustments for Capital Purposes [1] £000	Net Pensions Adjustments [2] £000	Other Differences [3] £000	Total Adjustments £000
Adults and Health	266	6,748	-5,243	1,771
Children and Young People	3,888	8,177	-376	11,689
Economy and Corporate Resources	3,844	3,030	1,996	8,870
Education and Skills	535	18,333	-1,900	16,968
Environment	5,228	959	-2,309	3,878
Finance	-87	1,397	807	2,117
Fire & Rescue and Communities	5,214	207	-12	5,409
Highways and Infrastructure	32,139	1,538	-6,880	26,797
Leader	0	135	-1	134
Net Cost of Services	51,027	40,524	-13,918	77,633
Other Income and Expenditure	-99,607	20,149	18,187	-61,271
Difference between General Fund Surplus and Comprehensive Income and Expenditure Surplus	**-48,580**	**60,673**	**4,269**	**16,362**

NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS

[1] Adjustments for Capital Purposes

This column adds in depreciation, impairment, revaluation gains and losses and Revenue Expenditure Funded by Capital Under Statute in the **services** line, and for:

▪ **Other Operating Expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets, and for revaluation gains and losses on Assets Held for Sale.

▪ **Financing and Investment Income and Expenditure** – adjusts for revaluation gains and losses on Investment Property.

▪ **Taxation and Non-Specific Grant Income** – credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year and for gains on donated assets.

The statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are also deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

[2] Net Pensions Adjustment

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

▪ For **services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

▪ For **Financing and Investment Income and Expenditure** the net interest on the defined benefit liability is charged to the CIES.

[3] Other Differences

Other Differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

▪ For **services** an adjustment for the accumulated absences provision recognised in accordance with proper accounting practices but which is not chargeable under statute.

▪ For **Financing and Investment Income and Expenditure**, an adjustment for revaluation gains and losses on financial instruments, which are not chargeable to the General Fund.

▪ The charge under **Taxation and Non-Specific Grant Income** represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices. This is a timing difference as any difference will be brought forward in future Collection Fund surpluses and deficits.

▪ In other income and expenditure, the removal of the transfer into Unusable Reserves of Dedicated Schools Grant deficits, which under proper accounting practices form part of the Surplus or Deficit on Provision of Services.

▪ All other reclassifications between the Net Cost of Services and Other Income and Expenditure required under proper accounting practices, including the allocation of PFI and Finance Lease interest and income and expenditure relating to Investment Property, are also included in this column.

NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS

21. Segmental Income

Revenue from external customers can be analysed by portfolio as follows:

Services	2019/20 £000	2020/21 £000
Adults and Health	-58,924	-52,743
Children and Young People	-1,371	-273
Economy and Corporate Resources	-1,400	-861
Education and Skills	-6,884	-2,809
Environment	-5,377	-4,077
Finance	-4,307	-4,087
Fire & Rescue and Communities	-3,660	-1,969
Highways and Infrastructure	-10,149	-8,442
Leader	0	0
Total income analysed on a segmental basis	**-92,072**	**-75,261**

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

22. Other Operating Expenditure

2019/20 £000		2020/21 £000
1,118	Levies	1,145
5	Assets Held for Sale (Gains)/Losses on Revaluation	850
-3,394	(Profit) / loss on sale of assets	-340
9,643	Loss on derecognition of Academy Schools	46,424
8,937	Loss on derecognition of other assets	10,879
2,791	Assets derecognised under finance leases	0
19,100	**Total**	**58,958**

23. Financing and Investment Income and Expenditure

2019/20 £000		2020/21 £000	2020/21 £000
31,277	Interest payable and similar charges	30,856	
-2,278	Interest receivable and similar income	-4,582	
			26,274
67,138	Pensions: interest cost on defined benefit obligation	55,452	
-46,989	Pensions: interest income on plan assets	-44,339	
			11,113
-1,732	Investment properties: income and expenditure	-2,405	
55	Investment properties: (gain)/loss on disposal	58	
-12,245	Investment properties: changes in fair value	2,215	
			-132
35,226	**Total**		**37,255**

24. Taxation and Non Specific Grant Income

2019/20 £000		2020/21 £000
-460,184	Council tax income	-480,621
-108,977	Non domestic rates	-89,120
-24,637	Other non-service government grants	-35,587
-11,708	Gains from Donated Assets	0
-82,437	Capital grants and contributions	-73,738
-687,943	**Total**	**-679,066**

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

25. Grant Income

The County Council credited the following grants to the Comprehensive Income & Expenditure Statement:

Grants Credited to Services	**2019/20**		**2020/21**	
	£000	**£000**	**£000**	**£000**
<u>Adults and Health</u>				
Covid-19 Adult Social Care Infection Control Fund (DHSC)	0		-3,459	
Covid-19 Adult Social Care Rapid Testing Fund (DHSC)	0		-427	
Covid-19 Contain Outbreak Management Fund (DHSC)	0		-949	
Covid-19 Test and Trace Service Support Grant (DHSC)	0		-1,867	
Covid-19 Workforce Capacity Fund (DHSC)	0		-1,627	
Improved Better Care Fund (MHCLG)	-14,128		-12,933	
Independent Living Fund (DHSC)	-4,309		-4,309	
Local Reform and Community Voices Grant (DHSC)	-473		-473	
Public Health Grant (DHSC)	-19,476		-19,561	
Rapid Rehousing Pathway (MHCLG)	-335		0	
Social Care Capital Grant (DHSC) *applied to REFCUS*	0		-1,089	
Social Care Support Grant (MHCLG)	-5,243		-17,343	
Syrian Vulnerable Persons Resettlement Programme (HO)	-500		-320	
Winter Pressures (MHCLG)	-3,304		0	
Other	-619		-612	
		-48,387		-64,969
<u>Children and Young People</u>				
Adoption Support Fund (DfE)	-1,479		-1,154	
Dedicated Schools Grant (DfE)	-48,940		-49,275	
Public Health Grant (DHSC)	-12,957		-13,082	
Social Care Support Grant (MHCLG)	-400		0	
Troubled Families (DfE)	-1,191		-1,622	
Unaccompanied Asylum Seeking Children (HO)	-2,896		-2,939	
Unaccompanied Asylum Seeking Children: Leaving Care (HO)	-900		-1,628	
Youth Justice Board Youth Offending Teams (MoJ)	-555		-569	
Other	-662		-829	
		-69,980		-71,098
<u>Economy and Corporate Resources</u>				
LEP Local Growth Fund Capital Grant (MHCLG) *applied to REFCUS*	-373		0	
Other	-205		0	
		-578		0
<u>Education and Skills</u>				
16 to 19 Education 'Sixth Form' Funding (DfE)	-13,543		-12,304	
Adult Education (DfE)	-3,142		-3,080	
Basic Need Capital Grant (DfE) *applied to REFCUS*	-2,924		-1,239	
Covid-19 Additional Dedicated School and College Transport (DfE)	0		-1,096	
Covid-19 Job Retention (Furlough) Scheme (HMRC)	0		-592	
Covid-19 Schools Catch-up Premium (DfE)	0		-3,443	
Covid-19 Schools Emergency Support (DfE)	0		-901	
Dedicated Schools Grant (DfE)	-378,553		-397,633	
Extended Rights to Free Travel Grant (DfE)	-417		-483	
PE & Sport Premium Grant (DfE)	-3,401		-3,360	
Private Finance Initiative (MHCLG)	-4,532		-4,532	
Pupil Premium (DfE)	-14,113		-13,991	
School Improvement Monitoring and Brokering Grant (DfE)	-806		-825	
Teachers' Pay Grant (DfE)	-3,715		-4,327	
Teachers' Pension Employer Contribution Grant (DfE)	-7,304		-12,609	
Universal Infant Free School Meals Grant (DfE)	-7,150		-7,202	
Other	-812		-1,373	
		-440,412		-468,990
<u>Environment</u>				
Private Finance Initiative (MHCLG)	-2,124		-2,124	
Other	-73		-415	
		-2,197		-2,539

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Grants Credited to Services (continued)	2019/20		2020/21	
	£000	£000	£000	£000
Finance				
Inshore Fisheries & Conservation Support Grant (DEFRA)	-148		-148	
Other	-13		-14	
		-161		-162
Fire & Rescue and Communities				
Covid-19 Clinically Extremely Vulnerable (MHCLG)	0		-2,738	
Covid-19 Emergency Assistance Food and Essentials (DEFRA)	0		-737	
Covid-19 Winter Grant Scheme (DWP)	0		-1,859	
Fire Pensions Top-Up Grant (HO)	-1,724		-1,724	
Firelink Grant (HO)	-442		-459	
Public Health Grant (DHSC)	-535		-624	
Other	-409		-566	
		-3,110		-8,707
Highways and Infrastructure				
Bus Service Operators Grant (DfT)	-436		-436	
Covid-19 Bus Services Support Grant (DfT)	0		-754	
Funding for Supported Bus Services (DfT)	0		-383	
Private Finance Initiative (MHCLG)	-6,069		-6,069	
Other	-371		-413	
		-6,876		-8,055
Total		**-571,701**		**-624,520**

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Grants credited to Taxation and Non Specific Grant Income	2019/20 £000	2019/20 £000	2020/21 £000	2020/21 £000
Non Domestic Rates (MHCLG)				
Business Rates Levy: National Surplus Redistribution	-266		0	
Section 31 Business Rates Relief [1]	-19,138		-22,506	
Top-Up to Baseline Funding Level	0		-16,482	
		-19,404		-38,988
Other Non-Service Government Grants				
Brexit Preparations Grant (MHCLG)	-175		0	
Covid-19 Emergency Fund (MHCLG)	-20,528		-25,328	
Covid-19 Income Loss Compensation Scheme (MHCLG)	0		-2,570	
Local Tax Income Guarantee Scheme (MHCLG)	0		-3,975	
New Homes Bonus Grant (MHCLG)	-3,934		-3,714	
		-24,637		-35,587
Capital Grants and Contributions				
Basic Need Grant (DfE)	-31,227		0	
Devolved Formula Capital Grant (DfE)	-2,822		-1,683	
Flood Resilience and Pothole Action Fund (DfT)	-772		-12,129	
Highways Incentive Block (DfT)	-2,300		-2,300	
Highways Maintenance Grant (DfT)	-11,043		-11,043	
Integrated Transport Grant (DfT)	-3,734		-3,734	
Local Growth Fund (MHCLG)	-7,461		-17,495	
Local Authority Major Schemes Grant - A2300 (DfT)	-1,965		-9,274	
Local Full Fibre Networks Challenge Fund (DCMS)	-3,087		0	
Roads Fund (DfT)	-2,694		0	
School Conditions Allocation (DfE)	-7,789		-11,341	
Section 106 Contributions	-6,186		-4,235	
Other Grants and External Contributions	-1,357		-504	
		-82,437		-73,738
Total		**-126,478**		**-148,313**

[1] For 2020/21, this includes the NNDR3 Reconciliation Grant (£15.326m). In accordance with proper accounting practice, a debtor has been raised for this sum as it became due to the Authority during the period. However, the grant is intended to compensate for collection fund deficits that, under statutory arrangements, will not become chargeable to the taxpayer until future financial years. The grant has therefore been transferred into the Budget Management Reserve (see Note 3).

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The County Council has received a number of grants and contributions that have yet to be recognised as income, as they have conditions attached to them which may require the monies to be returned to the giver. The balances at year end are as follows:

Capital Grants Receipts in Advance	**2019/20 £000**	**2020/21 £000**
Devolved Formula Capital Grant (DfE)	-2,443	-6,483
Emergency Active Travel Fund (DfT)	0	-2,233
Local Authority Major Schemes Grant - A2300 (DfT)	-805	-4,156
Local Full Fibre Networks Challenge Fund (DCMS)	0	-2,766
Local Growth Fund (MHCLG)	-6,025	-6,220
SEND Special Provision Funding (DfE)	-3,817	0
Social Care Capital Grant (DHSC)	-1,839	-750
Section 106 Contributions	-74,235	-85,158
A Place to Live	-650	-650
Other Grants and External Contributions	-1,381	-721
	-91,195	**-109,137**

Key to Central Government Departments:

DCMS	Department for Culture, Media and Sport
DEFRA	Department for Environment, Food and Rural Affairs
DfE	Department for Education
DfT	Department for Transport
DHSC	Department of Health and Social Care
DWP	Department for Work and Pensions
HMRC	Her Majesty's Revenue and Customs
HO	Home Office
MHCLG	Ministry of Housing, Communities and Local Government
MoJ	Ministry of Justice

26. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts:

	2019/20 £000	2020/21 £000
Fees payable to EY with regard to external audit services carried out by the appointed auditor for the year	91	287
Fees payable in respect of other services provided by EY during the year	0	0
Total	**91**	**287**

The Authority incurred further costs of £4,375 in 2020/21 (2019/20 £4,375) in relation to grant certification services provided by another audit firm.

27. Members' Allowances

The Authority paid the following amounts to members of the Council during the year:

	2019/20 £000	2020/21 £000
Basic Allowances	825	843
Other Allowances	373	386
Travel and Subsistence	63	7
Total	**1,261**	**1,236**

28. Environment Agency Services

Precepts payable to the Environment Agency in respect of flood defence for 2020/21 totalled £0.333m (2019/20 £0.319m).

29. Dedicated Schools Grant

The County Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2020. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2020/21 are as follows:

Notes		Central Expenditure £000	ISB £000	Total £000
A	Final DSG for 2020/21 before academy and high needs recoupment			-636,424
B	Academy and high needs figure recouped for 2020/21			189,844
	Total DSG after academy and high needs recoupment for 2020/21			-446,580
	Adjustment to 2019/20 Early Years DSG allocation			-328
	Total DSG after academy/high needs recoupment and other adjustments			-446,908
	Deficit brought forward from 2019/20			1,739
	Deficit carried forward to 2021/22 as agreed in advance			-1,411
	Total DSG available for distribution			-446,580
C	Agreed initial budgeted distribution in 2020/21	-125,665	-326,921	-452,586
	Academy conversions and other in year adjustments	-499	6,505	6,006
	Final budgeted distribution for 2020/21	-126,164	-320,416	-446,580
	Less: Actual central expenditure	135,141		135,141
D	Less: Actual ISB deployed to schools		320,416	320,416
	(Under)/overspend on distributed funds	8,977	0	8,977
	Plus: Deficit carried forward to 2021/22 as agreed in advance			1,411
E	**Total deficit balance to be carried forward at 31 March 2021**			**10,388**

Notes

(A) Final DSG figure before any amount has been recouped from the Authority as published March 2021, excluding the January 2021 early years block adjustment.

(B) Figure recouped from the Authority in 2020/21 by the DfE for the conversion of maintained schools into academies and for high needs payments made by ESFA.

(C) Budgeted distribution of DSG, as agreed with Schools Forum (after initial academy and high needs recoupment deductions).

(D) The ISB is regarded for DSG purposes as being spent by the Authority when it is deployed to a school's budget share.

(E) This represents the accumulated deficit on DSG funds. The School and Early Years Finance (England) Regulations 2020 require that any accumulated DSG deficits must be carried forward to be funded from future DSG income, as local authorities cannot fund a deficit from the General Fund without approval from the Secretary of State. In accordance with the provisions of the Local Authority (Capital Finance and Accounting) (England) (Amendment) Regulations 2020, this accumulated deficit is held in the Dedicated Schools Grant Adjustment Account as part of Unusable Reserves (see Note 19).

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

30. Expenditure and Income Analysed by Nature

The Authority's expenditure and income is analysed as follows:

Expenditure/Income	2019/20 £000	2020/21 £000
Expenditure		
Employee benefits expenses	589,384	590,658
Other service expenses	760,448	802,136
Depreciation, amortisation and impairment	38,103	349,240
Interest payments	98,415	86,308
Precepts and levies	1,118	1,145
(Gain)/loss on the disposal of non-current assets	18,032	57,021
Total Expenditure	**1,505,500**	**1,886,508**
Income		
Fees, charges and other service income	-198,630	-190,004
Interest and investment income	-49,267	-48,921
Income from Council Tax and Non-Domestic Rates	-569,161	-569,741
Gains from Donated Assets	-11,708	0
Government grants and contributions	-678,775	-733,845
Total Income	**-1,507,541**	**-1,542,511**
(Surplus)/Deficit on the Provision of Services	**-2,041**	**343,997**

In accordance with the requirements of CIPFA's Code of Practice, these single entity financial statements include all income, expenditure, assets and liabilities of the Authority's maintained schools. Consequently, the analysis of income and expenditure presented by this note includes transactions incurred by the Authority's maintained schools as if they were income and expenditure of the Authority itself.

Staff at voluntary aided and foundation schools are not employees of the Authority, as at these schools the governing body is considered to be the employer. Employee expenses of £73.804m in 2020/21 (£70.939m in 2019/20) in relation to staff employed at the Authority's voluntary aided and foundation schools are included within *Employee benefits expenses* above.

31. Officers' Remuneration

Bandings Disclosure

The Authority's employees (including senior employees) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

2019/20			2020/21	
Non schools	School based	**Banding**	Non schools	School based
195	145	£50,000 - £54,999	233	204
94	107	£55,000 - £59,999	113	114
52	67	£60,000 - £64,999	46	86
37	42	£65,000 - £69,999	35	44
10	36	£70,000 - £74,999	12	39
13	11	£75,000 - £79,999	3	24
7	7	£80,000 - £84,999	11	6
5	4	£85,000 - £89,999	8	5
1	6	£90,000 - £94,999	3	3
0	4	£95,000 - £99,999	2	6
1	4	£100,000 - £104,999	0	4
1	2	£105,000 - £109,999	1	4
1	2	£110,000 - £114,999	6	1
3	1	£115,000 - £119,999	3	1
		then		
3	0	£125,000 - £129,999	1	1
1	0	£130,000 - £134,999	1	1
		then		
0	0	£140,000 - £144,999	2	0
		then		
1	0	£150,000 - £154,999	0	0
1	0	£155,000 - £159,999	0	0
0	0	£160,000 - £164,999	1	0
		then		
1	0	£395,000 - £399,999	0	0
427	**438**	**Total**	**481**	**543**

The number of staff with remuneration above £50,000 in 2020/21 was 1,024, an increase from 865 in 2019/20. This increase is primarily attributable to the impact of pay awards and pay progression moving existing employees over the threshold during the year.

Senior Officer Disclosure

The remuneration payable to the Authority's senior employees for 2020/21 was as follows:

		Amounts payable in period 1 April 2020 - 31 March 2021							
Post title (as at 31 March 2021)	Post holder [1]	Salary, fees and allowances £	Bonuses £	Expense allowances £	Compensation for loss of employment £	Benefits in Kind £	Total remuneration (excluding pension contributions) [2] £	Employer's pension contribution £	**Total remuneration (including pension contributions) £**
Chief Executive	Becky Shaw	Post holder not directly employed by West Sussex County Council - please see footnote below							
Executive Director - Adults and Health[3]	Kim Curry	417			110,473		110,890	97	**110,987**
Executive Director - Adults and Health[4]		Post holder not directly employed by West Sussex County Council - please see footnote below							
Executive Director - Adults and Health[5]		Post holder not directly employed by West Sussex County Council - please see footnote below							
Executive Director - Children, Young People and Learning	Lucy Butler	164,583					164,583	34,913	**199,496**
Executive Director - Communities & Public Protection[6]					88,358		88,358		**88,358**
Executive Director - Place Services		143,850					143,850	33,575	**177,425**
Chief Fire Officer		140,000					140,000	40,320	**180,320**
Director - Education and Skills		113,025		3,975			117,000	26,380	**143,380**
Director - Finance and Support Services		128,438					128,438	29,977	**158,415**
Director - Human Resources & Organisational Development[6]					34,000		34,000		**34,000**
Interim Director - Human Resources & Organisational Development		Post holder not directly employed by West Sussex County Council - please see footnote below							
Director - Law & Assurance		118,163					118,163	27,579	**145,742**

Notes to 2020/21 Senior Officer Remuneration Disclosure

[1] In accordance with the relevant legislation, senior officers are only identified by name where they have an annual salary of £150,000 or greater

[2] This column excludes employer's pension contributions from the definition of remuneration, and as such can be read in conjunction with the Officers' Remuneration banding disclosure

[3] Executive Director - Adults and Health until 1 April 2020

[4] Executive Director - Adults and Health from 7 April to 15 November 2020

[5] Executive Director - Adults and Health from 1 December 2020

[6] Settlement reached in 2020/21 in relation to loss of employment in previous financial year

The following posts formed part of the Authority's senior officer structure for the period, but the post holders were not directly employed by West Sussex County Council and so their costs are not included in the table above:

Payments of £154,866 have been made to East Sussex County Council for the shared services of the Chief Executive

Payments of £173,400 have been made to Hamptons Resourcing for the services of the Executive Director - Adults and Health for the period 7 April 2020 to 15 November 2020

Payments of £62,749 have been made to East Sussex County Council for the shared services of the Executive Director - Adults and Health for the period 1 December 2020 to 31 March 2021

Payments of £249,423 have been made to The McLean Partnership Ltd for the services of the Interim Director - Human Resources and Organisational Development

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The remuneration payable to the Authority's senior employees for 2019/20 was as follows:

		Amounts payable in period 1 April 2019 - 31 March 2020							
Post title (as at 31 March 2020)	Post holder [1]	Salary, fees and allowances £	Bonuses £	Expense allowances £	Compensation for loss of employment £	Benefits in Kind £	Total remuneration (excluding pension contributions) [2] £	Employer's pension contribution £	**Total remuneration (including pension contributions) £**
Chief Executive[3]	Nathan Elvery	226,945			170,000		396,945	30,708	**427,653**
Chief Executive[4]	Becky Shaw	Post holder not directly employed by West Sussex County Council - please see footnote below							
Executive Director for Communities and Public Protection[5]		35,000					35,000	8,485	**43,485**
Executive Director for Adults and Health[6]	Kim Curry	150,000		9,000		52	159,052	36,365	**195,417**
Executive Director for Place Services[7]	Lee Harris	153,727					153,727	37,269	**190,996**
Interim Executive Director for Resource Services[8]		Post holder not directly employed by West Sussex County Council - please see footnote below							
Director of Law and Assurance		115,000					115,000	27,880	**142,880**
Director of Finance and Support Services		125,000		79			125,079	30,304	**155,383**
Director of Human Resources and Organisational Change[9]		85,159		4,000			89,159	20,304	**109,463**
Interim Director of Human Resources and Organisational Change[10]		Post holder not directly employed by West Sussex County Council - please see footnote below							
Director of Public Health		130,000					130,000	18,694	**148,694**
Director of Fire Service Operations and Chief Fire Officer[11]		35,296					35,296	13,165	**48,461**
Chief Fire Officer[12]		81,667					81,667	23,520	**105,187**
Director of Education and Skills		110,004		7,500		115	117,619	26,669	**144,288**
Interim Director of Children and Family Services[13]		Post holder not directly employed by West Sussex County Council - please see footnote below							
Interim Director of Children Services[14]		Post holder not directly employed by West Sussex County Council - please see footnote below							
Interim Director of Children, Young People and Learning[15]		Post holder not directly employed by West Sussex County Council - please see footnote below							
Director of Adult Services[16]		76,613		17,000	23,969		117,582	16,048	**133,630**

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Notes to 2019/20 Senior Officer Remuneration Disclosure

[1] In accordance with the relevant legislation, senior officers are only identified by name where they have an annual salary of £150,000 or greater

[2] This column excludes employer's pension contributions from the definition of remuneration, and as such can be read in conjunction with the Officers' Remuneration banding disclosure

[3] Chief Executive to 25 November 2019

[4] Chief Executive from 6 January 2020 (shared with East Sussex County Council)

[5] Executive Director for Communities and Public Protection to 30 June 2019

[6] Previously Executive Director for Children, Adults, Families, Health and Education until 30 June 2019 and Executive Director for People Services until 31 October 2019

[7] Acting Chief Executive for period 27 September 2019 to 5 January 2020

[8] Interim Executive Director for Resource Services from 1 July to 31 October 2019

[9] Director of Human Resources and Organisational Change to 31 December 2019

[10] Interim Director of Human Resources and Organisational Change from 5 March 2020

[11] Director of Fire Service Operations and Chief Fire Officer to 9 July 2019

[12] Chief Fire Officer from 1 September 2019

[13] Interim Director of Children and Family Services to 29 April 2019

[14] Interim Director of Children Services from 15 April 2019 to 31 January 2020

[15] Interim Director of Children, Young People and Learning from 1 February 2020

[16] Director of Adults Services to 11 October 2019

The following posts formed part of the Authority's senior officer structure for the period, but the post holders were not directly employed by West Sussex County Council and so their costs are not included in the table above:

Payments of £37,943 have been made to East Sussex County Council for the shared services of the Chief Executive from 6 January 2020

Payments of £83,055 have been made to Penna Plc for the services of the Interim Executive Director for Resource Services 1 July 2019 to 31 October 2019

Payments of £17,936 have been made to McLean Partnership for the services of the Interim Director of Human Resources and Organisational Change from 5 March 2020

Payments of £22,396 have been made to Tile Hill for the services of the Interim Director of Children and Family Services to 29 April 2019

Payments of £218,477 have been made to Penna Plc for the services of the Interim Director of Children Services from 15 April 2019 to 31 January 2020

Payments of £21,654 have been made to Manpower UK Ltd for the services of the Interim Director of Children, Young People and Learning from 1 February 2020

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Exit Packages

The Authority terminated, or made provision to terminate, the contracts of a number of employees in 2020/21. Total liabilities of £1.102m were incurred for the period (£1.154m in 2019/20).

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band (b + c)		(e) Total cost of exit packages in each band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£0 - £20,000	25	13	36	12	61	25	£347,034	£215,107
£20,001 - £40,000	6	4	10	6	16	10	£450,274	£317,348
£40,001 - £60,000	1	1	1	2	2	3	£107,748	£148,607
£60,001 - £80,000	1	2	0	1	1	3	£79,365	£222,021
£80,001 - £100,000	0	0	0	1	0	1	£0	£88,358
£100,001 - £150,000	0	0	0	1	0	1	£0	£110,473
£150,001 - £200,000	0	0	1	0	1	0	£170,000	£0
Total	33	20	48	23	81	43	£1,154,421	£1,101,914

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

32. Pooled Budgets

The Authority has entered into a number of pooled budget arrangements with the NHS and other local authorities for the provision of integrated health and social care. Memo accounts, demonstrating the funds provided by each partner and expenditure incurred against these funds, are presented below. Detail on the Authority's accounting treatment for each of the arrangements is provided in the summary of accounting policies at Note 41.

Learning Disabilities

An agreement under section 75 of the National Health Service Act 2006, this pooled budget (hosted by West Sussex County Council) seeks to exploit the benefits of Health Act flexibilities by means of integrated provision and lead commissioning. The budget is a means to enhance partnership working under the governance of the West Sussex Partnership Board, merging financial resources between the County Council and the West Sussex Clinical Commissioning Group.

	2019/20		2020/21	
	£000	£000	£000	£000
Funding provided to the pooled budget:				
West Sussex County Council	- 81,759		- 83,553	
West Sussex Clinical Commissioning Groups (CCGs)	- 18,621		- 19,029	
		- 100,380		- 102,582
Expenditure met from the pooled budget:				
West Sussex County Council	82,963		84,442	
West Sussex Clinical Commissioning Groups (CCGs)	18,895		19,231	
		101,858		103,673
Net (surplus)/deficit arising on the pooled budget during the year		1,478		1,091
Authority's share of the net (surplus)/deficit		1,204		889

Mental Health

This Section 75 agreement under the National Health Service Act 2006 provides for a pooled budget. This seeks to exploit the benefits of Health Act flexibilities by means of integrated provision and lead commissioning via the enhancement of joined up working in health and social care. The budget, hosted by the NHS, is a means to achieve partnership working under the governance of the Joint Commissioning Board, merging financial resources between the West Sussex Clinical Commissioning Group and the County Council.

	2019/20		2020/21	
	£000	£000	£000	£000
Funding provided to the pooled budget:				
West Sussex County Council	- 8,821		- 9,185	
West Sussex Clinical Commissioning Groups (CCGs)	- 67,380		- 61,309	
		- 76,201		- 70,494
Expenditure met from the pooled budget:				
West Sussex County Council	9,089		9,346	
West Sussex Clinical Commissioning Groups (CCGs)	69,426		62,377	
		78,515		71,723
Net (surplus)/deficit arising on the pooled budget during the year		2,314		1,229
Authority's share of the net (surplus)/deficit		268		161

Better Care Fund

The County Council has entered into a pooled budget arrangement with the West Sussex Clinical Commissioning Group for the pooling of resources with all commissioning partners to provide a joint programme of work to deliver better outcomes for people and improve services. The Council acts as host and banker in the arrangement but shares control jointly with the CCG.

	2019/20		2020/21	
	£000	£000	£000	£000
Funding provided to the pooled budget:				
West Sussex County Council	- 10,176		- 11,294	
West Sussex Clinical Commissioning Groups (CCGs)	- 57,607		- 60,678	
		- 67,783		- 71,972
Expenditure met from the pooled budget:				
West Sussex District and Boroughs	8,298		-	
West Sussex County Council	26,130		36,787	
West Sussex Clinical Commissioning Groups (CCGs)	33,320		35,154	
		67,748		71,941
Net (surplus)/deficit arising on the pooled budget during the year		- 35		- 31
Underspending brought forward		- 117		- 264
Underspending returned to partners		-		35
Interest earned on cash balances		- 112		- 85
Balance carried forward		- 264		- 345

The use of any underspend on the pooled budget is determined by the Joint Commissioning Strategy Group. Underspends may be returned to partners or reinvested in other schemes.

In addition to the pooled funds disclosed above, the Authority receives the Improved Better Care Fund (iBCF) directly from central government. Whilst the iBCF is required to support the wider BCF programme, this allocation is not subject to the joint control arrangements of the BCF, and so is not accounted for as part of the pooled budget.

West Sussex County Council received an iBCF allocation of £20.0m in 2020/21, of which £12.6m has been recognised in the Comprehensive Income and Expenditure Statement for the period (in addition to £0.3m carried forward from 2019/20) as per Note 25. The balance of £7.4m, together with £5.0m of cumulative underspending from previous years, has been carried forward as a receipt in advance, as there are outstanding conditions on the grant which will only be met when the funds are applied.

33. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government

Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides a significant proportion of its funding in the form of grants, and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills). The total of grants received from government departments is set out in the subjective analysis of income and expenditure in Note 30. Grants receivable for the period are further detailed in Note 25.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in Note 27.

A survey of the related party interests of Members and their immediate family members was carried out in preparing this Statement of Accounts. Interests were declared by Members who held the following positions with organisations that have transacted with the Council during the year:

- One Member acts as Director and Trustee of Crawley Open House, and also as a member of the Executive Committee of South-East Employers. In 2020/21 goods and services to the value of £301,072 and £31,533 respectively were commissioned from these organisations.

- Another Member acts as Director and Trustee of West Sussex Mind. In 2020/21, the Authority commissioned goods and services to the value of £153,800 from this entity.

All contracts were entered into in full compliance with the Authority's standing orders for procurement.

Officers

A survey of the related party interests of Senior Officers and their immediate family members was carried out in preparing this Statement of Accounts. No related party transactions were identified.

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Other Public Bodies

The West Sussex Pension Fund is administered by West Sussex County Council. Therefore, there is a strong relationship between the Council and the Pension Fund.

During the reporting period, the Council incurred costs of £0.7m (2019/20 £0.6m) in relation to the administration of the Fund, and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund, and contributed £61.9m (including employee contributions) to the Fund in 2020/21 (2019/20 £59.9m). All monies owing to and due from the Fund have been accounted for in the year.

Part of the Pension Fund cash holdings are invested in the money market by the Treasury Management operations at West Sussex County Council, in line with the Fund's Treasury Management Policy. During the year to 31 March 2021 the Fund had a daily average investment balance of £154.2m held in Sterling (31 March 2020 £107.7m), earning interest of £0.05m (2019/20 £0.68m) in these funds at a rate of return of 0.04% (2019/20 0.63%). Additionally, the Fund has earned interest of £0.01m on investments held in foreign currency (2019/20 £0.02m).

Entities Controlled or Significantly Influenced by the Authority

Under the West Sussex County Council Act 1972, West Sussex County Council and Arun District Council (ADC) each appoint four members to the Littlehampton Harbour Board. The Act provides that the Harbour Board should meet its expenses from receipts but that any deficiency is made good from its own internal reserve fund and a precept, shared equally, on the County Council and ADC. During 2020/21 the precept on the County Council was £0.142m (2019/20 precept £0.141m).

The Authority has identified interests in two other entities, West Sussex Music Trust and Aspire Sussex Ltd. However, the Authority has judged that it does not have significant influence over either entity. Further details are provided in Note 42.

In accordance with the requirements of the Code of Practice, these "single entity" financial statements include all income, expenditure, assets and liabilities of the Authority's maintained schools. Whilst the Authority has responsibility for distributing funding to its maintained schools, under the local management of schools the responsibility for spending this budget is delegated to the governing body of the school concerned. The Authority is therefore restricted in the extent to which it controls the income, expenditure, assets and liabilities included in its financial statements which relate to its maintained schools. At the reporting date, the Authority operated 207 maintained schools (214 at 31 March 2020). Non-current assets with a net book value of £666m (£1,115m at 31 March 2020) were recognised in relation to these schools.

NOTES TO THE CASH FLOW STATEMENT

34. Cash Flow Statement - Adjustments to net surplus/deficit on the provision of services for non-cash movements

	2019/20 £000	2020/21 £000
Charges for depreciation of non current assets	-80,750	-84,628
Charges for amortisation of intangible assets	-390	-390
Revaluations gains/losses on Property, Plant and Equipment and Assets Held for Sale charged to the Surplus/Deficit on Provision of Services	30,792	-262,007
Impairment of non current assets	0	0
Movements in the market value of Investment Property	12,245	-2,215
Amount of assets written off on disposal or sale as part of the gain/loss on disposal charged to the Surplus/Deficit on Provision of Services	-29,184	-61,551
Gains upon recognition of Donated Assets	11,708	0
Net reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-60,673	-26,194
Revaluation of financial instruments including expected credit losses	-1,944	1,060
(Increase) / decrease in creditors	-14,305	-87,893
Increase / (decrease) in debtors	22,091	9,962
Increase / (decrease) in inventories	213	-18
Contributions (to) / from provisions	-5,135	16,668
Net adjustments for non-cash movements	**-115,332**	**-497,206**

35. Cash Flow Statement - Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities

	2019/20 £000	2020/21 £000
Proceeds from the sale of Property, Plant and Equipment, Investment Property, Intangible Assets and Assets Held for Sale	11,152	4,530
Capital grants and contributions recognised in the Comprehensive Income and Expenditure Statement	82,437	73,738
	93,589	**78,268**

36. Cash Flow Statement – Investing Activities

	2019/20 £000	2020/21 £000
Purchase of Property, Plant and Equipment, Investment Property and Heritage Assets	81,426	85,183
Purchase of short-term and long-term investments	404,538	339,422
Proceeds from short-term and long-term investments	-253,931	-349,389
Proceeds from the sale of Property, Plant and Equipment, Investment Property, Intangible Assets and Assets Held for Sale	-11,152	-4,530
Capital grants and contributions recognised in the Comprehensive Income and Expenditure Statement	-82,437	-73,738
Net position on capital grants and contributions receipts in advance	-11,714	-17,942
Net cash flows from investing activities	**126,730**	**-20,994**

37. Cash Flow Statement – Financing Activities

	2019/20 £000	2020/21 £000
Repayment of PFI and finance lease liabilities	4,834	4,124
Receipts from short and long term borrowing	-100,000	0
Repayment of short and long term borrowing	7,015	7,016
Cash held for third parties	2	-605
Net cash flows from financing activities	**-88,149**	**10,535**

38. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Director of Finance and Support Services on 22 September 2021. Events taking place after this date are not reflected in the financial statements or notes.

There were no post balance sheet events between the reporting date and the date the accounts were authorised for issue.

39. Contingent Assets

West Sussex County Council currently has no material contingent assets.

40. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

West Sussex County Council recognises the following contingent liabilities:

(1) A potential liability exists in respect of the insolvency of Independent Insurance Company Ltd, and its failure to enter into a scheme of arrangement with its creditors. This liability is ongoing but cannot be quantified. Known claims are provided for in the Insurance provision (see Note 14), but there is a risk of new claims arising from the period when the Independent Insurance Company provided cover to the Council (September 1992 to September 2000). An Insurance reserve (see Note 3) is maintained to provide for the risk of unknown future claims.

(2) A potential liability exists in relation to any future costs of maintaining six closed landfill sites in the County. The Authority is responsible for monitoring these sites to ensure that they are being maintained correctly, and that there is no harm being caused to the surrounding environment. No provision has been recognised in the accounts as it is not currently possible to measure the size of any such obligation with sufficient reliability.

(3) The Council is on notice of the potential for claims associated with the possible exposure of a small number of individuals to harm during some building work undertaken for the Council. An investigation identified a low risk but the likelihood of future claims and any necessary provision for their resolution cannot be assessed at this time.

(4) A number of part time staff are potentially affected by the outcome of litigation to which the County Council was not party but which may alter the legal and contractual rights of staff working on 'term time only' contracts, specifically in relation to the accrual of holiday entitlements. This may result in an additional and backdated claim for compensation. As the litigation outcome remains subject to appeal to the Supreme Court the Council is reserving its position but has made plans for addressing the possible impact should the legal position be unchanged.

41. Accounting Policies

(i) General Principles

The Statement of Accounts summarises the Authority's transactions for the financial year and its position at the end of the reporting period. The Authority is required by the Accounts and Audit Regulations 2015 to prepare an annual Statement of Accounts in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom ('the Code') for the relevant reporting period, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

(ii) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority, that the cost of the item can be measured reliably, and that it exceeds the Authority's de minimis threshold. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The Authority applies a de minimis level of £10,000 for the capitalisation of expenditure on Property, Plant and Equipment. Items of expenditure below this de minimis level are charged to the relevant service within the Comprehensive Income and Expenditure Statement in the reporting period it is incurred. A lower de minimis of £2,000 applies to expenditure funded by the Devolved Formula Capital Grant, as per the West Sussex Scheme for Financing Schools.

Recognition - Schools

The Code confirms that local authority maintained schools (and the governing bodies thereof) are to be treated as entities for control purposes, and that the transactions of said schools shall be consolidated into the local authority single entity financial statements.

Non-current assets attributed to schools are therefore recognised in the Authority's balance sheet, subject to the Authority (or the school's governing body) having control over the asset and it being probable that future service potential will flow to the Authority (or to the school).

The Authority's policy is therefore to recognise the non-current assets of its maintained community and voluntary controlled schools on its balance sheet. The balance of control and service potential is considered to reside with independent trustees for foundation and voluntary aided schools, and so these assets are not consolidated into the Authority's balance sheet (the Council retains the statutory responsibility for land at voluntary aided schools, so this is recognised as an asset of the Authority).

A number of schools in the County now hold academy status. Academies are managed completely independently of the Authority, and funding is provided directly by central government. Whilst the Authority retains the freehold of the land, premises are leased to the academy on a finance-lease basis (typically for a 125 year term). Therefore academy buildings are derecognised from the Authority's balance sheet, and land is retained at a nominal value reflecting its restricted use.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Authority does not capitalise borrowing costs.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account via the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure and short-lived assets such as vehicles, plant and equipment – depreciated historical cost
- Assets under construction – historical cost
- Surplus assets – fair value, estimated at the highest and best use from a market participant's perspective
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use.

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.

The Code requires that assets included in the Balance Sheet at current value are revalued with sufficient regularity to ensure that their carrying amount does not materially differ from their current value at year-end, but as a minimum every five years. The Authority undertook a full revaluation of all its non-current assets at 1 April 2013, and has subsequently adopted a rolling approach to revaluations to ensure that all assets are subject to revaluation at least once every five years. Assets not subject to revaluation in any given year are tested for indexation to ensure that the carrying value does not become materially misstated between formal valuations.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to that Statement).

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets. An exception is made for assets without a determinable finite useful life (i.e. freehold land and heritage assets) and assets that are not yet available for use (i.e. assets under construction). New assets are depreciated from 1 April of the year that follows the date of initial recognition. Depreciation is calculated on the following bases:

- Buildings – on a straight line basis over the remaining useful life of the property as estimated by the external valuer (initially 60 years)
- Vehicles, plant, furniture and equipment – individual useful life on a straight line basis as estimated by a suitably qualified officer
- Infrastructure – straight line basis over a period of 25 years for major road developments and 15 years for structural maintenance of carriageways and bridges (useful lives for other infrastructure assets to be estimated by a suitably qualified officer).

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

Where a Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Componentisation of an asset is not required where depreciating the item would not result in a material misstatement of either the depreciation charges or carrying amount of the asset. As a result the Authority has determined that assets with a gross carrying value below a de minimis of £10m shall not be considered for componentisation.

For assets which are subject to componentisation, the valuer has estimated remaining useful lives for the following significant components for depreciation purposes:

- Building Structure (initial 60 year useful life)
- Building Roof and Externals (initial 50 year useful life)
- Building Mechanicals and Electricals (initial 25 year useful life)

At the point of componentisation, any accumulated revaluation gains (held in the Revaluation Reserve) or impairment losses (held in the Capital Adjustment Account) associated with componentised assets are attributed to the building's host structure component, as it is considered unlikely that the roof/externals and mechanicals/electricals will have given rise to revaluation gains and losses independently of the structure of the building.

Subsequent valuations obtained under the Authority's rolling revaluation programme shall be applied separately to the building components in accordance with the certificates provided by the external valuers, with gains and losses being recognised in the Revaluation Reserve and Capital Adjustment Account in accordance with the requirements of the Code.

Disposals and Non-Current Assets Held for Sale

Surplus assets are subject to formal reporting requirements declaring the asset surplus and a surplus declaration date of 1 April is applied irrespective of the date of the actual report. An asset will be subsequently classified as held for sale at the end of the financial year provided it has been officially declared surplus through cabinet member decision and it complies with the following qualification criteria outlined within IFRS 5:

- The asset is available for immediate sale
- Sale of the asset is highly probable
- The sale is actively marketed
- The sale is expected to be completed within one year of classification.

The asset will be revalued immediately before being reclassified as an Asset Held for Sale and then carried at the lower of this amount and fair value less costs of sale. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on Assets Held for Sale.

Should the period required to complete the sale extend beyond one year, the asset will continue to be classed as an Asset Held for Sale provided the asset is still being actively marketed and the delay in completion is due to circumstances beyond the control of the Authority, for example:

- Economic downturn
- Buyer/Third party conditions of sale.

If an asset no longer meets the criteria to be classified as an Asset Held for Sale, it is reclassified back to non-current assets and valued at the lower of the carrying amount before it was classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had it not been classified as held for sale, and the recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts, while amounts below this are credited to revenue. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment (or set aside to reduce the Authority's underlying need to borrow i.e. the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

Statutory arrangements allow costs of disposals to be financed by capital receipts, capped to 4% of the capital receipt. Costs incurred prior to the sale are carried forward and offset in the year of disposal.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance via the Movement in Reserves Statement.

A direction provided by the Secretary of State for Housing, Communities and Local Government under the Local Government Act 2003 provides for additional flexibility on the use of capital receipts until March 2025. Under this direction, authorities may apply capital receipts received in the years to which the direction applies to meet the revenue costs of transformation projects which are designed to deliver ongoing savings and/or reduce costs or demand. The Authority's Flexible Use of Capital Receipts Strategy is subject to annual approval by full Council. Where this flexibility is applied, capital receipts are transferred out of the Capital Receipts Reserve to finance qualifying expenditure in accordance with the Code's requirements for the accounting of Revenue Expenditure Funded from Capital Under Statute (REFCUS).

(iii) Investment Property

Investment Properties are assets that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment Properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, Investment Properties are valued at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains or losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Rentals received in relation to Investment Properties are credited to the Financing and Investment income line and result in a gain for the General Fund balance.

(iv) Charges to Revenue for Non-Current Assets

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. These transactions are therefore reversed out from the General Fund Balance via the Movement in Reserves Statement to the Capital Adjustment Account.

The Authority is however required by the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended in 2008) to make a prudent annual contribution from revenue towards the reduction in its overall borrowing requirement, the CFR (Capital Financing Requirement). This contribution is referred to as the Minimum Revenue Provision (MRP).

In accordance with statutory guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG), the Authority adopts separate calculations for borrowing that was supported by central government and for unsupported, "self-financed" borrowing. The respective methodologies are as follows:

Supported Borrowing

The Authority adopted a revised MRP calculation for its supported borrowing (including pre-April 2008 unsupported borrowing) effective 1 April 2016. MRP is made on all such outstanding borrowing as at 31 March 2016 on a 2% annuity basis over a repayment period of 40 years from that date.

Unsupported Borrowing

The Authority has adopted the Asset Life (Annuity) Method (MHCLG guidance option 3b) for the repayment of unsupported borrowing undertaken since 1 April 2008. This method provides MRP on an annuity basis over a repayment period equal to the estimated life of the asset for which the borrowing was undertaken, up to a maximum of 50 years. The annuity rates applied are based upon the average Public Works Loan Board rates (for a loan duration equal to the asset life) in the year the borrowing was undertaken.

MRP – Finance Lease and PFI

In line with MHCLG regulations to mitigate the impact of the move to IFRS on the Council's revenue account, it is the policy of West Sussex County Council to make an annual MRP charge equal to the portion of the payment taken to the Balance Sheet to reduce the liability. However, where a lease premium is made (and immediately taken to write down the Balance Sheet liability), the Council shall spread the MRP charge over the useful life of the asset.

(v) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance (such as software licenses) but which are controlled by the Authority as a result of past events is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Intangible assets are measured initially at cost, and amortised over their useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. Under statute, amortisation is not permitted to impact on the General Fund balance, and therefore this charge is reversed out through the Movement in Reserves Statement and posted to the Capital Adjustment Account.

(vi) Government Grants and Contributions

Government grants and third party contributions and donations are recognised as due to the Authority where there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (receipts in advance). When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Grants Unapplied Account via the Movement in Reserves Statement. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have applied to fund capital expenditure.

(vii) Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

(viii) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the Property, Plant or Equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

<u>The Authority as Lessee</u>

Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the beginning of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower).

The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the Property, Plant or Equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased Property, Plant or Equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority leases an asset out on a finance lease, the existing asset of Property, Plant or Equipment is written out of the Balance Sheet as a disposal and a long-term debtor representing the Authority's net investment in the lease is recognised instead.

As a disposal, the writing out of the asset and the recognition of the long-term debtor is accounted for as part of the gain or loss on disposal of non-current assets in the Comprehensive Income and Expenditure Statement with the debtor representing the sale proceeds.

Under statute, the gain or loss recognised in the Comprehensive Income and Expenditure Statement is reversed out of the General Fund balance and posted to the Deferred Capital Receipts Reserve (proceeds) and Capital Adjustment Account (disposal) via the Movement in Reserves Statement. Deferred capital receipts are released to the Capital Receipts Reserve as the lease debtor is settled.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet and rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

IFRS Transitional Rules

In accordance with regulations issued upon the implementation of IFRS, amounts receivable under leases that changed from operating leases to finance leases (or vice versa) are accounted for as if the status of the lease had not changed, in that:

- Amounts receivable under operating leases that became finance leases on transition to IFRS continue to be credited to the General Fund balance as revenue income
- Amounts receivable for principal payments under finance leases that became operating leases on transition to IFRS continue to be treated as capital receipts.

In both cases, the leases are accounted for in accordance with the current provisions of the Code, with adjustments to the General Fund balance being made in the Movement in Reserves Statement.

(ix) Private Finance Initiatives (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor.

As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the Property, Plant and Equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The Authority has three PFI schemes on its Balance Sheet - Crawley Schools, Recycling and Waste Handling and Street Lighting.

The original recognition of these assets at fair value was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Authority. The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payments towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

(x) Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where income or expenditure is to be recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. The Council has applied a de minimis threshold of £10,000 for all manual accruals of income and expenditure.

Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. An examination of debtors outstanding at 31 March has been undertaken and an allowance for doubtful debts has been made.

Under local management arrangements, school accounts have been closed shortly before the end of the reporting period. Consequently, school income, expenditure, debtors and creditors are shown on an estimated basis.

(xi) Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

(xii) Reserves

The County Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund via the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

(xiii) Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority recognises the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

(xiv) Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

(xv) Financial Instruments

a) Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

b) Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) - the Authority has currently not designated any financial asset into this category.

The Authority’s business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost:

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument, and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For most of the financial assets held by the Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The Code includes a number of provisions for the accounting of soft loans (loans made to voluntary organisations at below market rates), primarily relating to the recognition of foregone interest. The Authority's policy is to apply the materiality concept of the Code, and so has decided not to adopt any of these provisions for soft loans below £500,000. Any such loans are therefore accounted for as per other assets measured at amortised cost as set out in the previous paragraph.

Expected Credit Loss Model:

The Authority recognises expected credit losses on all of its financial assets held at amortised cost (or FVOCI when applicable), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables held by the Authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. No loss allowance is recognised for assets where the counterparty is central government or a local authority whereby relevant statutory provisions prevent default.

In addition to financial investments, whereby risk is mitigated through the creditworthiness policy contained within the annually approved Treasury Management Strategy, the Authority may agree loans to third parties (organisations or individuals) when considered to be of an economic or social benefit to the local area. The Authority will assess the expected credit loss by loan (or group of loans where considered to be of similar nature) on a 12-month or lifetime loss model dependent on the risk level applied to the loan(s).

Financial Assets Measured at Fair Value through Profit or Loss:

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument, and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

In November 2018 the Ministry of Housing, Communities and Local Government announced a statutory override applicable to English Local Authorities regarding fair value movements on pooled investments funds, covering a five year period commencing 1 April 2018. During the period of the statutory override, the Authority will transfer all fair value movements recognised in the Surplus or Deficit on the Provision of Services relating to pooled investment funds to the unusable Pooled Investment Funds Adjustment Account (or, for equity investments, to the Capital Adjustment Account).

Fair Value Measurements of Financial Assets:

The fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Authority's financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Authority can access at the measurement date
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

(xvi) Cash and Cash Equivalents

Cash and Cash Equivalents represents cash in hand and cash equivalents, defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are not held for the purposes of an investment gain, but rather are retained so that the Authority has monies available to settle its liabilities. The Authority therefore recognises as cash equivalents only those deposits held for the purposes of cash management and repayable without penalty on notice of not more than 24 hours.

Deposits made for the purposes of securing an investment gain are classified as Short Term Investments.

Bank overdrafts form an integral part of the Authority's cash management and are therefore consolidated within net Cash and Cash Equivalents as presented in the Authority's core financial statements.

(xvii) Schools

The Code confirms that the balance of control for local authority maintained schools (as identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. Therefore schools' transactions, cash flows and balances are recognised in the single entity financial statements of the Authority as if they were the transactions, cash flows and balances of the Authority.

(xviii) Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

(xix) Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

(xx) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year.

The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement to the Accumulated Absences Account so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

(xxi) Post-employment Benefits

Employees of the council may be members of four separate pension schemes:

- the Local Government Pension Scheme, administered by West Sussex County Council;
- the Firefighters' Pension Scheme, administered by West Sussex County Council;
- the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- the National Health Service (NHS) Pension Scheme, administered by the NHS.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

However, the arrangements for the Teachers' and NHS Pension Schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The schemes are therefore accounted for as if they were defined contribution schemes, and therefore no liability for future payments of benefits is recognised in the Balance Sheet. The employer contributions payable to the respective scheme administrators is recognised as an in-year expense against the appropriate service line in the Comprehensive Income and Expenditure Statement.

The Local Government Pension Scheme and The Firefighters' Pension Scheme

The Local Government and Firefighters' Pension Schemes are accounted for as defined benefit schemes:

- The liabilities of the respective schemes attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees).
- Liabilities are discounted to their value at current prices, using an appropriate discount rate.

The assets of the Local Government Pension Scheme attributable to the Authority are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

The change in the net pensions liability is analysed into the following components:

Service cost, comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

Remeasurements, comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows, rather than as benefits earned by employees.

(xxii) Early Retirement Costs

The County Council's policy is to charge the full costs of early retirement to the relevant service at the earliest date. The Local Government Pension Scheme allows authorities to spread these costs over three years, but in keeping with the policy aim, these are recognised in full in the year they are incurred. This discretion does not exist for the Firefighters' Pension Scheme, where regulation requires that the costs are spread over three years to smooth the volatility of variable numbers of ill-health retirements.

(xxiii) Senior Officer Remuneration

The Code contains requirements for the disclosure of the remuneration of higher paid officers. However, these requirements are derived from (and supplemented by) the overarching requirements of the Accounts and Audit Regulations:

- For England – regulation 7 of the Accounts and Audit Regulations 2015 (as specified in Schedule 1 SI 2015/234)

There are two related disclosures required by the regulations:

- Figures for the number of officers whose remuneration was £50,000 or more, grouped in £5,000 bands (starting at £50,000)
- The individual remuneration of senior employees.

Disclosure of senior officers' remuneration in made on an accruals (rather than cash) basis in line with the definition of remuneration provided by the regulations, which states that remuneration is to include "all amounts paid to or receivable by a person..."

The regulations dictate that the disclosure of remuneration by category must be made by reference to individuals, with the following proviso:

- Where the senior employee or relevant police officer's salary is £150,000 or more per year, they must be identified by name and job title
- Where the senior employee's salary is less than £150,000, only their job title must be disclosed.

(xxiv) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change, and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

(xxv) Fair Value Measurement of Non-Financial Assets

The Authority measures some of its non-financial assets (such as surplus assets and investment properties) and some of its financial instruments (such as equity shareholdings) at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority’s financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

(xxvi) Joint Operations and Other Pooled Budgets

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly

In April 2015 the West Sussex Better Care Fund was established. This is a joint operation between the Authority and the NHS West Sussex Clinical Commissioning Group to provide integrated health and social care support within the area. West Sussex County Council acts as host in the arrangement, but shares control with its partner and as such accounts only for its share of the Fund’s income, expenditure, assets and liabilities in its accounts.

The Authority is also part of three other pooled budget arrangements with NHS bodies to provide services in the local area. In two of these partnerships, established for the provision of services relating to Learning Disabilities and Telecare, the Authority acts as lead commissioner, and has control of the decisions of how the pooled funds are applied. As such, the Authority accounts for all of the expenditure of these funds in its financial statements. Funding contributed by partners is recognised as revenue in the Authority's accounts. The third agreement, for the provision of Mental Health services, is hosted by the NHS, and as such the Authority accounts only for its contribution to the pooled budget.

(xxvii) Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

(xxviii) Going Concern

These financial statements have been prepared on a going concern basis. Assets and liabilities are therefore reported on the assumption of continuing operations for the foreseeable future.

This approach is prescribed by the CIPFA Code of Practice on Local Authority Accounting. The Code confirms that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on the going concern basis of accounting.

The potential for abolition of an authority (or the transfer of its functions) by statute is not taken as negating the presumption of going concern. Even though assets may be taken from the authority, perhaps without compensation, the continued use of those assets for public benefit means that an individual authority does not need to consider the restriction on its own ability to make use of those assets from a going concern perspective.

An authority experiencing significant resource pressures does not therefore negate the presumption of going concern, because if an authority were in financial difficulty the prospects are that alternative arrangements might be made by central government for the continuation of services. However, references to such issues affecting financial resilience and sustainability will be made in various sections of the financial statements as appropriate, for example in Note 42 Critical Judgements in Applying Accounting Policies and Note 43 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty.

Considering the above, and the critical judgements made in applying the Council's policy on going concern and assumptions made about the future as set out in Notes 42 and 43, the Council is satisfied that the financial statements should be prepared on a going concern basis.

42. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 41, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Coronavirus – Going Concern Impact Assessment

The Covid-19 pandemic has affected a significant number of the Council's services to our residents with temporary closures of public buildings and the suspension of some services. The budget for 2020/21 was set ahead of the start of the pandemic, whereas the whole of the financial year was dominated by Covid-19. In response to the pandemic, the Government made a number of funding streams available to local authorities to address budget pressures. Since the onset of the pandemic, the total revenue grant funding received by West Sussex is £113.4m (excluding amounts passported through to schools). Of this total, £85.2m has been spent to date, with £28.2m carried forward into 2021/22 to fund the continuing pandemic costs. A further £2.4m of capital grant funding was provided in the form of 'Emergency Active Travel Fund', of which £0.5m has been spent on the installation of temporary cycle lane provision and the remainder will be held for longer term projects.

There has also been a significant impact on the local economy and employment levels, consequently income levels for both business rates and council tax have reduced. To compensate, the government has provided funding to meet 75% of the irrecoverable losses for Council Tax and Business Rates in 2020/21. In line with Government guidance, £4m for Local Tax Income Guarantee has been included in the Council's accounts for 2020/21 and has been transferred to the Budget Management reserve.

Within the revenue budget for 2020/21, excluding any Covid-19 spending and funding, the Council underspent at year end by £8.9m and this was transferred to three reserves - £4.7m to the Adults and Health Pressures and Recovery reserve to fund anticipated pandemic rebound pressures in 2021/22; £1.2m to the Ash Dieback reserve to fund critical tree felling work that needs to be accelerated in 2021/22 and £3.0m, arising from savings from homeworking and change in service delivery savings as a result of the pandemic, to the Service Transformation reserve to fund future innovative projects.

During the period, the Council closely monitored its cashflow position to ensure that there were sufficient funds available to meet its financial obligations and remain financially solvent. Any surplus cash was largely held in instant access accounts or on very short-term deposits to ensure it was available should it be required.

The latest budget gap is £35.8m for 2022/23, as reported at County Council on 12 February 2021. Given the likely delay in implementing the Spending Review and consequently the Fair Funding and Business Rates reviews, it is unlikely the budget gap will materialise in 2022/23 and will be in 2023/24. Work is underway with the Executive Leadership Team and Cabinet Members to review this position and develop plans to mitigate any pressures to ensure that we are able to present a sustainable balanced budget for 2022/23. As at 31 March 2021, the Council held earmarked reserves of £162.6m, which excludes school reserves, the Covid-19 Fund and the Business Rates Pilot reserve, with a further £20.3m held in the General Fund. In the short term and with the need to replenish or re-profile costs to a later period, the Council could draw on some of these reserves to balance the budget.

The impact of the pandemic and the planned intention to ease restrictions nationally in the near future continues to be assessed. The longer-term economic impacts are starting to be better understood and financial projections for future years will be adjusted accordingly. The Council has received a further £15.6m unringfenced funding from central Government in 2021/22 to meet the budget pressures arising from the pandemic. As well as this, other ringfenced funds are being made available, such as the Contain Outbreak Management fund (COMF), funding for Infection Control and other funds to support the vulnerable. However, we do recognise the inherently high degree of estimation uncertainty in the assumptions made. For example, it is not clear if there will be any longer-term implications for the Council, in addition to those already recognised in the accounts, in terms of pent-up demand within Adult Services where some people who are likely to need support from adult social care have yet to come forward because of Covid-19.

The Council has produced a cashflow to 31 March 2023 and considered the impact on the cashflow for two scenarios to ensure the budget is balanced for both 2021/22 and 2022/23. These scenarios are based on the Council's latest forecasts of the impact of Covid-19 and range from the current forecast (in terms of using reserves to meet a £11m funding shortfall in 2021/22 and then having a balanced budget for 2022/23) to a more pessimistic scenario (in terms of using reserves to meet both a £11m funding shortfall in 2021/22 and a £14m funding shortfall in 2022/23). Based on these scenarios, we are satisfied that there is no material uncertainty relating to the Council's cashflow position to 31 March 2023.

Covid-19 Grants

For all its accounting transactions, an authority must consider whether it is acting as principal or agent. Where an authority is acting on its own behalf, it is the principal. Where it is acting as an intermediary, it is the agent. Where an authority is acting as agent, the transactions are not reflected in its financial statements (except the net cash position and an offsetting debtor or creditor).

For two grants received from the Department of Health and Social Care (DHSC) in 2020/21, the Authority has judged that it is acting as agent. These are the Adult Social Care Infection Control Fund (£20.8m) and Adult Social Care Rapid Testing Fund (£2.9m). In both cases, the Authority's judgement has been made on the basis that it has no control over how the grant is spent – conditions set by DHSC state that the funds must be distributed to care providers on a per-bed basis.

The amounts disclosed above reflect the proportions of the grants for which the onward distribution has been stipulated by DHSC; in both instances, the Authority was given greater discretion over how to apply a small proportion of the grant (20-25%), and so the Authority has treated these transactions as principal and as such included them in its financial statements (as disclosed in Note 25 Grant Income, alongside all other Covid grants for which the Authority has judged it is acting as principal).

Local Government Funding Arrangements

There is a high degree of uncertainty about future levels of funding for local government. MHCLG's Fair Funding Review into business rates retention and baseline funding allocations, previously set for consultation in 2020/21, has been delayed. Additionally, there is a high degree of uncertainty around the council tax and business rates base. The onset of the coronavirus pandemic has seen a number of households fall into council tax support, which may impact on the amount of council tax receivable. The requirement for business premises may also reduce, which could have an impact on the amount of business rates collectable. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

Provisions and Contingent Liabilities

The Authority is required to exercise judgement in assessing whether a potential liability should be accounted for as a provision, or whether it should be disclosed as a contingent liability. This judgement requires the Authority to assess the likelihood of the obligation arising. In calculating the level of any provisions, the Authority also exercises judgement; they are measured at the Authority's best estimate at the balance sheet date of the costs required to settle the obligation. The level of the Authority's provisions and details of its contingent liabilities are set out in Notes 14 and 40 respectively.

Schools' Non-Current Assets

CIPFA's Code of Practice requires non-current school assets to be recognised on the Authority's balance sheet only where the Authority has control over the asset and it is probable that future service potential will flow to the Authority.

The Authority has therefore exercised judgement in its control assessment for its voluntary controlled, voluntary aided and foundation schools. Legal ownership of assets at these schools typically resides with a separate entity of trustees. Control over these assets may therefore be assumed to reside with those trustees, and that is the position taken by the Authority with respect to its voluntary aided and foundation schools. Non-current assets at these schools are therefore not consolidated into the Authority's balance sheet, with the exception of land at voluntary aided schools, which the Authority retains statutory responsibility for.

However, the Authority exerts a greater degree of control over its voluntary controlled schools, as it directly employs the staff and sets the admissions criteria at these schools. The Authority has therefore judged that it exercises substantive control over the assets of its voluntary controlled schools, and so recognises these assets on its balance sheet.

Interests in Other Entities

The Authority has identified interests in two other entities in the reporting period. These are West Sussex Music Trust, a Company Limited by Guarantee established to advance the education of and access to music and the arts, and Aspire Sussex Ltd, a Company Limited by Guarantee established to deliver adult and community learning services to the residents of West Sussex. However, the Authority has concluded that it does not have significant influence over either entity and therefore consolidated group accounts have not been prepared.

The Articles of Association of Aspire Sussex Ltd grant West Sussex County Council the right to appoint one representative on the company's Board of Trustees. The Articles require a minimum of five members to hold membership at all times, and so the maximum possible voting share attributable to the Authority is 20%. The Authority judges that a maximum voting share of 20% would not enable it to exert significant influence over the entity. In any event, the Authority did not elect to appoint a representative to the Board of Aspire Sussex Ltd for its most recent reporting period, and so exerted no influence over the financial or operating policy decisions of the company during that time.

The Memorandum of Association of West Sussex Music Trust do not afford West Sussex County Council any right to ongoing membership on the company's Board of Trustees, and the Authority was not directly represented on the Board during the entity's most recent reporting period. At the reporting date, the Trust had six Trustees, two of which are currently employed as head teachers of local authority community schools. The Authority judges that the head teachers have operated in their capacity as representatives of their respective schools, rather than as employees of West Sussex County Council. In coming to this judgement, WSCC has considered the statutory responsibilities of a school's governing body and the subsequent delegation of these duties to a head teacher, and concluded that head teachers are sufficiently independent so as not to be considered agents of the local authority to exert influence on its behalf. The Authority therefore concludes that it does not exert significant influence over West Sussex Music Trust.

43. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because amounts cannot be determined with certainty, actual results could be different from the assumptions and estimates. Significant assumptions and estimates made in the preparation of the Statement of Accounts are disclosed below.

Private Finance Initiatives

The Authority is currently entered into three Private Finance Initiative (PFI) arrangements, as detailed in note 15 to these accounts. There is a high degree of certainty in relation to the Authority's contractual commitments under these contracts, as disclosed in note 15 (iii) and subject to contractual variations relating to volumes, performance and indexation. However, the accounting models relating to these schemes which determine a number of material entries in these financial statements are necessarily underpinned by a series of assumptions. This includes the basis upon which the unitary charge is notionally split between its service, interest, and capital components, which impacts on how these costs are reported within the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, and also the rate at which the PFI liability on the Balance Sheet is shown to be repaid. In accordance with statutory requirements, the accounting entries generated by these models are all mitigated via the Capital Adjustment Account. Therefore, whilst a change in the underpinning assumptions may have a material impact on the financial statements, there are no funding implications or impact on Usable Reserves.

Property, Plant and Equipment – Revaluation

As detailed in Note 41 Accounting Policies, the Authority formally revalues its operational land and buildings at least once every five years. In order to ensure that the carrying value of these assets does not differ materially from current value in between formal valuations, assets not subject to revaluation in any given year are tested for indexation.

As part of its rolling revaluation programme, the Authority selects the assets to be revalued each year using a stratified sampling approach, such that the results of the valuations commissioned can be used to assess for general movements in the asset base. To facilitate this approach, two characteristics have been identified for every asset: asset category and geographical location. To estimate indexation for an asset not subject to formal revaluation, the Authority calculates the average movement in the relevant category and location amongst those assets which have been revalued, and applies those averages with equal weighting.

Indexation was applied to all land and building assets not subject to formal revaluation at 31 March 2021 using this methodology. Net indexation of -£3.8m was applied to assets with a carrying value of £160.8m, an overall reduction of 2.3%.

The external valuer instructed by the Council adopts various estimation techniques to arrive at their valuations. The Authority changed its valuer in 2020/21, and a different technique applied by the new valuer in relation to school assets has had a significant impact on the Council's balance sheet. Bruton Knowles have applied a 'Modern Equivalent Asset' (MEA) approach, whereby for Depreciated Replacement Cost (DRC) valuations (such as for schools), the valuation is based on the cost to construct an asset with equivalent service potential rather than a like-for-like replacement of the existing structure.

To ensure consistency of approach, the Authority instructed its valuer to revalue all of its school land and building assets as at 31 March 2021. The impact of the adoption of an MEA methodology has been to reduce the carrying value of school assets on the Authority's balance sheet by approximately £259m. In accordance with statutory arrangements, this revaluation loss is charged to Unusable Reserves and so has no taxpayer or funding implications.

Property, Plant and Equipment – Depreciation

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate could impact upon the Authority's ability to sustain its current spending on repairs and maintenance, which would have implications for the useful lives assigned to assets.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. It is estimated that the annual depreciation charge for buildings would increase by £2.1m for every year that useful lives are reduced. As part of its rolling revaluation programme, an asset is subject to formal valuation at a minimum every five years. Therefore over a five-year period the cumulative impact of a one-year reduction in the useful lives of buildings would be an increase in depreciation charges (and reduction in carrying value) of no more than £10.5m. In reality, the Authority's sampling approach, including more frequent revaluations for high-value assets, means that the scope for this variation in carrying value is significantly reduced. In any event, a variation of this scale is not considered to be material in the context of the Authority's £1.7billion long-term asset base.

Defined Benefit Pension Schemes

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries and pensions are projected to increase and mortality rates. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Local Government

Change in assumptions at 31 March 2021	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10%	275,382
0.5% increase in the Salary Increase Rate	1%	20,144
0.5% increase in the Pension Increase Rate	9%	249,971

The principal demographic assumption concerns member life expectancy. The actuary estimates that a one year increase in life expectancy would increase the defined benefit obligation by approximately 3-5%.

Firefighters

Change in assumptions at 31 March 2021	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	9%	41,917
1 year increase in member life expectancy	3%	13,390
0.5% increase in the Salary Increase Rate	0%	2,020
0.5% increase in the Pension Increase Rate	8%	35,340

44. Accounting standards that have been issued but have not yet been adopted

The Authority is required to disclose information relating to the impact on its financial statements of an accounting change that will be required by a new standard that has been issued but has not yet been adopted by the CIPFA Code of Practice on Local Authority Accounting (the 'Code'). For 2020/21, this requirement is limited to the standards listed in Appendix C of the 2021/22 Code, as follows:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform (Phases 1 and 2): Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments Recognition and Measurement, IFRS 7 Financial Instruments Disclosures, IFRS 4 Insurance Contracts, and IFRS 16 Leases.

The amendments to IFRS 3 are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments to accounting standards arising from Interest Rate Benchmark Reform (Phases 1 and 2) consider the financial reporting issues in the period before and upon the replacement of an existing interest rate benchmark (e.g. London InterBank Offered Rate, LIBOR) with an alternative 'official' Risk Free Rate (e.g. Sterling OverNight Indexed Average, SONIA). The amendments deal primarily with hedge accounting requirements, and practical expedients when accounting for changes in the basis of determining the contractual cash flows of assets and liabilities.

None of the changes identified above are anticipated to have a material effect on the Authority's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

45. Firefighters' Pension Scheme

2019/20 £000	2019/20 £000		2020/21 £000	2020/21 £000
		Contributions receivable		
	-1,712	Employees		-1,851
		Employers		
-3,885		Normal	-4,189	
0		Early retirements	0	
	-3,885			-4,189
	-141	Transfer values from employers of contributors joining the fund		-24
	-20	Charges in respect of ill-health early retirements		0
	-5,758	Total contributions receivable		-6,064
		Benefits payable		
	8,404	Pensions		8,813
		Lump sum benefits		
1,821		Commutations	2,091	
107		Death benefits	0	
	1,928			2,091
	0	Transfer values to employers of contributors leaving the fund		7
	10,332	Total benefits payable		10,911
	44	Other miscellaneous expenditure		46
	4,618	Net amount payable for the year before top up grant from the Home Office		4,893
	-2,614	Top up grant received from the Home Office		-3,243
	-2,004	Top up grant receivable from the Home Office		-1,650
	0	**Net amount payable/receivable for the year**		**0**

Net Assets Statement

At 31 March 2020 £000		At 31 March 2021 £000
	Current Assets	
2,004	Pension top up grant receivable from the Home Office in respect of year to reporting date	1,650
0	Payments in advance	0
2,004		1,650
	less: Current Liabilities	
-2,004	Creditors	-1,650
0	**Net Assets - balance of scheme**	0

GLOSSARY OF FINANCIAL TERMS

Accounting Policies	The specific principles, bases, conventions, rules and practices applied by the Authority in preparing and presenting its financial statements.
Accruals	An accounting concept that recognises income when it is earned and expenditure when it is incurred, and not when cash is transferred. The inclusion of debtors and creditors are examples of accruals.
Actuarial Gains and Losses	Changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the Actuary has updated their assumptions.
Actuarial Valuation	The Actuary reviews the assets and liabilities of the pension fund every three years.
Actuary	An independent professional who analyses the assets and liabilities of a pension fund and calculates the level of contributions required to keep the fund solvent.
Amortisation	The reduction in value of an intangible asset to spread its cost over its useful life. The equivalent of depreciation for intangible assets.
Asset	A resource controlled by the Authority as a result of past events and from which future economic or service potential is expected to flow to the Authority.
Assets Held for Sale	Assets that the Council intends to sell within the next year and are actively marketed as such.
Balance Sheet	A statement of recorded assets and liabilities as at the end of an accounting period.
Billing Authority	The district and borough councils which are responsible for the billing and collection of council tax and non-domestic rates. There are seven billing authorities in West Sussex – Adur, Arun, Chichester, Crawley, Horsham, Mid-Sussex and Worthing.
Capital Adjustment Account	Absorbs the timing differences arising from the various arrangements for accounting for the consumption of non-current assets (e.g. depreciation, revaluations, disposals) and the financing of the acquisition/enhancement of those assets (e.g. through grants, revenue contributions or MRP).
Capital Expenditure	Expenditure on the acquisition or construction of new assets, or the enhancement of existing assets, that have a long-term value to the Authority e.g. land and buildings.
Capital Financing Requirement (CFR)	This represents the Council's underlying need to borrow for capital purposes. A measure of capital expenditure incurred historically by the Authority that has yet to be financed, and therefore representing borrowing (internal or external) which has yet to be repaid via MRP.
Capital Grants Unapplied Account	This reserve holds grants and contributions received towards capital projects, for which the Council has met any conditions that would otherwise require the repayment of the monies, but which have yet to be applied to meet expenditure.
Capital Programme	The Authority's plan of capital projects and spending over future years. Included in this category are the purchase of land and buildings, the erection of new buildings and works, design fees, and the acquisition of vehicles and major items of equipment.
Capital Receipts	The proceeds from the sale of a non-current asset, which may only be used for capital purposes, and not to support the revenue budget.
Capital Receipts Reserve	Holds accumulated capital receipts which have yet to be applied to finance the capital programme.
Cash Flow Statement	Shows the movement in cash and cash equivalents of the Authority during the reporting period.

GLOSSARY OF FINANCIAL TERMS

Chartered Institute of Public Finance and Accountancy (CIPFA)
The professional accountancy institute that sets the standards for the public sector. CIPFA publishes the accounting codes of practice for local government.

Code of Practice on Local Authority Accounting ('the Code')
Local authorities in the United Kingdom are required to keep their accounts in accordance with 'proper practices'. This is defined, for the purposes of local government legislation, as meaning compliance with the terms of the Code. The Code is reviewed continuously and is normally updated annually.

Collection Fund
Each billing authority maintains a separate collection fund for council tax and non-domestic rates. Monies are paid into the funds by taxpayers and ratepayers, and are distributed to preceptors.

Comprehensive Income and Expenditure Statement
A statement which shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded by taxation.

Contingent Asset
Arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority.

Contingent Liability
Arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority.

Council Tax
A domestic property tax set by local authorities to finance revenue expenditure. Each dwelling is allocated to one of eight tax bands based on its capital value.

Creditors
Amounts owed by the Authority for goods and services received where payment has not been made as at the Balance Sheet date.

Current Asset
Assets which are either cash (or an equivalent), held for trading, or expected to be realised within the next financial year.

Current Liability
An amount which will become payable within 12 months of the reporting date.

Debtors
Amounts owed to the Authority for goods and services provided but are unpaid as at the Balance Sheet date.

Dedicated Schools Grant (DSG)
The County Council's expenditure on schools is funded by grant monies issued by the Department for Education. DSG is ringfenced and can only be applied to meet expenditure included in the Schools Budget, or central expenditure as agreed by the Schools Forum.

Depreciated Replacement Cost (DRC)
A method of asset valuation, used where there is insufficient market-based evidence of current value because an item Property, Plant and Equipment is specialised and/or rarely sold (e.g. a school), or as a proxy for current value for non-property assets that have short useful lives and/or low values.

Depreciation
A charge to the revenue account to reflect the consumption of a tangible non-current asset in service delivery. There is a corresponding reduction in the value of the non-current asset on the Balance Sheet.

Earmarked Reserves
Usable reserves which have been set aside for a specific purpose.

Events after the Balance Sheet Date
Events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

Exceptional Items
Material items which deviate from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

GLOSSARY OF FINANCIAL TERMS

Existing Use Value A valuation method that estimates the amount for which an asset or liability should exchange on the valuation date between a willing buyer and seller in an arm's length transaction and disregarding potential alternative uses for the asset.

Expected Credit Loss An impairment allowance applied to certain categories of financial assets, calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.

Expenditure and Funding Analysis An analysis of the income and expenditure of the Authority chargeable to the General Fund under statute, and a reconciliation of these sums to that presented in the Comprehensive Income and Expenditure Statement under proper accounting practices.

Fair Value The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance Lease A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Consequently the non-current asset is included within the Balance Sheet of the lessee, even though the lessor retains the legal title of the asset.

Financial Assets Measured at Amortised Cost Financial assets whereby the Council's business model is to collect contractual cash flows with intention of holding to maturity; such cash flows being solely payments of principal and interest. Includes cash and cash equivalents, fixed-term deposits and trade debtors.

Financial Assets Measured at Fair Value through Profit or Loss Financial assets whose contractual payments are not solely payments of principal and interest; such assets incurring fair value gains and/or losses over the lifetime of the investment). Includes pooled funds and equity investments.

Financial Instrument Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Examples include the borrowing or lending of money and the making of investments.

General Fund A statutory fund which holds the accumulated surplus of income over expenditure in the revenue account. The balance on the General Fund forms part of the County Council's Usable Reserves.

Gross Expenditure Total expenditure before deducting income.

Heritage Assets Assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge or culture.

Impairment Recognised when the carrying amount of an asset exceeds its recoverable amount. An impairment may be physical in nature (such as damage caused by fire), or may arise from a general or specific reduction in prices during the financial year.

Income Inflow of economic benefits or service potential during the reporting period, when such inflows or enhancements of assets or decreases of liabilities result in an increase in reserves.

Intangible Assets Intangible assets yield benefits to Council for more than one year, but are without physical form, such as software licences. Intangible assets are recorded at cost and are amortised over their estimated useful economic life.

International Accounting Standards (IAS) Standards for the preparation and presentation of financial statements as issued by the International Accounting Standards Committee (IASC) from 1973 to 2001.

International Accounting Standards Board (IASB) Independent body with responsibility for developing and approving International Financial Reporting Standards (IFRSs). Successor to the International Accounting Standards Committee (IASC).

IFRIC Interpretations developed by the IFRS Interpretations Committee (previously the International Financial Reporting Interpretations Committee), issued upon approval by the International Accounting Standards Board (IASB).

GLOSSARY OF FINANCIAL TERMS

International Financial Reporting Standards (IFRS)	Standards for the preparation and presentation of financial statements as issued by the International Accounting Standards Board (IASB) since 2001.
Investment Property	Property held solely to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of operations.
Lease	A lease is an agreement whereby the lessor conveys to the lessee (in return for a payment or series of payments) the right to use an asset for an agreed period of time.
Liability	A present obligation of the Authority arising from past events, the settlement of which is expected to result in an outflow from the Authority of resources embodying economic benefits or service potential.
Long Term Assets	Non-current assets that do not meet the definition of a current asset and provide benefits to the Council which are realisable over a period greater than 12 months.
Materiality	Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materially depends on the nature or size of the omission or misstatement, judged in the context of the information being considered.
Minimum Revenue Provision (MRP)	An amount chargeable to the General Fund annually to provide for the repayment of debt. The provision of MRP reduces the Council's Capital Financing Requirement, which may be met by internal or external borrowing.
Modern Equivalent Asset (MEA)	Used in DRC valuations, where the replacement cost of an existing asset is determined using a modern equivalent which provides the current level of service or output.
Movement in Reserves Statement	Shows the movement in the year on the various reserves held by the Authority, analysed into usable and unusable reserves.
National Non-Domestic Rates (NNDR)	A charge on commercial and industrial premises based on the rateable value of the property multiplied by a national rate set by central government. The means by which local businesses contribute towards the provision of local authority services.
Operating Lease	A lease arrangement where the risks and rewards of ownership of the asset have not been transferred to the lessee. The annual rentals are therefore charged directly to the Income and Expenditure Account and the asset remains on the balance sheet of the lessor.
Outturn	The actual level of income and expenditure for the financial year.
Pooled Budgets	A partnership arrangement whereby NHS organisations and local authorities contribute an agreed level of resource into a pooled fund which is then used to commission or deliver health and social care services.
Precept	The County Council precepts on (makes demands upon) the billing authorities' collection funds for its net expenditure requirements to be met by council tax.
Prior Period Adjustments	Material adjustments which are applicable to prior years and which arise from changes in accounting policy or the correction of material errors. They do not include immaterial adjustments or changes to accounting estimates.
Private Finance Initiative (PFI)	A long-term contractual public private partnership, which typically involves a private sector entity (the operator) constructing or enhancing infrastructure used in the provision of a public service, and operating and maintaining that infrastructure for a specified period of time. The operator is paid for its services over the period of the arrangement.
Provisions	Provisions are raised to recognise liabilities which exist at the balance sheet date, where settlement is probable and can be reliably quantified but the exact amount and the date on which it will arise is uncertain.

GLOSSARY OF FINANCIAL TERMS

Prudential Code	Issued by CIPFA, the Prudential Code supports local authorities in taking capital investment decisions. The Prudential Code requires local authorities to set their own borrowing limits based upon affordability, sustainability and prudence.
Public Works Loan Board (PWLB)	A central government agency which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government itself can borrow.
Related Party	An individual or organisation that has the potential to control or significantly influence the Council, or to be controlled or significantly influenced by the Council.
Remuneration	Remuneration includes all amounts paid to or receivable by a person, including sums due by way of expense allowances (so far as these are chargeable to tax) and the estimated monetary value of any other benefits received by an employee.
Residual Value	The estimated amount that the Authority would currently obtain from disposal of an asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.
Revaluation Reserve	Records the unrealised revaluation gains arising from increases in the value of non-current assets. The reserve increases when assets are revalued upwards, and decreases when assets are revalued downwards or disposed of or as assets are depreciated.
Revenue Budget	The estimate of annual income and expenditure requirements, which sets out the financial implications of the County Council's policies and the basis of the annual precept to be levied on collection funds.
Revenue Contribution to Capital Outlay (RCCO)	The amount of capital expenditure to be financed directly from the annual revenue budget.
Revenue Expenditure	The operating costs incurred by the Council in providing its day-to-day services, such as salaries, supplies and services.
Revenue Expenditure Funded from Capital under Statute (REFCUS)	Expenditure that is classified as capital under statutory provisions, but which does not result in the creation or enhancement of non-current assets owned by the Council. Such expenditure is treated as revenue expenditure under proper accounting practices and is charged to the relevant service in the Comprehensive Income and Expenditure Statement.
Specific Grants	Represents central government financial support towards particular local authority services, which the government wishes to target.
Surplus Assets	Non-current assets that are surplus to service needs but that do not meet the recognition criteria for Investment Property or Assets Held for Sale.
Unusable Reserves	Reserves that the Council is not able to use to provide services. This includes unrealised gains and losses in relation to asset revaluations and accounts that absorb the timing differences between transactions under proper accounting practices and statutory arrangements.
Usable Reserves	Reserves that can be used to meet future expenditure, subject to the requirement to maintain a prudent level of reserves and any statutory limitations on their use.

West Sussex Pension Fund

Statement of Accounts

2020/21

west sussex county council

lgps

Declaration

Under Regulation 9 of the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts set out in the following pages presents a true and fair view of the West Sussex Pension Fund as at 31 March 2021.

Katharine Eberhart

Director of Finance and Support Services, West Sussex County Council

Note: The West Sussex Pension Fund is a defined benefit scheme and the following accounts do not take account of liabilities to pay pensions and other benefits after 31 March 2021 year end. Further information relating to these liabilities and other benefits is contained in the Valuation Report.

The Local Government Pension Scheme Pension Fund Account

Fund Account	Note	2019/2020 £000	2020/2021 £000
Dealings with members, employers and others directly involved in the scheme			
Contributions received	**7**	138,083	143,089
Transfers in from other Pension Funds	**8**	17,562	8,861
Amount received		**155,645**	**151,950**
Benefits Paid	**9**	(114,575)	(118,365)
Payments to and on account of leavers	**10**	(15,861)	(10,123)
Amount paid		**(130,436)**	**(128,488)**
Net additions/(withdrawals) from dealings with members		**25,209**	**23,462**
Management Expenses	**11**	(17,075)	(38,138)
Net additions/(withdrawals) including Fund management expenses		**8,134**	**(14,676)**
Returns on investments			
Investment income	**12**	72,914	49,835
Taxes on income	**13A**	(638)	(700)
Other income		2	0
Profit and (losses) on disposal of investments and changes in the market value of investments	**14A**	(153,114)	1,147,315
Net return on investments		**(80,836)**	**1,196,450**
Net increase in net assets available for benefits during the year		**(72,702)**	**1,181,774**
Add opening net assets of the scheme		**4,374,121**	**4,301,419**
Closing net assets of the scheme		**4,301,419**	**5,483,193**

Net Asset Statement

Assets and Liabilities	Note	At 31 March 2020 £000	At 31 March 2021 £000
Investment assets	**14**	4,195,984	5,398,318
Investment liabilities	**14**	(16,730)	(1,279)
Net investment assets / (liabilities)		**4,179,254**	**5,397,039**
Current assets	**21**	131,328	113,895
Current liabilities	**22**	(9,163)	(27,741)
Net assets of the scheme available to fund benefits at the end of the reporting period		**4,301,419**	**5,483,193**

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 31 March 2021. The actuarial present value of promised retirement benefits is disclosed at Note 20.

Notes

Note 1: Description of the Fund

The West Sussex Pension Fund ('the Fund') is part of the Local Government Pension Scheme (LGPS) and is administered by West Sussex County Council.

General

The LGPS is a national defined benefit funded pension scheme governed by the Public Service Pensions Act 2013 and is administered by West Sussex County Council in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Fund provides pensions and other benefits for pensionable employees of West Sussex County Council, the District and Borough Councils in West Sussex and a range of other bodies described below.

Scheduled Bodies, Resolution Bodies and Academies	Regulations allow employees of certain specified bodies to join the Scheme including the County Council, District and Borough Councils, non-uniformed personnel employed by the Chief Constable, Sussex Police & Crime Commissioner, employees within Town and Parish Councils as well as non-teaching staff employed by Colleges and Academies.
Admitted Bodies	Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

Police officers, teachers and fire-fighters have their own unfunded statutory arrangements.

Membership

The membership details by employer and member category are set out below:

Membership Type	31 March 2020	31 March 2021
Number of Employers with Active Members	198	207
Active members		
West Sussex County Council	14,202	12,801
Other employers	14,649	13,773
Total	**28,851**	**26,574**
Pensioner members		
West Sussex County Council	10,904	11,255
Other employers	10,699	11,019
Total	**21,603**	**22,274**
Deferred pensioner members		
West Sussex County Council	16,831	18,291
Other employers	12,263	13,667
Total	**29,094**	**31,958**
Total number of members in scheme	**79,548**	**80,806**

Funding

Benefits are funded by contributions and investment earnings. Normal contributions are made by:

- Active members in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2021.
- Employers in accordance with the rate calculated by the Fund Actuary at the triennial valuation exercise, or on joining the Scheme between valuations. The employer contribution rates range from 0.0% to 60.8% of pensionable pay for the financial year ending 31 March 2021.

Benefits

The Local Government Pension Scheme (LGPS) changed to a Career Average Revaluation Earnings (CARE) scheme on 1 April 2014. From 1 April 2014 the benefits built up in the LGPS are worked out under the rules of the career average scheme at an accrual rate of 1/49th, updated annually in line with the Consumer Prices Index (CPI). Members in the Scheme before 1 April 2014 will also have benefits based on final pensionable pay and length of pensionable service (the final salary scheme).

A range of other benefits are also provided including early retirement, disability pensions and death benefits.

Note 2: Basis of Preparation

The accounts have been prepared in accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK Public Sector and Guidance on Investment Valuations issued by the Pensions Research Accountants Group (PRAG).The accounts summarise the transactions and net assets of the Fund and have been prepared on a going concern basis.

Fund Management have considered the following in arriving at this assessment:

- The Fund remains a statutory open scheme with a strong covenant from the participating employers and is therefore able to take a long-term outlook when considering the general investment and funding implications of external events.
- The Fund remains a long-term investor and has reduced its allocation to equities with a preference to bond assets to reduce the volatility of its investment assets. The Fund will continue to monitor all risks on an ongoing basis and take appropriate actions where necessary.
- The Fund was 112% funded as at the last triennial valuation as at 31 March 2019. This estimated to have increased to 123% as at 31 March 2021. It therefore remains fully funded.
- The Fund takes a prudent approach when setting employer contributions and its contribution strategy is considered against detailed scenario testing by the Fund Actuary. There is no expectation that the contribution rates will need to be reviewed or revised outside the normal triennial valuation cycle but the position will be kept under review, particularly for any shorter-term employers.
- £32.1m of the Fund’s investment income is currently re-invested rather than used to pay benefits with 90% of its assets in liquid form which could be realised within 3 months in a managed way if the need arose.

A cashflow forecast has also been produced to consider all significant receipts and payments up to March 2023. The Fund has based this assessment on:

- Contributions based on actual March 2021 payroll data and known contribution rates for 2021/22 and 2022/23.
- 2020/21 outturn values for property rental income, pension benefits, death benefits and lump sum payments.

Management is not aware of any significant planned changes to its main receipts and payments up to March 2023 and therefore considers the above assumptions to be reasonable. Appropriate stress testing has been applied to the above projections as follows:

- Contributions reduce by 10% annually.
- Pension benefits increase by 10% annually; and
- Death benefits and lump sum payments each increase by 5% annually.

After the application of these stress tests the forecasting shows that the Fund would still have positive annual cash flows. In the unlikely event that the stress tests applied are not sufficiently pessimistic as at 31 March 2021 the Fund holds in excess of £4.8 billion of assets in liquid form which could be realised within 3 months in a managed way if the need arose. Liquid fund assets could therefore be used to cover all benefits paid for a period of greater than 12 months from the reporting date.

Note 3: Summary of Significant Accounting Policies

Fund Account – Revenue Recognition

Contribution Income

Normal contributions, both from members and employers, are accounted for on an accruals basis. Member contributions are accrued at the percentage rate in accordance with the LGPS Regulations 2013. Employer contributions are accrued at the percentage rate set by the Fund Actuary in the payroll period to which they relate.

Employers' augmentation contributions and pensions strain contributions are accounted for in line with the payment schedule. Any amount due in year but unpaid would be classed as a current financial asset.

Transfers in

Transfers in from other pension funds are accounted for when received, i.e. when the member liability is accepted.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase additional benefits are accounted for on a receipts basis and are included as part of the transfers in from other Pension Funds.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement. No bulk transfers have taken place in 2020/21 or the prior year

Investment Income

i. Interest income is recognised as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

ii. Stock lending income is recognised as it accrues.

iii. Dividend income is recorded on the date that the shares are quoted as ex-dividend. Any amount not received at the end of the reporting period is disclosed in the Net Asset Statement as a Current Asset.

iv. Private equity and private debt income is recognised on the date paid. Any amount not received at the end of the reporting period is disclosed in the Net Asset Statement as a Current Asset.

v. Property rental income is accounted for on an accruals basis.

vi. Dividends, interest and purchases and sales of investments in foreign currency have been recorded at the spot exchange rate and translated into sterling at the rate ruling at the date of the transaction.

Profit & Loss on Disposal

Changes in the value of investments are recognised as income or expense and comprise of all realised and unrealised profit or loss during the year.

Fund Account Expenditure Recognition

Benefits paid

Benefits paid include lump sums and all amounts known to be due at the end of the financial year. Any amounts approved and due are disclosed in the Net Asset Statement as a Current Liability.

Payments to and on account of leavers

Transfers out are accounted for when paid i.e. when the member liability has been discharged.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement. No bulk transfers have taken place in 2020/21 or the prior year.

Taxes on income

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold.

Income from overseas investments suffer withholding tax in the country of origin unless exemption is permitted.

Irrecoverable tax is accounted for as an expense as it arises Where tax is recoverable this is reflected on an accruals basis.

Management Expenses

Management expenses are accounted for in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016) as set out below:

i. Administrative expenses are accounted for on an accruals basis representing the annual charge relating to the pensions and payroll administration and relevant staff costs. Associated management, accommodation and other overheads are also apportioned to this activity.

ii. Oversight and governance expenses are accounted for on an accruals basis representing the Fund's external advisors, external audit, Fund Actuary fees and relevant staff costs. Associated management, accommodation and other overheads are also apportioned to this activity.

iii. Investment management expenses (including transaction costs) are accounted for on an accruals basis. Fees from external managers and the Fund’s custodian are agreed on appointment or commitment and are mainly based on the market value of the investments under management. Investment management expenses include the County Council’s in-house treasury management team.

Net Asset Statement

Investment assets

Investment assets are shown at market value at the reporting date and are recognised in the Net Asset Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised. The values of investments have been determined at fair value in accordance with the requirements of the Code and IFRS13. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016). See Note 16.

Freehold and leasehold properties

Freehold and leasehold properties have been valued at the reporting date by independent external valuers, on the basis of fair value. See Note 16.

Foreign currency transactions and balances

End of year spot market exchange rates are used to value cash balances in foreign currency, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of change in value.

Financial Liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Asset Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in fair value of the liabilities are recognised by the Fund.

Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the Net Asset Statement but are disclosed by way of narrative in the notes. See Note 25 & Note 26.

Additional Voluntary Contributions

These are invested separately and therefore disclosed as a note and not included in the fund accounts. See Note 23.

Note 4: Critical Judgements in Applying Accounting Policies

Pension Fund liability

The net Pension Fund liability is recalculated every three years by the Fund Actuary, with annual estimates in the intervening years. The methodology used is in line with accepted guidelines.

Directly held property

The Fund's property portfolio comprises directly owned properties which are leased commercially to various tenants with rental periods between one and 35 years. The Fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by IAS 17 and the Code, therefore the properties are retained on the Net Asset Statement at fair value.

Note 5: Assumptions Made About The Future And Other Major Sources Of Estimation Uncertainty

The table below describes items for which there is a significant risk of material adjustment the following year.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of assumptions relating to the discount rate used, salary and pension increases, retirement age, mortality rates and investment returns. The Fund actuary has been appointed to provide advice about the assumptions applied.	Actual experience relative to the assumptions over time. For example: A 0.5% decrease in discount rate at year ended 31 March 2021 would result in an approximate 11% increase to employer liability (£621m). A one-year increase in member life expectancy at year ended 31 March 2021 would result in an approximate increase in employer liability of between 3% and 5% (£169m and £282m). A 0.5% increase in the salary increase rate at year ended 31 March 2021 would result in an approximate increase in employer liability of 1% (£48m). A 0.5% increase in the pension increase rate at year ended 31 March 2021 would result in an approximate 10% increase in employer liability (£560m). However, the Statements do not take account of liabilities to pay pensions and other benefits after 31 March 2021.

Item	Uncertainties	Effect if actual results differ from assumptions
Private equity	Private equity investments are valued at fair value in accordance with industry guidelines, based on the fund manager valuations as at the end of the reporting period. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. This takes into account observable and non-observable pricing inputs including public market developments (industry sector and peers), private market transactions, company specific considerations, public indices and cashflows	The total private equity investment in the financial statements is £85.4m (1.6% of net assets). There is a risk that this investment may be under or overstated in the accounts.
Private Debt	Private debt investments are valued at fair value in accordance with industry guidelines, based on the fund manager valuations as at the end of the reporting period. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private debt investment in the financial statements is £60.8m (1.1%). There is a risk that this investment could be under or overstated in the accounts.
Freehold and leasehold property	Independent valuation for freehold and leasehold investment property has been provided in accordance with Royal Institution of Chartered Surveyors Red Book. This takes into account observable and unobservable pricing inputs including existing lease terms, independent market research, the nature of tenancies and tenant covenant strength, void levels and estimated rental growth.	Changes in rental growth, void levels and general changes in property market prices could affect the valuation. The total property investment in the financial statements is £380m (7% of net assets). There is a risk that this investment may be under or overstated in the accounts.

Note 6: Events After the Balance Sheet Date

There have been no notable events occurring after the balance sheet date.

Note 7: Contributions Received

By Category	**2019/20 £000**	**2020/21 £000**
Employers	108,941	111,955
Members	29,142	31,134
Total	**138,083**	**143,089**

By Authority	**2019/20 £000**	**2020/21 £000**
West Sussex County Council	59,943	61,934
Scheduled bodies	70,531	73,379
Admitted bodies	7,609	7,776
Total	**138,083**	**143,089**

Note 8: Transfers In From Other Pension Funds

By Category	**2019/20 £000**	**2020/21 £000**
Individual transfers	17,562	8,861
Bulk transfers	0	0
Total	**17,562**	**8,861**

Note 9: Benefits Paid

By Category	2019/20 £000	2020/21 £000
Pensions	98,099	101,312
Lump sum retirement benefit	13,888	14,033
Lump sum death benefit	2,588	3,020
Total	**114,575**	**118,365**

By Authority	2019/20 £000	2020/21 £000
West Sussex County Council	51,901	53,105
Scheduled bodies	53,319	54,996
Admitted bodies	9,355	10,264
Total	**114,575**	**118,365**

Note 10: Payments To And On Account Of Leavers

Payment Type	2019/20 £000	2020/21 £000
Refunds of contributions	930	430
Individual transfers	14,931	9,693
Bulk transfers	0	0
Total	**15,861**	**10,123**

Note 11: Management Expenses

Expense Type	2019/20 £000	2020/21 £000
Administrative	1,136	1,069
Oversight and governance	1,325	1,105
Investment management	14,613	35,964
Total	**17,075**	**38,138**

Note: Performance fees form part of the Pension Fund's commercial arrangements with Baillie Gifford. These fees crystalised at the point of termination in December 2020 and fees of £24.3m were payable. In addition, the Fund made a provision of £4.2m in 2019/20 for performance fees payable to 31 March 2020. This has since been revised to £3.8m.

Note 11a: Investment Management Expenses

2020/21

Expense Type	Management fees £000	Performance related fees £000	Transaction costs £000	Total £000
Bonds	138	0	0	138
Equities	3,159	13,816	1,661	18,636
Pooled Investments *	4,411	10,045	0	14,456
Private Equity	951	486	214	1,651
Property	905	0	0	905
Cash & FX contracts	41	0	0	41
Sub total	**9,605**	**24,347**	**1,875**	**35,826**
Custody Fees				138
Total				**35,964**

*Includes £2.2m charged to the Pension Fund by ACCESS regional asset pool.

2019/20

Expense Type	Management fees £000	Performance related fees £000	Transaction costs £000	Total £000
Bonds	201	0	0	201
Equities	3,298	2,346	1,178	6,822
Pooled Investments	2,391	1,825	0	4,216
Private Equity	1,384	751	51	2,186
Property	935	0	0	935
Cash & FX contracts	92	0	0	92
Sub total	**8,302**	**4,922**	**1,229**	**14,452**
Custody Fees				160
Total				**14,613**

Note 12: Investment Income

Type of Income	2019/20 £000	2020/21 £000
Dividends from equities	51,409	30,411
Interest on bonds	2,771	1,721
Private equity income	762	1,138
Private debt income	0	0
Property income	16,538	16,199
Interest on cash deposits	1,095	68
Stock lending income	339	298
Total	**72,914**	**49,835**

Note 12a: Property Income

Type of Income	2019/20 £000	2020/21 £000
Rental income	17,474	17,600
Direct operating expenses	(936)	(1,401)
Total	**16,538**	**16,199**

No contingent rents have been recognised as income during the period.

Note 13: Other Fund Account Disclosures

Type of Expense	2019/20 £000	2020/21 £000
Pension Advisory Board	26	25
ACCESS pool	108	63
Total	**134**	**88**

ACCESS is a collaboration of eleven Central, Eastern and Southern Shires, who are working together to collectively invest assets to reduce investment costs whilst maintaining investment performance. The costs incurred for 2020/21 reflect the Fund's contribution towards the pool's activities. These costs are included within oversight and governance costs in Note 11.

Note 13a: Taxes On Income

Type of Expense	2019/20 £000	2020/21 £000
Tax paid on dividend payments	2,789	2,804
Tax recoverable	(2,151)	(2,104)
Total	**637**	**700**

Note 13b: External Audit Costs

Type of Expense	2019/20 £000	2020/21 £000
Payable in respect of external audit	23	18
Total	**23**	**18**

The audit fees for 2020/21 are reduced by timing differences in the 2018/19 recharge from Ernst Young for District and Borough protocol work and recovery from employers.

Note 14: Investments

Investments	**Market Value 2019/20 £000**	**Market Value 2020/21 £000**
Investment assets		
Equities	**1,984,456**	**1,174,095**
Bonds	**115,365**	**74,597**
Pooled investments		
Corporate Bond Fund	540,964	613,739
Currency Allocation Returns Strategy	27,062	38,040
Global Equity	0	1,722,277
Sterling Aggregate Bond	1,016,520	1,197,686
	1,584,546	**3,571,741**
Other Investments		
Private equity	91,117	85,376
Private debt	0	60,842
Property	366,125	380,490
	457,242	**526,708**
Cash deposits	43,551	43,745
Investment income due	7,446	6,056
Amounts receivable for sales	3,378	1,375
	54,375	**51,176**
Total investment assets	**4,195,984**	**5,398,318**
Investment liabilities		
Amounts payable for purchases	(16,365)	(1,171)
Property income received in advance	(365)	(108)
Total investment liabilities	**(16,730)**	**(1,279)**
Net investment assets	**4,179,254**	**5,397,039**

Note 14a: Reconciliation Of Movements In Investments And Derivatives

2020/2021

Investment Assets	Market Value at 1 April 2020 £000	Purchases during the year £000	Sales during the year £000	Change in market value during the year £000	Market Value at 31 March 2021 £000
Investments					
Bonds	115,365	18,762	(54,647)	(4,883)	74,597
Equities	1,984,456	884,486	(1,029,190)	(665,657)	1,174,095
Pooled investments	1,584,546	195,478	(10,259)	1,801,976	3,571,741
Private equity	91,117	198	(32,776)	26,837	85,376
Private debt	0	66,982	(6,627)	487	60,842
Property	366,125	27,235	(1,577)	(11,293)	380,490
Sub total	**4,141,609**	**1,193,141**	**(1,135,076)**	**1,147,467**	**5,347,141**
Derivatives	0				0
Sub total	**4,141,609**	**1,193,141**	**(1,135,076)**	**1,147,467**	**5,347,141**
Other investment balances					
Cash deposits	43,551			(152)	43,745
Amount receivable for sales	3,378				1,375
Investment income due	7,446				6,056
Amount payable for purchases	(16,365)				(1,171)
Property income received in advance	(365)				(108)
Total assets	**4,179,254**			**1,147,315**	**5,397,039**

2019/2020

Investment Assets	Market Value at 1 April 2019 £000	Purchases during the year £000	Sales during the year £000	Change in market value during the year £000	Market Value at 31 March 2020 £000
Investments					
Bonds	118,002	11,129	(22,102)	8,336	115,365
Equities	2,164,653	662,791	(651,095)	(191,893)	1,984,456
Pooled investments	1,468,720	79,025	(25)	36,826	1,584,546
Private equity	110,727	1,379	(30,648)	9,659	91,117
Property	376,950	2,256		(13,081)	366,125
Sub total	**4,239,053**	**756,579**	**(703,870)**	**(150,153)**	**4,141,609**
Derivatives	-	-	-	-	-
Sub total	**4,239,053**	**756,579**	**(703,870)**	**(150,153)**	**4,141,609**
Other investment balances					
Cash deposits	69,405			(2,961)	43,551
Amount receivable for sales	7,806				3,378
Investment income due	6,733				7,446
Amount payable for purchases	(9,296)				(16,365)
Rental receipts in advance	(364)				(365)
Total assets	**4,313,337**			**(153,114)**	**4,179,254**

Note 14b: Investments Analysed by Fund Manager

Northern Trust manage the stock lending programme and the income held in this account is included in the other investment balance shown below. Property income receipts in advance is also included in other investments.

The values of each fund, shown as a percentage of the total Fund value, have been set out in the following table.

Share of market value held by fund managers

Fund Manager	31 March 2020 £000	% of Fund Value	31 March 2021 £000	% of Fund Value
Investments Managed By ACCESS Asset Pool				
LF Access Global Alpha Equity Fund			1,722,277	31.9
LF Access Sterling Aggregate Bond Fund			1,197,686	22.2
	0	**0**	**2,919,963**	**54.1**
Investments Managed Outside ACCESS Asset Pool				
UBS Global Asset Management	1,487,321	35.6	1,942,566	36.0
Baillie Gifford & Co	2,233,290	53.4	5,950	0.1
Pantheon Ventures	48,385	1.2	50,992	0.9
Partners Group	42,732	1.0	34,384	0.6
Aberdeen Standard Investments	366,125	8.8	380,490	7.0
Goldman Sachs	0	0.0	37,916	0.7
ICG	0	0.0	22,926	0.4
Other investments	1,401	0.0	1,852	0.0
	4,179,254	**100.0**	**2,477,076**	**45.9**
Total	**4,179,254**	**100.0**	**5,397,039**	**100.0**

The following investments represent more than 5% of the investment assets of the scheme.

Fund Information	31 March 2020 £000	% of Fund Value	31 March 2021 £000	% of Fund Value
Investments Managed By ACCESS Asset Pool				
Sterling Aggregate Bond Fund	0	0.0	1,197,686	21.8
Global Alpha Equity Fund	0	0.0	1,722,277	31.4
Investments Managed Outside ACCESS Asset Pool				
Baillie Gifford Sterling Aggregate Bond Fund	1,016,520	23.6	0	0.0
UBS Currency Allocation Return Fund	27,062	0.6	38,040	0.7
UBS UK Corporate Bond UK Plus Fund	540,964	12.6	613,739	11.2
Total	**1,584,546**	**36.8**	**3,571,741**	**65.1**

Note 14c: Stock Lending

The Fund's Investment Strategy Statement (ISS) sets out the parameters for the Fund's stock-lending programme. As at 31 March 2021, the value of quoted equities on loan was £87.2m (31 March 2020: £201.7m revised from previously reported £203.4m).

Counter-party risk is managed through holding collateral at the Fund's custodian bank. At year end the Fund held collateral (via the custodian) at fair value of £91.6m (31 March 2020: £217.7m revised from previously reported £263.6m).

Stock-lending commissions are remitted to the Fund via its custodian. During the period the stock is on loan the voting rights of the loaned stock pass to the borrower.

There are no liabilities associated with the loaned assets.

Note 14d Direct Property Holdings

The Fund's investment property portfolio comprises a number of directly owned properties which are leased commercially to various tenants. Details of these directly owned properties are as follows.

Property Transactions	**31 March 2020 £000**	**31 March 2021 £000**
Opening balance	376,950	366,125
Additions	0	0
Purchase of existing property	0	25,389
New construction	0	0
Subsequent expenditure	2,256	1,846
Disposals	0	(1,577)
Net increase/(decrease) in market value	(13,081)	(11,293)
Closing balance	**366,125**	**380,490**

The future minimum lease payments receivable by the Fund under existing contracts are as follows:

Time Period	**31 March 2020 £000**	**31 March 2021 £000**
Within one year	16,618	17,951
Between one and five years	58,147	61,563
Later than five years	93,654	100,151
Total future lease payments due under existing contracts	**168,419**	**179,665**

Note 15: Analysis of Derivatives

The Fund does not invest directly in derivatives.

Note 16: Fair Value – Basis of Valuation

Accounting policies describe how different asset classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

Market Quoted Investments (Level 1)

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

Quoted Bonds (Level 1)

Bonds are recorded at net market value based on their current yield.

Pooled investment vehicles (Level 1)

Pooled investment vehicles are valued at closing bid price at the closing date. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income, which is reinvested in the fund, net of applicable withholding tax.

Freehold and leasehold properties (Level 2)

Freehold and leasehold properties are included on the basis of fair value. A full independent valuation of the Fund's direct property portfolio was carried out by Savills (UK) Ltd, Chartered Surveyors, in accordance with the RICS (Royal Institution of Chartered Surveyors) Valuation – Professional Standards (January 2020) Global and UK Edition. The properties have been valued at the reporting date on the basis of fair value as required by the International Financial Reporting Standards (IFRS). The definition of fair value is set out in IFRS 13 and is adopted by the International Accounting Standards Board as follows: "The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.". The RICS Red Book considers that fair value is consistent with the concept of market value, the definition of which is set out in Valuation Practice Statement (VPS) 4 1.2 of the Red Book as follows: "The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

The observable inputs include the existing lease terms and rentals; the nature of the tenancies; assumed vacancy levels and estimated rental growth.

Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices (see Note 5).

Private equity (Level 3)

Private equity investments are recorded as detailed below. Because of the uncertainty associated with the valuation of such investments and the absence of a liquid market, the fair values of these assets may differ from their authorised values.

- The valuation of Partners Group portfolio is taken from the unaudited 31 March 2021 fund-of-fund reports.
  1. Partners Group performs independent valuations of its underlying investments through a fair market valuation process, which is in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounting Principles (US GAAP). This process was implemented in 2003 and has been refined based on feedback received from PricewaterhouseCoopers (PwC), the auditor of most of the firm’s programmes and mandates. On an annual basis, the monitoring and valuation process based on fair valuation principles (sample selection, valuation methodologies, etc.) is discussed and approved by the auditors of the programs managed by Partners Group.
  2. Partners Group complies with the defined process and applies it as the basis for the year end valuation and subsequent quarterly Net Asset Value determinations of the programs they manage. Partners Group gather the valuation-relevant information by systematically screening a broad set of sources for valuation-relevant information about portfolio companies which are held directly or indirectly by Partners Group's programs and mandates. This includes information supplied by the firm's due diligence and monitoring professionals, underlying fund managers and information published in industry journals and/or other publications.
  3. The fund monitors audited year end to unaudited quarterly valuations to check the consistency of the unaudited and audited information; to date, the audited accounts for Partners Group have been given an unqualified opinion.
- The valuation of Pantheon’s portfolio is taken from the unaudited 31 March 2021 fund-of-fund reports.
  1. Pantheon’s quarterly valuation is produced in accordance with US GAAP and UK GAAP. Fund investments are carried at “fair value”. Pantheon ensures that the valuation methodologies employed by underlying fund managers fulfil the measurement criteria of the International Private Equity and Venture Capital Valuation Guidelines (IPEV).
  2. The Fund monitors audited year end to unaudited quarterly valuations to check the consistency of the unaudited and audited information. To date, the audited accounts for Pantheon Ventures have been given an unqualified opinion.

Private Debt (Level 3)

- The valuation for private debt investments with Goldman Sachs is taken from the unaudited 31 March 2021 fund manager reports.
    1. Goldman Sachs quarterly valuation is calculated in accordance with the fair value assessment described in Accounting Standards Codification 820 ("Fair Value Measurements and Disclosures") and in accordance with GAAP.
    2. The Fund monitors audited year end to unaudited quarterly valuations to check the consistency of the unaudited and audited information. To date, the audited accounts for Goldman Sachs have been given an unqualified opinion.
- The valuation for private debt investments with ICG is taken from the unaudited 31 March 2021 fund manager reports.
    1. The Financial Assets are designated as Financial Assets at Amortised Cost and are held at principal plus accrued interest which is deemed to represent fair value in accordance with IFRS.
    2. The Fund monitors audited year end to unaudited quarterly valuations to check the consistency of the unaudited and audited information. To date, the audited accounts for ICG have been given an unqualified opinion.

Sensitivity of assets valued at Level 3

The Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2021.

Assets	Assessed valuation range (+/-)	Value at 31 March 2021 £000	Value on increase £000	Value on decrease £000
Private equity	15%	85,376	98,182	72,569
Private debt	15%	60,842	69,968	51,716
Total		**146,218**	**168,150**	**124,285**

Note 16a: Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted bonds, quoted index linked securities and unit trusts.

Listed investments are shown at bid price. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Assets and liabilities at Level 2 are those where quoted market prices are not available; for example where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based largely on observable market data.

Level 3

Assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments which are valued using various valuation techniques that require professional judgement in determining appropriate assumptions.

The valuation of private equity portfolios have been prepared in accordance with industry guidelines.

The table on the following page provides an analysis of the financial assets and liabilities of the Fund grouped by and based on the level at which the fair value is observable.

Values at 31 March 2021

Financial assets	**Quoted market price Level 1 £000**	**Using observable inputs Level 2 £000**	**With significant unobservable inputs Level 3 £000**	**Total £000**
Financial assets at fair value through profit and loss				
Bonds	74,597			74,597
Equities	1,174,058		37	1,174,095
Pooled investments	3,571,741			3,571,741
Private equity			85,376	85,376
Private Debt			60,842	60,842
Cash deposits	43,745			43,745
Investment income due	6,056			6,056
Amounts receivable for sales	1,375			1,375
Net investment assets	**4,871,573**	**-**	**146,255**	**5,017,827**
Non-financial assets at fair value through profit and loss				
Property		380,490		380,490
Financial liabilities at fair value through profit and loss				
Property rental receipts in advance	(108)			(108)
Payable for investment purchases	(1,171)			(1,171)
Total	**4,870,295**	**380,490**	**146,255**	**5,397,039**

Values at 31 March 2020

Financial assets	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss				
Bonds	115,365			115,365
Equities	1,984,419		37	1,984,456
Pooled investments		1,584,546		1,584,546
Private equity			91,117	91,117
Private Debt			0	0
Cash deposits	43,551			43,551
Investment income due	7,446			7,446
Amounts receivable for sales	3,378			3,378
Net investment assets	**2,154,158**	**1,584,546**	**91,154**	**3,829,858**
Non-financial assets at fair value through profit and loss				
Property			366,125	366,125
Financial liabilities at fair value through profit and loss				
Property rental receipts in advance	(365)			(365)
Payable for investment purchases	(16,365)			(16,365)
Total	**2,137,429**	**1,584,546**	**457,279**	**4,179,254**

A delisted equity asset has been classified as level 3 in the above table.

Note 16b: Transfer Between Levels 1 And 2

The Sterling Aggregate Bond Fund (£1.2bn), UBS Corporate Bond Fund (£0.6bn) and CARS Fund (£0.04bn) were reclassified from level 2 to level 1 due to a published exchange price being available at year end.

Note 16c: Reconciliation Of Fair Value Measurements Within Level 3

Assets	**Private Equity £000**	**Property £000**	**Private Debt £000**	**Total £000**
Market Value 31 March 2020	91,117	366,125	0	457,242
Transfers into / (out of) Level 3	0	(366,125)	0	(366,125)
Net purchases / (sales) during the year	(32,578)		60,355	27,777
Unrealised gains / (losses)	3,318		487	3,805
Realised gains / (losses)	23,519		0	23,519
Market Value 31 March 2021	**85,376**	**0**	**60,842**	**146,218**

Note: Property has been reclassified from level 3 to level 2 in light of the reduced uncertainty post Covid.

Note 17: Financial Instruments

Note 17a: Classification of Financial Instruments

The following tables analyse the carrying amounts of financial assets and liabilities by category and net asset statement headings. No financial assets were reclassified during the accounting period.

31 March 2021

Classification	Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
Financial assets			
Bonds	74,597		
Equities	1,174,095		
Pooled Investments	3,571,741		
Private Equity	85,376		
Private Debt	60,842		
Cash		146,042	
Investment balances		7,431	
Debtors		11,598	
Sub Total	**4,966,651**	**165,071**	
Financial liabilities			
Investment balances			(1,279)
Other current liabilities			(27,741)
Total	**4,966,651**	**165,071**	**(29,020)**

31 March 2020

Classification	Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
Financial assets			
Bonds	115,365		
Equities	1,984,456		
Bond & currency funds	1,584,546		
Private Equity	91,117		
Cash		162,639	
Investment balances		10,824	
Debtors		12,240	
Sub Total	**3,775,484**	**185,703**	
Financial liabilities			
Investment balances			(16,730)
Other current liabilities			(9,163)
Total	**3,775,484**	**185,703**	**(25,893)**

Note 17b: Net Gains And Losses On Financial Instruments

Classification	31 March 2020 £000	31 March 2021 £000
Financial assets		
Fair value through profit and loss	(137,073)	1,159,609
Amortised cost - unrealised gains	(2,961)	(152)
Financial liabilities		
Fair value through profit and loss	0	0
Total	**(140,034)**	**1,159,457**

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Note 18: Nature And Extent Of Risks Arising From Financial Instruments And Other Assets

Risk and risk management

The primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through diversification by assets and fund managers, to reduce exposure to market risk (price risk, currency risk and interest rate risk). In addition, the Fund manages its liquidity risk to ensure there are sufficient resources to meet the forecast cash requirement. The Pensions Panel reviews the Fund's funding strategy, in consultation with the Fund Actuary and investment adviser, based on the Fund's funding position and performance objective and taking into consideration factors including interest rates, inflation, liquidity and collateral. Prudent assumptions are used both in the strategy modelling work and when setting employer contribution rates. Performance is monitored by the Pensions Committee.

The Fund’s Investment Strategy Statement (ISS) identifies the risks managed by its investment managers, sets appropriate risk limits and monitors adherence to those limits. The ISS is reviewed regularly to reflect changes in approaches to the Fund’s activities.

Responsibility for the Fund’s risk management strategy rests with the Pensions Committee. The Committee receives regular reports from each of the managers on the nature of the investments made on the Fund’s behalf and the associated risks. Divergence from benchmark asset allocations and the composition of each portfolio is monitored by the Panel. Consideration of the Fund’s investment strategy is on-going.

a) Market Risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Fund’s income or the value of its assets.

The object of market risk management is to identify, manage and control market risk exposures within acceptable parameters while optimising returns.

Market risk is inherent in the investments that the Fund makes, particularly through its equity holdings, and is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. A customised benchmark has been adopted which includes maximum exposures to individual investments, and risk associated with the strategy and investment return are regularly monitored and reviewed by the Pensions Panel.

Each manager must adhere to investment guidelines that specify the managers' investment powers and restrictions.

Other price risks

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than arising from interest rate risk or foreign exchange risk) whether those changes are caused by factors specific to the individual instruments or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk and derivative price risk during periods of transition. This arises from investments held by the Fund for which the future price is uncertain. All investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund’s investment managers mitigate price risk through diversification and the selection of securities. Exposure is monitored to ensure it is within limits specified in the Fund's investment strategy.

Other price risks – sensitivity analysis

The Fund has determined that the following movements in market price risk are reasonably possible for the 2020/21 reporting period. This data has been provided by the Fund's actuary, Hymans Robertson, and is based on historical data.

Had the market price of the Fund investments increased/decreased as per the table below, the change in the net assets available to pay benefits in the market price would have been as follows. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. (The prior year comparator is also shown).

2020/2021

Asset type	Value at 31 March 2021 £000	Potential Market Movements (+/-)	Value on Increase £000	Value on Decrease £000
UK equities	384,336	16.7%	448,521	320,152
Overseas equities	789,758	17.4%	927,176	652,340
Bonds	74,597	7.0%	79,819	69,375
Pooled Investments	3,571,741	12.2%	4,007,494	3,135,989
Cash	43,745	0.3%	43,876	43,614
Property	380,490	14.2%	434,520	326,460
Private equity	85,376	28.4%	109,623	61,129
Private debt	60,842	4.6%	63,641	58,043
Total	**5,390,885**		**6,114,670**	**4,667,102**

2019/2020

Asset type	Value at 31 March 2020 £000	Potential Market Movements (+/-)	Value on Increase £000	Value on Decrease £000
UK equities	294,079	27.5%	374,951	213,208
Overseas equities	1,690,377	28.0%	2,163,682	1,217,071
Bonds	115,365	9.1%	125,863	104,867
Bond Funds *	1,557,485	9.4%	1,704,044	1,410,925
Currency fund *	27,062	10.0%	29,768	24,356
Cash	43,551	0.3%	43,682	43,420
Property	366,125	14.2%	418,115	314,135
Private equity	91,117	28.4%	116,994	65,240
Total	**4,185,161**		**4,977,099**	**3,393,222**

* Following transition into the ACCESS pool the bond funds and currency funds are amalgamated within the pooled investment category.

Interest rate risk - sensitivity analysis

Interest rate risk is monitored by the investment managers and the County Council's treasury management team.

The Fund recognises that interest rates vary and can affect both income and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The Fund's direct exposure to interest rate movements as at 31 March 2021 and 31 March 2020 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

The analysis in the table below assumes that all other variables, in particular exchange rates, remain constant and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates.

Assets exposed to interest rate risk

2020/2021

Asset type	Value at 31 March 2021 £000	Change in year in net assets available to pay benefits +100 BPS £000	Change in year in net assets available to pay benefits -100 BPS £000
Cash and cash equivalents	43,745	437	(437)
Cash balances	102,297	1,023	(1,023)
Bonds	74,597	746	(746)
Total	**220,639**	**2,206**	**(2,206)**

2019/2020

Asset type	Value at 31 March 2020 £000	Change in year in net assets available to pay benefits +100 BPS £000	Change in year in net assets available to pay benefits -100 BPS £000
Cash and cash equivalents	43,551	436	(436)
Cash balances	119,088	1,191	(1,191)
Bonds	115,365	1,154	(1,154)
Total	**278,004**	**2,781**	**(2,781)**

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling. The Fund holds monetary and non-monetary assets issued in currencies other than sterling.

Fund managers monitor the currency risk and this is considered by the Pensions Panel when making strategic asset allocation decisions.

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Hymans Robertson, the Fund considers the likely volatility associated with foreign exchange rate movements to be 10%.

The analysis assumes that all other variables, in particular interest rates, remain constant. If sterling strengthens/weakens against other currencies in which the Fund holds investments, it would increase/decrease the net assets available to pay benefits as follows:

Assets exposed to currency risk

2020/2021

Asset type	Value at 31 March 2021 £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas equities	2,370,824	10.0	2,607,907	2,133,742
Overseas bonds	512,782	10.0	564,060	461,504
Overseas private equity	85,376	10.0	93,913	76,838
Overseas private debt	60,842	10.0	66,926	54,758
Total	**3,029,824**		**3,332,806**	**2,726,842**

2019/20

Asset type	Value at 31 March 2020 £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas equities	1,690,377	10.0	1,859,414	1,521,339
Overseas bonds	301,502	10.0	331,652	271,352
Overseas private equity	91,117	10.0	100,228	82,005
Total	**2,082,996**		**2,291,295**	**1,874,696**

b) Credit Risk

Credit risk is the risk that the counterparty to a transaction or financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. Credit risk is related to the potential return of any investment, the most obvious being that the yields on bonds are strongly correlated to the perceived credit risk. Therefore, the risk of loss is implicit in the carrying value of the Fund's financial assets and liabilities.

The Fund is exposed to credit risk. However, this risk is minimised by selecting high quality counterparties, brokers and financial institutions.

Deposits are made only with banks and financial institutions that are rated independently and meet the Fund's credit criteria. The Fund has also set out in its Treasury Management Policy the limits of exposure to any one financial institution.

The Fund has not had any experience of default or uncollectable deposits. The fund managers held £43.7m in cash (31 March 2020: £43.6m) and cash internally managed by WSCC at 31 March 2021 was £102.3m (31 March 2020: £119.1m). This was held by institutions with the following credit ratings:

Rating	**Nominal amount 31 March 2020 £000**	**Nominal amount 31 March 2021 £000**
AAA rated counterparties		
AA- rated counterparties		
A rated counterparties	162,639	146,042
TOTAL	**162,639**	**146,042**

The Fund's total exposure to credit risk cannot be assessed generally as the risks of default will be specific to each financial institution. At 31 March 2021, there was no evidence that such risks were likely to materialise.

c) Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations when they fall due, without incurring unacceptable losses or risking damage to the Fund's reputation. Cash is required to pay benefits, fund acquisitions and settle various other commitments. The Fund maintains a working cash balance held in instant access money market and bank accounts. A cash flow forecast is maintained to ensure sufficient funds are available. The Fund manages liquidity risk by:

- giving careful consideration to the anticipated income and expenditure required for the administration of the Fund and the payment of benefits and by maintaining in-house managed cash balances sufficient to meet day-to-day cash flows.
- keeping a significant proportion of the Fund's assets in highly liquid investments such as actively traded equities, bonds and unit trusts.

The Fund is currently cash flow positive.

The Fund's strategic allocation to property and private equity, which are relatively illiquid, is limited to 15% of the total portfolio. As the Fund is not mature, i.e. it does not need to sell assets in order to pay benefits, it is considered appropriate to hold such investments to increase diversification, minimise risk and improve long-term investment performance.

Under the regulations, the Fund is authorised to borrow in its own right to fund cash flow deficits on a short-term basis.

d) Refinancing Risk

The key risk is that the Fund is bound to replenish its investments at a time of unfavourable interest rates. The Fund does not hold any financial instruments that have a refinancing risk as part of its treasury management or investment strategies.

e) Counterparty Risk

The Fund's global custodian, Northern Trust, has responsibility for safeguarding the assets of the Fund. Its duties include maintaining a repository of underlying information on the Fund's assets and arranging settlement of transactions, income collection and cash management. The Fund monitors Northern Trust's performance and is in regular contact with the custodian. Monthly reconciliations are performed between the custodian's and the investment managers' records.

The Fund has appointed a number of segregated and pooled fund managers to manage portions of the Fund. An Investment Management Agreement is in place for each relationship. All appointments meet the requirements set out in the LGPS (Management and Investment of Funds) Regulations 2016. Reports on manager performance are monitored by the Pensions Panel on a quarterly basis. The Fund makes use of a third-party performance measurement service. In addition to presenting to the Pensions Panel, managers also meet with Fund officers and advisers regularly to review activity and results.

Note 19: Funding Arrangements - Actuarial Statement

Description of funding policy

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purposes of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019 and the next valuation will take place as at 31 March 2022.

The key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long-term view. This will help ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The Funding Strategy Statement (FSS) sets out how the administering authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

Funding position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £4,374 million, were sufficient to meet 112% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2019 valuation was £455 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2020 to 31 March 2022 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal actuarial assumptions and method used to value the liabilities

Method:

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions:

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

Assumption	**31 March 2019 %**
Discount rate	3.1
Salary increase assumption	2.8
Benefit increase assumption	2.3

Demographic Assumptions

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long-term rate of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Pensioner Type	**Males**	**Females**
Current Pensioners	22.2 years	24.2 years
Future Pensioners	23.3 years	25.9 years

Copies of the 2019 valuation report and FSS are available on the Funds website or on request from West Sussex County Council.

The next actuarial valuation will be carried out as at 31 March 2022. The FSS will also be reviewed at that time.

Note 20: Actuarial Present Value Of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund's liabilities on an IAS 19 basis, using the same base data as the funding valuation. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (Note 19). The actuary has also valued ill health and death benefits in line with IAS 19.

Liability	**31 March 2020 £m**	**31 March 2021 £m**
Active members	(1,617)	(2,519)
Deferred pensioners	(1,084)	(1,498)
Pensioners	(1,670)	(1,799)
Present value of promised retirement benefits	**(4,371)**	**(5,816)**
Fair value of scheme assets (bid value)	4,301	5,484
Net liability	**(70)**	**(332)**

As noted above, the liabilities above are calculated on an IAS 19 basis and will therefore differ from the results of the 2019 triennial funding valuation (Note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, the aggregate liability appears to be a reasonable estimate of the actuarial present value of benefit promises.

No allowance has been made for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted the above figures are appropriate for the administering authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

<u>IAS19 Assumptions Used</u>

The assumptions used are those adopted for the administering authority's IAS 19 report and are different as at 31 March 2020 and 31 March 2019.

The Fund actuary estimates that the impact of the change in financial assumptions to 31 March 2021 is to increase the actuarial present value by £1,277m. The Fund actuary estimates the impact of the change in demographic and longevity assumptions is to increase the actuarial present value by £14m.

Assumption	31 March 2020 % per annum	31 March 2021 % per annum
Inflation / pensions increase rate	1.9	2.9
Salary increase rate	2.3	3.4
Discount rate	2.3	2.0

Longevity Assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2020 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Type of Pensioner	Males	Females
Current Pensioners	22.1 years	24.4 years
Future Pensioners*	23.1 years	26.1 years

* Future pensioners are assumed to be currently aged 45 at the latest formal valuation

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation Assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Note 21: Current Assets

Classification	31 March 2020 £000	31 March 2021 £000
Debtors		
Contributions due - members	2,835	2,716
Contributions due - employers	5,969	5,347
Prepayments	1,404	772
Other debtors	1,573	2,664
Taxation	459	99
Sub total	12,240	11,598
Cash balances	119,088	102,297
Total	**131,328**	**113,895**

Analysis of Debtors

Classification	31 March 2020 £000	31 March 2021 £000
Central government bodies	4,078	2,046
Other local authorities	3,844	3,978
Educational establishments	1,486	2,302
Other entities and individuals	2,832	3,272
Total	**12,240**	**11,598**

Note 22: Current Liabilities

Classification	31 March 2020 £000	31 March 2021 £000
Contributions	0	0
Benefits payable	1,095	1,084
Other current liabilities	8,068	26,657
Total	**9,163**	**27,741**

Analysis of Creditors

Classification	31 March 2020 £000	31 March 2021 £000
Central government bodies	1,032	2,345
Other local authorities	663	102
Educational establishments	0	0
Other entities and individuals	7,468	25,294
Total	**9,163**	**27,741**

Note 23: Additional Voluntary Contributions

Some members of the Scheme have made additional voluntary contributions (AVC) to increase the value of their pensions. Legal & General were appointed in place of Standard Life and Utmost as the AVC provider for members in the West Sussex Local Government Pension Scheme with effect from February 2021.

AVC Contributions of £1m were paid directly to Standard Life and Legal and General during the year (2019/20: £0.4m). AVCs are separately invested and are therefore not included in the Pension Fund accounts in accordance with regulations 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) regulations 2016.

AVC Provider	**Market Value 31 March 2020 £000**	**Market Value 31 March 2021 £000**
Standard Life	2,108	359
Utmost (previously Equitable Life)	429	0
Legal and General	0	3,199
Total	**2,537**	**3,558**

Note 24: Related Party Transactions

West Sussex County Council

The West Sussex Pension Fund is administered by West Sussex County Council. Therefore, there is a strong relationship between the Council and the Pension Fund.

During the reporting period, the Council incurred costs of £0.7m (2019/20: £0.6m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £61.9m to the Fund in 2020/21 (2019/20: £59.9m). All monies owing to and due from the Fund have been accounted for in the year.

Part of the Pension Fund cash holdings are invested in the money market by the Treasury Management operations at West Sussex County Council, in line with the Fund's Treasury Management Policy. During the year to 31 March 2021, the Fund had a daily average investment balance of £154.2m held in Sterling (31 March 2020: £107.7m) earning interest of £0.05m (2019/20: £0.68m) in these funds at a rate of return of 0.04% (2019/20: 0.63%). Additionally, the Fund has earned interest of £0.01m on investments held in foreign currency (2019/20: £0.02m).

Governance

One member of the Pensions Committee is in receipt of pension benefits from the West Sussex Pension Fund.

Each member of the Pensions Committee is required to declare their interests at each meeting.

Note 24a: Key Management Personnel

The Director of Finance and Support Services and S151 officer has responsibility for the proper financial administration of the Fund under the Local Government Act 1972. This Officer is employed by the Administering Authority but spent a proportion of time on the financial management of the Fund. The total Pension Fund expense relating to apportioned remuneration for Key Management Personnel is £19k in 2020/21 (2019/20: £16k).

Note 25: Contingent Liabilities and Contractual Commitments

A contingent liability arises where an event has taken place that gives the Fund a possible obligation, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund. Contingent liabilities also arise in circumstances where a provision would otherwise be made but the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

Estimates provided to members indicate that at year-end there are potential liabilities of £0.121m in respect of members who have enquired about transferring benefits out of the scheme and on whom the Fund is awaiting a final decision.

There are further outstanding commitments in investment assets as at 31 March as follows:

- Private equity of £22.9m (31 March 2020 £24.9m).
- Private Debt of £195m.

These commitments relate to outstanding call payments due on unquoted investments. The amounts 'called' by these funds are irregular in both size and timing over the period of investment.

The Fund has also made a commitment to an infrastructure fund as part of its investment strategy review, but as at 31 March 2021 no monies had been invested

Note 26: Contingent Assets

There were no contingent assets at the period end.