Public Document Pack

Tony Kershaw
Director of Law and Assurance

If calling please ask for:

Adam Chisnall on 033 022 28314
Email: adam.chisnall@westsussex.gov.uk

www.westsussex.gov.uk

County Hall
Chichester
West Sussex
PO19 1RQ
Switchboard
Tel no (01243) 777100

west sussex county council

24 January 2023

Regulation, Audit and Accounts Committee

A meeting of the Committee will be held at **10.30 am** on **Wednesday, 1 February 2023** at **County Hall, Chichester, PO19 1RQ**.

Tony Kershaw
Director of Law and Assurance

Agenda

10.30 am	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 22 September 2022 (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.
10.40 am	4.	**Annual Governance Statement 2021/22** (Pages 11 - 58)
		Report by the Director of Law and Assurance.
		The Committee is asked to agree the Statement and Action Plan and recommend their adoption through the signatures of the Leader of the Council and the Chief Executive.

10.55 am 5. **External Audit**

The Committee is asked to consider the 2021/22 Audit Results Report and, if needed to address changes of a minor nature arising after the meeting of the Committee, to delegate authority to the committee Chairman to approve and sign-off the final text.

The Committee is also asked to review and comment on the 2021/22 Draft Auditor's Annual Report from the External Auditor Ernst & Young (EY).

(a) **2021/22 Audit Results Report** (Pages 59 - 118)

(b) **2021/22 Draft Auditor's Annual Report** (Pages 119 - 148)

11.55 am 6. **Financial Statements 2021/22** (Pages 149 - 298)

Report by the Director of Finance and Support Services.

The Committee is asked to consider and approve the Financial Statements for 2021/22 for the County Council.

7. **Letters of Representation** (Pages 299 - 314)

The Committee is asked to consider and agree the Letters of Representation by the West Sussex Pension Fund and West Sussex County Council for sign-off by the committee Chairman, who will be authorised to approve changes of a minor nature arising after the meeting of the Committee.

Lunch

The Committee will take a 20 minute break for lunch.

12.45 pm 8. **Quarterly Review of Corporate Risk Management** (Pages 315 - 328)

Report by the Director of Finance and Support Services.

The Committee is asked to review the information detailed in the report and provide comment as necessary.

1.00 pm 9. **Internal Audit Progress Report (December 2022)** (Pages 329 - 348)

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.

10. **Internal Audit Plan 2022-23 (Quarter 4)** (Pages 349 - 362)

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 2022-23 (Quarter 4).

1.30 pm 11. **Treasury Management Compliance Report - Third Quarter 2022/23** (Pages 363 - 370)

Report by the Director of Finance and Support Services.

The Committee is asked to review and comment on the report.

1.45 pm 12. **Date of Next Meeting**

The next meeting of the Committee will be held at 10.30am on 20 March 2023 at County Hall, Chichester.

To all members of the Regulation, Audit and Accounts Committee

This page is intentionally left blank

Regulation, Audit and Accounts Committee

22 September 2022 – 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

Absent: Cllr Dunn

Also in attendance: Cllr Hunt

Part I

12. Declarations of Interest

12.1 None

13. Minutes of the last meeting of the Committee

13.1 The Chairman confirmed that he had written to group leaders as per minute 4.14, second bullet, concerning mandatory training.

13.2 Cllr Hunt requested that minute 3.5, first bullet, be amended to '...had moved a portion of the fund into income generation…'.

13.3 Resolved – That the minutes of the meeting of the committee held on 18 July 2022, subject to the above amendment, be approved as a correct record and that they be signed by the Chairman.

14. External Audit

14.1 The committee considered the 2021/22 West Sussex County Council Audit Progress Report and the 2021/22 West Sussex Pension Fund Audit Results Report from the External Auditor Ernst & Young (EY) (copies appended to the signed minutes).

14.2 Mrs Thompson (EY) introduced the report and explained that a progress report had been presented as EY were not in a position to give an audit results report for the County Council financial statements.

14.3 Mr Mathers (EY) explained that a national issue concerning the reporting of the carrying value of infrastructure asset values was the reason the audit was delayed and that CIPFA were looking into this. The rest of the audit was progressing well, and it was expressed that County Council officers had provided good support to EY. An adjustment had been made to the statements for pension liability valuations linked to the initial estimates given to the actuary for valuations, for which there were now known values.

14.4 The committee made comments including those that follow.

- Sought clarity on the infrastructure asset value issue. – Mr Mathers explained that major infrastructure assets were held on a named basis on the register; however for some assets annual capital costs were grouped by year of spend. The Council is therefore unable to identify replaced components of assets that should be derecognised from the asset register. This has the potential to lead to material overstatement of the gross and net carrying value of assets and limits audit scope.

- Highlighted that in July the audit seemed on track, and queried what lessons could be learned to avoid delays in future years. – Mrs Thompson explained that in July it was hoped that a national solution for infrastructure assets would have been found. It was proposed that CIPFA had two options to resolve the issue; amend the code, or recommend the issue of statutory overrides. Delays on a solution were likely linked to parliament delays from the appointment of the new Prime Minister, and the pausing of parliament for the Queen's mourning period. Work on the audit was largely complete. It was hoped that the infrastructure solution would be applicable for next year. Mrs Thompson added that where councils were prepared for audit, such as West Sussex, they were prioritised by EY to achieve deadlines.
- Queried what would happen if the statements were not ready for approval by the November committee meeting. – Mrs Thompson confirmed that the deadline for publishing audited accounts was the end of November. EY were monitoring the situation to see what solution would be given nationally. Mr Kirkham, Interim Director of Finance and Support Services, proposed that the limitation of scope option could be applied to accounts if a solution was not found, but expressed that this was not ideal.
- Asked if the work on Property, Plant and Equipment (PPE) was complete. – Mrs Thompson confirmed that the EY Real Estate report was due soon to complete the work.
- Sought an update on going concern. – Mrs Thompson confirmed that this work was halted as it required completion of the other outstanding elements first. It was anticipated that, once the work could begin, it would be completed quickly due to the good support from County Council officers. Cllr Hunt confirmed that County Council officers had submitted the accounts on time and that all the delays were due to external factors.
- Queried if the issues relating to the Teachers' Pension were unique to the County Council; and asked why after a year it was still not possible to scale the problem. – Mr Mathers explained the issue was specific to the Council but that officers were getting closer to understanding the full risk implications, although progress needed to be accelerated in line with the Council's own plans. Mrs Chuter, Financial Reporting Manager, confirmed that officers were on track to submit data to the Teachers Pension Scheme (TPS). Officers knew the number of impacted individuals and had plans with the TPS to do monthly batch calculations on the data. By the March 2023 deadline it was anticipated that it would be possible to estimate the impact but there would then be a dependency on each individual's decision to know the actual liability. The committee requested an update on progress at each meeting. Cllr Hunt added that early indications suggested that it was unlikely to be a large impact. Rachel Wood, Pension Fund Strategist, explained it was a

unique exercise and there was no concept of the retrospective take up to the pension scheme.

14.5 Mrs Thompson introduced the West Sussex Pension Fund Audit Results Report and explained that the audit was almost complete, but the opinion could not be issued until the County Council statements were completed.

14.6 Mr Mathers confirmed that the statements were well prepared and that EY had been supported well by the officers. There were no significant changes or issues to report. Mr Mathers spoke through the specific risks that had been considered and confirmed there were no issues to report. There were also no significant amendments or disclosure changes resulting from the audit to highlight.

14.7 The committee made comments including those that follow.

- Asked if the Teacher's Pension issue would impact the statements. – Mr Mathers confirmed that it was a different pension scheme.
- Queried why the national issue on infrastructure assets did not impact the pension fund statements. - Mr Mathers confirmed that the pension fund held infrastructure assets as income generation investment assets; whereas the County Council held infrastructure assets as operational assets to deliver services and so were subject to different valuation and reporting arrangements.
- Asked why an EY property expert had only been used for County Council property holdings. – Mr Mathers explained that the County Council property assets were varied and harder to value; whereas the pension fund assets were more homogenous and had been previously considered by an external specialist, who had been happy with the valuations.
- Questioned why the report was listed as draft if the work was completed. – Mrs Thompson confirmed that the report was listed as draft until it could be issued with the County Council report.
- Queried the increase in audit fee from 2020/21 to 2021/22. - Mrs Thompson confirmed that EY had asked Public Sector Audit Appointments (PSAA) for an increase following the Redmond Report which considered that audit fees were too low. EY were waiting on PSAA to set the fee figure.
- Sought clarity over the IAS 19 fee from EY. – Mrs Thompson confirmed that this fee has increased by £500 for 2021/22.
- Queried the actuarial valuation report date within appendix d. - Mrs Thompson confirmed that 31 March 2020 was the date of the last triennial valuation.

14.8 Resolved – That the committee notes the 2021/22 West Sussex County Council Audit Progress Report and the 2021/22 West Sussex Pension Fund Audit Results Report.

15. Financial Statements 2021/22

15.1 The committee considered a report by the Deputy Chief Finance Officer (copy appended to the signed minutes).

15.2 Mrs Chuter introduced the report and confirmed that the draft accounts had been submitted by the required deadlines; and reiterated the previous agenda item's discussion on the elements which had caused delays to the approval of the final statements.

15.3 The committee made comments including those that follow.

- Noted that the report recommended the approval of the pension fund statements and felt that this should be subject to the final audit sign off. The committee agreed and proposed to amend the recommendation accordingly.
- Queried why the infrastructure asset issue had not been a factor last year. – Mrs Chuter confirmed that the national issue had been raised after the previous year's accounts had been issued. Mrs Thompson also added that EY had issued their opinion before the issue had emerged. Mrs Thompson added that even though there is now no requirement for EY to audit the Council's Whole of Government Accounts (WGA) submission, the National Audit Office (NAO) can pick any WGA for assessment which would impact the County Council accounts if chosen. The 2020/21 audit certificate was therefore unissued pending the NAO assessment period.
- Asked if the member of the public who raised an objection last year could raise the issue again. – Mrs Thompson confirmed that an objector could not raise a complaint on the same subject again, but could complain in the same area. It was confirmed that the current objection period was closed and no objections had been submitted.

15.4 Resolved – That the committee:

a) approves the Statement of Accounts for 2021/22 for the West Sussex Pension Fund, subject to the completion of the audit for the County Council Statement of Accounts for 2021/22.

b) notes the progress update on the audit of the West Sussex County Council Statement of Accounts 2021/22.

16. Quarterly Review of Corporate Risk Management

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

16.2 Mr Pake, Corporate Risk and Business Planning Manager, introduced the report and updated the committee on actions from the previous meeting. The Working Time Regulation risk was currently on the directorate risk register where it was felt to be most appropriate. Mr Pake also confirmed that the Internal Audit's role had been updated in the Risk Strategy, and agreed to share this with the committee.

16.3 The committee made comments including those that follow.

- Queried that CR22 had retained the same score from the previous quarter and was still referencing COVID-19. The impact from COVID-19 was being recognised differently now with regard to economics. – Mr Pake explained that COVID-19 has been removed from some risk descriptions as it was now being managed as business as usual. CR68 may be removed from the risk register in the near future, but officers were mindful to be aware of spikes particularly during the winter period.

- Sought clarity on the change in impact score for CR11 from 4 to 5. – Mr Pake explained that the scores were calculated based on the assessment criteria in the Risk Management Strategy. Mr Kirkham added that there were a significant number of unknowns that the council needed to prepare for. The impact score could be determined on the plans in place which would reduce the timescale of the impact. Cllr Hunt added that the council was in a strong position and had made preparations with reserves should they be needed.
- Raised concerns with CR11 and how winter may add additional concerns. The committee queried if the risk concerned all staff or just skilled staff. – Mr Pake confirmed that the issue concerned all staff and that the wording would be updated. The committee noted that the risk now covered a wider area and discussed which forum was most appropriate to consider the whole issue. Following a discussion, the committee felt that each scrutiny committee would consider their area, and the Performance and Finance Scrutiny Committee (PFSC) could take an overarching view with regard to human resources. The Chairman of PFSC proposed to raise the issue at the next meeting of the scrutiny committee.
- Noted the target figure for cyber-crime and if it should be reviewed. – Mr Pake explained that the target was ambitious, but it reflected where the Council would like to be. The score reflected the changing environment and the work that the Council was doing. Mr Pake confirmed that the approach was consistent across other authorities he spoke with. The committee noted that impact score remained at 5, and so proposed that 20 could be a better target. Mr Pake explained that all figures came down to the assessment criteria. Mr Kirkham explained that the Council was always subject to attacks which were becoming ever more sophisticated.
- Queried the reference to COVID-19 within CR22. – Mr Pake confirmed that the risk was up for review in December. Mr Kirkham added that, whilst the risk of lockdown had reduced, there was still a long-term impact from COVID-19.

16.4 Resolved – That the committee noted the information detailed in the report.

17. Internal Audit Progress Report (August 2022)

17.1 The committee considered a report by the Head of Southern Internal Audit Partnership (copy appended to the signed minutes).

17.2 Mr Pitman, Head of Southern Internal Audit Partnership, introduced the report and updated on the statuses of the live audit reviews. Mr Pitman was awaiting an update on the IT Assurance Mapping project, and resolved to circulate this to the committee when it was available.

17.3 The committee made comments including those that follow.

- Raised concerns over the benchmarking processes for education capital projects. – Mr Pitman explained that the methodology used was not comparable and so instead a working group had been set up to look into other methodologies that could be used. Cllr Hunt explained that benchmarking was hard within education due to every school being different; and different project finance practices such as the inclusion of foundation work and fixtures and fittings within project costs. The Assistant Director (Property & Assets) had been asked to look into the issue.

- Queried if there is an issue with project management skills within the organisation. – Cllr Hunt confirmed there was appropriate expertise within the County Council. Mr Pitman informed the committee that a review of project management was scheduled within the audit plan.

17.4 Resolved – That the committee notes the Internal Audit Progress Report (August 2022).

18. Internal Audit Plan 2022-23 (Q3)

18.1 The committee considered a report by the Head of Southern Internal Audit Partnership (copy appended to the signed minutes).

18.2 Mr Pitman introduced the report which outlined the plan for quarter three.

18.3 The committee noted the level of work being undertaken and asked if the committee should request any officer attendance. – Mr Pitman explained that there was a high level of work being undertaken in preparation for the Care Quality Commission inspection next year. Audit was working to support colleagues in the adult directorate on this. The committee welcomed the preparation work being undertaken. Mr Pitman proposed that the lead officer could give an overview at the January meeting.

18.4 Resolved – That the committee approves the Internal Audit Plan 2022-23 (Q3).

19. Date of Next Meeting

19.1 The committee noted that its next scheduled meeting would be held at 10.30 am on 21 November 2022 at County Hall, Chichester. This was a new meeting to look at the Audit Results reports, Financial Statements and the Annual Governance Statement.

The meeting ended at 12.20 pm

Chairman

Report to Regulation, Audit and Accounts Committee

1 February 2023

Annual Governance Statement 2021/22

Report by Director of Law and Assurance

Electoral division: Not applicable

Summary

This report provides an update on the Annual Governance Statement for 2021/22. The Statement is updated on an annual basis and is set out within Appendix A. The review of the County Council's governance arrangements resulted in a number of actions to be taken, which are set out in Appendix B.

Recommendations

That the 2021/22 draft audited Annual Governance Statement and Action Plan be approved and that the Leader of the Council and Chief Executive be recommended to adopt and sign the Annual Governance Statement.

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 The Chartered Institute of Public Finance and Accountancy (CIPFA) / SOLACE on best practice for developing and maintaining a locally adopted Code of Governance. A Code of Governance was approved by the Governance Committee at a meeting on 7 February 2022.

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 West Sussex County Council AGS for 2021/22 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 several sources, internally and externally. The Executive Leadership Team considered the draft AGS and actions and supports the contents and actions. It is now presented to this Committee for consideration alongside the Statement of Accounts for approval. The Statement of Accounts and Annual Governance Statement are presented later than planned due to the impact of the public health emergency and a financial accounting and reporting matter being considered by auditors at a national level which has now been temporarily resolved. The Committee is asked to approve the Annual Governance Statement following review and recommend the Leader of the Council and the Chief Executive adopt and sign the statement.

2.3 The 2021/22 Annual Governance Statement provides an update on areas recommended for improvement. Progress against the recommendations on the issues identified for improvement including the improvements required to Children’s Services and Fire and Rescue Service are set out in the report and includes information following positive outcomes of inspections on the services conducted during the year. Further external inspections will be taken into account in next year’s Annual Governance Statement.

2.4 The County Council is required to comply with the Financial Management (FM) Code which CIPFA published in 2019. The Code provides guidance for good and sustainable financial management in local authorities and assessment against it provides assurance that authorities are managing resources effectively. The FM Code is based on a series of principles. It does not prescribe the financial management process local authorities should adopt but it requires an authority to demonstrate that it satisfies the principles of good financial management relevant to its size, responsibilities, and circumstances. The principles and standards of the code are set out in Appendix C.

2.5 Officers in Finance undertook a self-assessment during 2022 and presented this to the Executive Leadership Team. This concluded that the Council does comply with the code. Areas where improvements can be made and a progress update are also set out in Appendix C.

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	This plan is ready for approval and has the commitment of the senior leadership team who

Risk	Mitigating Action (in place or planned)
adopt a comprehensive AGS and action plan	will be responsible collectively for its implementation.

7 Policy alignment and compliance

7.1 The Statement is aligned with the Code of 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 2021/22
Appendix B - Annual Governance Statement 2021/22 Action Plan
Appendix C – Financial Management Code – Assessment of Compliance

Background papers - None

This page is intentionally left blank

West Sussex County Council Annual Governance Statement 2021/22

Executive Summary

The Annual Governance Statement (AGS) explains the processes and systems of the County Council's discharge of its responsibilities so as to give assurance for their effectiveness. It covers the period 1 April 2021 to 31 March 2022.

Work has continued to provide greater clarity in areas of Council governance identified through the good governance project initiated in early 2020.

The year was dominated by the continuing national public health emergency and the impact of this 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 for each principle are the actions to address issues to further strengthen the Council's governance.

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 a Code of Governance aligned with the principles of the Chartered Institute of Public Financing & Accounting (CIPFA) Framework: Delivering Good Governance in Local Government. It also meets the requirements of the Accounts and Audit Regulations 2015. A new Code of Governance was agreed by the Governance Committee in February 2022.

3. The governance framework comprises the rules, procedures, systems and processes by which the Council is managed and controlled. The quality of the framework and how well it is used underpin trust in public services. This Annual Statement shows how the Council gives assurance to members, partners, stakeholders and residents that its governance arrangements are robust.

The Governance Assurance Framework Principles

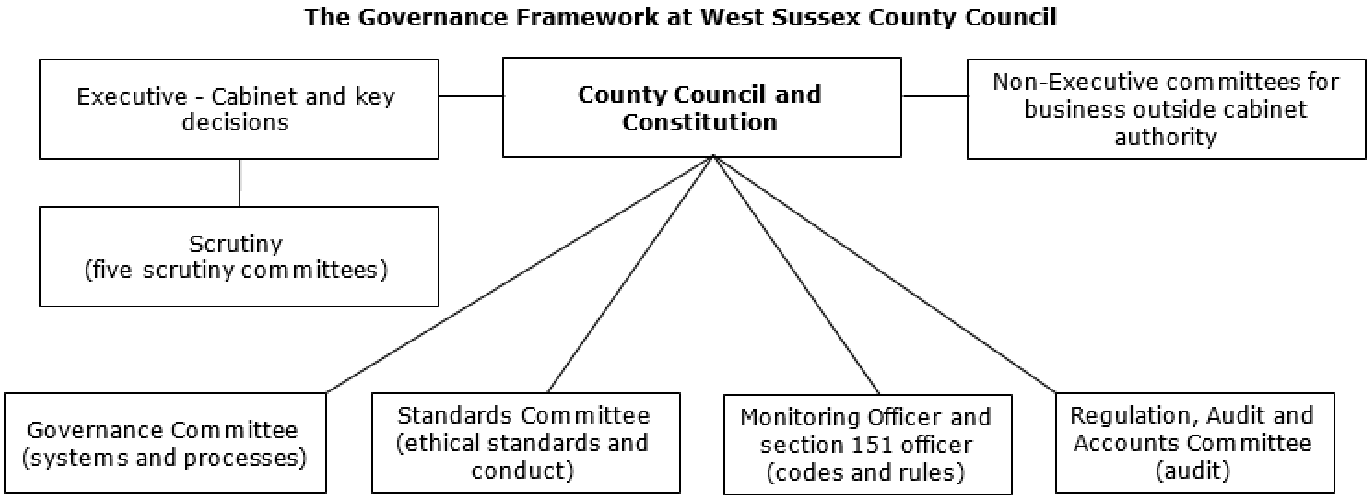
4. The seven principles of Corporate Governance adopted by the Council are set out below. Assurance for how they are met is provided in the text below each principle. Further work to be done is highlighted and set out in the appendix.

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

Principle	Description of Principle
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 situation continued to affect the Council throughout the period covered by this report. Some services were refocused to prioritise essential services and to provide additional services in response to national priorities. This response was led through a command chain with the Executive Leadership Team working with external partners and providing strategic oversight, directors managing tactical planning, service continuity and delivery. The County Council continues to work on recovery and plans for adapting to future ways of working. The disruption to normal corporate business and the service, resource, staffing and financial consequences will continue to be assessed as part of corporate planning and will inform the commitments made in this Statement.

7. A number of additional governance arrangements have been adopted to manage decision-making and resource allocation in response to the public health situation and to manage funding streams and grant allocations from central government. There have been supplementary procurement measures requiring governance for assurance that payments and financial commitments made in response to the impact on suppliers and service providers were managed prudently, correctly and in a timely way. These are covered in the report where relevant to the area of assurance being addressed.

8. Most activity has continued to be transacted by staff working remotely through the County Council's secure IT network and the use of virtual meetings through an end-to-end encrypted network. Guidance has been issued to managers on working with remote teams and revised as national and local conditions change. The employee support programme has been advertised regularly to staff via a variety of channels to help to promote good staff welfare during the period of remote working.

County Council election 2021 – Governance of Councils nationally

9. May 2021 saw the election of a new administration of county councillors. In the period following the election the Council undertook the induction of new councillors and their familiarisation with the Council's governance. May 2021 saw the ending of interim arrangements permitting councils to transact business though virtual formal meetings and the Council has, throughout this time, continued to review its arrangements for formal member meetings as a standing item of business on the Governance Committee, reporting as need be to the full Council where approval of constitutional revisions was required.

Other notable Challenges in 2021/22

10. The County Council has been proactive in offering support and assistance to Afghan and to Ukrainian refugees arriving in the County drawing on County resources. The war in Ukraine has also begun to have an impact on supplies and service costs as well as fuel cost increases alongside other global factors driving inflation and supply chain disruption.

Financial Management Code

11. The County Council is required to comply with the Financial Management (FM) Code which CIPFA published in 2019. The code provides guidance for good and sustainable financial management in local authorities and assessment against it provides assurance that authorities are managing resources effectively. The FM Code is based on a series of principles. It does not prescribe the financial management process local authorities should adopt but it requires an authority to demonstrate that it satisfies the principles of good financial management relevant to its size, responsibilities, and circumstances. The principles and standards of the code are set out in Appendix C.

12. Officers in Finance undertook a self-assessment during 2022 and presented this to the Executive Leadership Team. This concluded that the Council does comply with the code. Areas where improvements can be made and a progress update are set out in Appendix C.

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.

13. 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' section (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 in the Constitution and define the constraints on the exercise of authority.

14. 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 specialist officers and internal guidance, financial regulations standing orders that should ensure compliance with these policies.

15. The statutory roles of the Chief Financial Officer (s.151 officer) and Monitoring Officer are set out in the Constitution and in the scheme of delegation. These officers provide oversight of propriety, lawfulness, ethical conduct and financial prudence. 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.

16. 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 and this was carried out successfully following the county council election in May 2021. 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 interest declarations and it is a standing item on all formal meeting agendas for both officers and members. These actions were fully implemented following the May 2021 election.

17. The Council has a **whistleblowing policy** as 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 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 included independent

assurance and benchmarking for the Council's arrangements. This has relevance for the Council's commitment to a fair, open and responsive internal culture.

18. 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 are 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. At Executive Leadership level the need to secure and maintain a consistent approach is reinforced and as stability in senior leadership has improved the Council should be in a position to publish this information on a more consistent basis. Action will be taken to make the recording and publishing of interests simpler.

19. 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 on behalf of the Executive Leadership Team (ELT). This provides a single process for procurement planning, compliance with due process and consistency of best practice. Some elements of these are being 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.

20. 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. Changes to the composition of and titles used by the Executive Leadership Team and their direct reports in March 2022 required adjustments to the Scheme of Delegation.

21. The Chief Executive commissioned an external review of governance in 2020. This 'good governance' work provided an opportunity to review areas of strategic governance and action to address inconsistencies or ineffectiveness in policy or practice and as part of the Council's culture, including its arrangements for ensuring compliance. The new Code of Governance was approved by the Governance Committee in February 2022 and has now been published. An officer guide to council governance and decision-making has also been developed as a single accessible source of guidance to officers on Council governance. It will be widely disseminated and will provide a source for officer training on governance.

Note on Teachers' Pensions failure

22. In June 2021 the Council notified the Pensions Regulator of a breach of the Teachers' Pension Regulations. This relates to a failure over a number of years to auto-enrol some part time and casual teaching staff onto the Teachers' Pension Scheme as required following a change to the regulations in 2007. The Council has appointed an external adviser to investigate the extent of the breach. During 2021/22, the Council continued to make progress to identify those individuals in scope, although due to the complexity of the data and the assurance required on the consistency of the data points, it has not been possible to accurately quantify the obligation to the Council for inclusion in the

2021/22 accounts. The individuals identified as potentially in scope were sent letters in both March 2021 and February 2022 to keep them updated of the progress being made. The data analysis to identify those in scope was completed in late August 2022 and has identified approximately 570 records affecting around 450 individuals in the potentially impacted population.

23. The key milestones to resolve the issue are set out below:

- End of August 2022: The Council has identified the group of employees who were eligible to enrol into the Teachers' Pension Scheme.
- End of September 2022: The Council will work with the Teachers' Pension Scheme (TPS) to agree the data requirements and address any issues which arise from this data format.
- End of October 2022: The Council will provide a full data capture to the Teachers' Pension Scheme to facilitate an Options Exercise with impacted employees
- End of March 2023: Teachers' Pension Scheme to complete the Options Exercise. Those individuals in scope will receive an options letter detailing benefits accrued (and employee contributions payable) and individuals will then decide whether they wish to exercise their option to join the scheme.
- End of June 2023: Conclusion of exercise subject to the TPS finishing the Options Exercise in March 2023.

Principle A (integrity and compliance)

	Action	**Owner**
i.	To ensure full implementation of arrangements for the registering and publication of officer interests	Director L&A
ii.	To adopt a simpler system for the recording of officer interests	Director L&A
iii.	To disseminate the new officer guide to governance	Director L&A
iv.	To ensure full implementation of the plan to address the Teachers Pension Breach	Director F&SS

B: Ensuring openness and comprehensive stakeholder engagement

Assured

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 and as the Council adapted to changes in legal requirements for formal member meetings.

Compliant standard consultation and engagement mechanisms are in place and are used effectively.

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 improve the Council's partnership arrangements.

The scope and approach to partnership working in specified areas, most significantly joint commissioning with the NHS, will be reviewed and

reappraised as part of a strategic review of Adults Services and its focus on commissioning arrangements.

Decision-making and Scrutiny

24. The **County Council** is the senior 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.

25. The **Executive** (leader and cabinet) takes decisions on most matters of Council policy and service delivery. Most cabinet level decisions are 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 appointed by the relevant committee.

26. Scrutiny committees also undertake performance monitoring of Council priorities, using the measures in the Council Plan, provide input into policy development and ensure significant decisions or proposals are scrutinised in public ahead of consideration by Cabinet. 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. Other meetings of significant public interest are webcast, including the County Council, Cabinet and Planning and Rights of Way Committee. Any formal meetings held virtually will also be webcast to ensure openness and accountability. Webcasts are available to view for up to six years.

27. **The Forward Plan of Key Decisions** 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 their business. As decisions become more significant in terms of service changes and policy proposals there is a greater need to ensure early awareness by and engagement for all members and scrutiny committees use their business planning groups (a smaller group of committee members) to help ensure the right focus of business.

28. **Decision-making** operates with a presumption of openness. Cabinet and committees are held in public and individual executive decisions by individual cabinet members or senior officers in accordance with the scheme of delegation 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. Any 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 after senior officer advice.

29. 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 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 when urgent action is used. This system is not conducive to openness and transparency and its use is kept to a minimum and any key decisions taken in this way are reported to the next County Council meeting.

Pandemic impact

30. 2021/22 was dominated by the COVID-19 public health situation with Council business and democratic processes continuing to take place, including whole council elections in May 2021. Under the Government's emergency regulations for the period up to June 2021 councils were able to transact formal council business by elected members meeting virtually. The Council adopted revised Standing Orders to accommodate these legal provisions. Meetings of Council, Cabinet and non-executive committees took place with decisions being taken and business transacted openly and publicly over the Microsoft Teams platform in accordance with revised Standing Orders. The legal provisions enabling virtual member meetings to take decisions ended in June 2021 and, since that time, all formal member decisions by cabinet or committees have been fully compliant with the statutory framework in place prior to the emergency regulations.

31. Some non-decision-making meetings have continued to be held virtually and the meeting and decision-making arrangements were largely uninterrupted. The County Council prioritises transparency and democratic accountability and so Council committees had a full programme of meetings. Virtual briefings for councillors and digital engagement activities have taken place with stakeholders and witnesses advising committees, with learning from these 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, managing capacity and learning from best practice. In December 2021 the Council approved a further set of revised Standing Orders to cover the continued use of hybrid member meetings where permitted.

32. **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. The procurement of a new solution for customer contact and transactions is planned for implementation Autumn 2022.

Stakeholders and Partnership

33. The County Council works with a range of stakeholders. This includes other 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 and local economic and place-based 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 of and scrutiny route for the council partnership to manage and deliver the retained business rate pool, refreshed each year, have been settled.

34. 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 legislated changes in NHS governance and commissioning plans and a review of Council priorities it is expected that the systems and arrangements for joint commissioning will be reviewed during 2022/23 following the implementation of new integrated care systems in mid-2022.

35. The terms of reference and membership of the **Health and Wellbeing Board,** the principal forum for health and social care liaison and partnership, were last revised in 2021 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.

36. In the area of **Children's Services** the partnership arrangements were noted in 2019 as inadequate. 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 are brought to an Improvement Board chaired by the Children's Commissioner. A separate Improvement Partnership provides a broader forum of engagement with external agencies and partners linked to the responsibilities of Children's Services and oversight of the improvement activity. A comprehensive improvement plan is in place for delivery and its governance will remain in place until the focused regulatory oversight by Ofsted linked to the designated level of service quality has been lifted.

37. The Secretary of State's Direction for the County Council to establish an independent Children's Trust to run the Children's Services on behalf of the County Council was formally paused in early 2021 with the approval of the Secretary of State. The Commissioner, in February 2022, submitted a report to the Secretary of State recommending that, due to the speed and extent of successful progress with corporate governance and the improvement plan, the Direction be abandoned and the Council left to manage these services.

38. The formal County Local Committee meetings were abolished in October 2021 and have been replaced with **County Local Forums**, which are being trialled for one year as a mechanism for county councillors to engage with communities, providing a forum for answering questions from the public in both in-person and virtual settings. Their effectiveness will be reviewed in 2022 and a decision taken about future arrangements for the governance of local community engagement.

39. 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. There are agreed partnership principles with the voluntary sector for the commitment to more effective ways of working together, building stronger alliances and empowering joint action. Significant partnership work was undertaken in response to the pandemic, helping to strengthen and build on the effectiveness of relationships with other organisations, including the other tiers of local government and the NHS. As an output of the good governance review, the Council's Communities Directorate is leading on work to further enhance and clarify the Council's local community and partnership arrangements to ensure the Council is an outward looking, collaborative and engaging organisation. The action for 2020/21 on this clarification work was not completed due to the diversion of effort to address the recent refugee situation and it will therefore be completed in 2021/22.

Consultation and engagement in West Sussex

40. 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.

41. 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.

42. **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.

43. Formal consultation will generally only be undertaken where there is a statutory duty or legitimate expectation, or 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.

44. 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 and are highlighted in the residents' e-newsletter. 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.

45. The information gathered is analysed and considered as part of the decision-making process. The protocol can be found in the Constitution. Analysis reports

and decisions are made available on the 'Your Voice' webpages as a means of closing the 'feedback loop' and increasing trust in decision-making processes.

46. Action was taken to increase the effectiveness of public engagement and communication, including raising awareness of the need to ensure that all projects comply with new online accessibility legislation. Work on improving understanding of, and compliance with the public sector equality duty has been completed but will need to be reinforced through the use of guidance and best practice and focused training in areas in which risks have been identified.

47. 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 address a meeting of the County Council if prescribed thresholds for numbers of 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

48. In response to 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 (subject of re-inspection during 2021). These were built upon by a comprehensive governance review which has led to a number of current projects and workstreams.

49. Governance changes arising from HMICFRS in 2019 were implemented during late 2019 and during 2020. The most notable change was the establishment of a new Fire and Rescue Service Scrutiny Committee, which has continued to provide effective scrutiny of this critical area of the Council's responsibilities. The Fire and Rescue Service prepares its own Statement of Assurance as part of its annual report. The most recent Statement of Assurance (20/21) was approved by Cabinet in December 2021. It mainly focuses on an overview of and actions to support operational and financial commitments to meet the Council's service obligations as Fire Authority. It also describes the governance within the Council for facilitating those activities. The need for further work will be reviewed in light of consideration of the report from the Autumn 2021 re-inspection by HMICFRS.

50. 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. Progress has continued throughout 2021/22 to make the required improvements, including the production of the new Code of Governance and the officer guide to decision-making.

Principle B (openness and engagement)

Action		Owner
i.	Complete work to enhance and clarify the Council's partnership and community engagement arrangements as identified by the good governance project in 2020.	Assistant Director (Communities)
ii.	Adults Services partnership and commissioning arrangements with NHS as part of care integration plans	Director of Adults and Health
iii.	Fire and Rescue (see FRS Statement of Assurance for 2022 published after Cabinet July 2022)	Chief Fire Officer

SECTION C: Defining outcomes in terms of sustainable economic, social and environmental benefits
Assured The County Council has settled arrangements to define priority 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 Council Plan was adopted by the Council at its meeting in February 2021 following extensive member engagement in identifying service priorities and how best to monitor their achievement. The Plan covers the period 2021-25 and is refreshed each year. Performance has been monitored in a structured, timely and transparent way by the leadership team and by members in public in the Cabinet and through scrutiny. These corporate outcomes and the measures for their delivery are, as a matter of course, considered in the preparation of Directorate and service plans and in all significant decisions, the latter being recorded at the point of publication.

51. The 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 approved by the County Council in February 2021 and is subject to programmed quarterly performance monitoring by both executive and scrutiny members. The Plan was developed by the Cabinet and the Executive Leadership Team with the extensive engagement of elected members, scrutiny committees, partners and staff at all levels. Member oversight of the plan takes place in public and the plan is subject to annual review at the Council meeting which considers and approves the Council's budget and capital programme. The first review took place at the County Council meeting in February 2022.

52. The Council Plan is implemented through the Directorate Business Planning process. Arrangements for comprehensive performance reports to the Executive Leadership Team and Cabinet Members as well as more focused reports to scrutiny committees and have been settled and put into practice. This performance monitoring is undertaken through the **Performance and**

Resources Report which includes financial monitoring information covering both revenue and capital and other corporate performance data on staffing and corporate risk management.

53. Detail of its use and the data monitoring and analysis undertaken by the Council are covered in section D. Active monitoring of performance is undertaken through regular reviews of business plans by Directorate Management Teams and with all staff through individual staff performance conversations which also cover individual staff development. This is also covered in Section D (60-61 below).

54. There will be a continuous review of how well the Council's performance is monitored by officers and by members, both executive and scrutiny during the year ahead. 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.

The Council and the local economy

55. 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 supporting local businesses and place based and community initiatives. The **Economy Plan,** adopted in November 2020, sets out the County Council's priorities in supporting the recovery and prosperity of the county in the wake of the Covid-19 pandemic as well as for the longer term. The Plan, which has been published, covers the period 2020 to 2024 and has nine priority themes setting out where the Council will focus its efforts and resources. It is subject to annual or more frequent review and refresh.

56. Partners and stakeholders contributed to the development of the Economy 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. Working with these partners is crucial in the Council's determination to support the business community and ensure recovery and sustainable growth for the West Sussex economy.

57. The County Council has adopted an ambitious 10 year Climate Change Strategy with two key aims for the Council to be both carbon neutral and climate resilient by 2030. It complements the climate change theme underpinning the Council Plan approved in February 2020. It was approved by members in July 2020 after member engagement and scrutiny. The first annual report was published in autumn 2021.

58. The officer Climate Change Board oversees delivery on climate change ambitions on behalf of the Executive Leadership Team. The governance of the Board was audited for effectiveness in spring 2021 and was rated as 'reasonable.' A second internal audit was completed through spring 2022, looking at how climate change ambition is reflected in governance, and the rating was 'to be confirmed.'

59. In December 2021 the Executive Leadership Team agreed to accelerate progress on climate change ambition, acknowledging that climate change objectives need to be built into existing business planning and budgeting processes. Actions

include strengthening the remit of the internal Climate Change Board, ensuring all decision-making forums and processes across the organisation reflect climate change ambition in their activity and engaging directorate leadership teams.

60. The creation of The 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.

61. The Council has a **Social Value Framework** 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 framework was first developed in 2015 and has been fully redeveloped and re-launched in 2020. It has been incorporated into procurement practice and processes, any impact being recorded in published decision reports. The Social Value Framework is being embedded to ensure it is coherent with the Council Plan priorities, the refreshed Economy Plan and the Climate Change Strategy as well as changes to the environmental, social and economic context of the Council's activities.

Principle C (defining outcomes and benefits)

Action	Owner
i. Annual refresh of Council Plan	ELT

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 inspection reports on which much progress has continued to be made during 2021/22. 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. In anticipation of significant changes related to health service and social care integration, the future of external regulated inspection regimes and the arrangements needed to meet the identified service outcomes a strategic review of Adults' Services has begun. The County Council takes decisions on interventions based on the priorities agreed in The Council Plan. In areas identified for improvement systems for governance, oversight and scrutiny of interventions will continue to be given particular focus. Proposed interventions are recorded through Directorate

Business Plans for timely outcome delivery, overseen by the relevant Management Team.

62. All Directorates are expected to prepare and monitor Business Plans which set out the actions required to meet the outcomes set in the Council Plan and the targets and measures used to monitor their delivery. These are in place and will be reviewed regularly and will be updated and refreshed as needed as part of the annual refresh of the Council Plan by the County Council.

63. The public facing **Performance Dashboard** provides details on progress on the key indicators of the 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 each of the scrutiny committees, the full dashboard being referred to Performance and Finance Scrutiny Committee.

64. The **Performance and Resources Report** provides an overview of performance against the agreed priorities within the 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:
    - Council Plan and Performance Measures
    - Medium Term Financial Strategy and in-year budget
    - Culture and Workforce
    - Service and Corporate Improvement
    - Corporate Risk Management

65. 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 but not pursued, advice received, consultation undertaken and how risks are managed.

66. 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.

67. 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. They are also described in the recently developed officer guide to governance to assist in making their work and purpose better understood.

Service Improvement activity

68. 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 informs 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 improvements. The Commissioner, in January 2022, wrote to the Secretary of State to recommend the abandonment of the Direction to the County Council to establish a Children's Trust to run its Children's Services, following the pause in those plans by the Department of Education in late 2020.

69. The implementation of the improvement plan adopted following the inspection of the Council's Fire and Rescue Service by HMICFRS (report published on 20th June 2019) has been recognised as showing sustained success. There are regular member updates to full Council, Cabinet and scrutiny on improvement activity. External oversight of the work on governance was lifted in light of the significant improvements recorded. Whilst a re-inspection by HMICFRS was undertaken in the autumn of 2021, the report from this inspection is not expected until late spring 2022.

70. In February 2022 the Cabinet approved for implementation a new strategy for Adults' Services, developed with extensive partner, service user and member engagement. Its development with take place in parallel with the implementation nationally of integrated care services with the NHS at local level. The development and implementation of the strategy during 2022 will mean significant areas of change for service delivery, service performance, systems to support practice and commissioning – including that undertaken jointly with the NHS. Its further development and implementation will be the subject of oversight by the Health and Adults' Social Care Scrutiny Committee.

Principle D (interventions for outcomes)

Action		Owner
i.	Children's Improvement Plan implementation	Director of CS
ii.	Fire and Rescue Improvement Plan implementation	Chief Fire Officer
iii.	Implementation of the Adults' Service Strategy	Director of Adults and Health
iv.	Review of Officer executive Boards governance	Director of L&A
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 2021/22 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 agreed aims and the suite of policies and processes which support them. This has been reinforced by the work on the West Sussex Plan and the business planning activity underpinning its delivery. The induction for members following the May 2021 elections and subsequent member development work have also focussed on this. The Chief Executive and the Executive Leadership Team manage the County Council's workforce, skills and resource planning in line with its workforce strategy. 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. Training and support, both internal and external 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 period following the end of the initial induction activity after the election in May 2021 as members acquire a more thorough understanding of strategic and partnership working.

71. 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 and members appointed as cabinet advisers, for which role profiles must be settled with the Director of Law and Assurance. The Council, at its public meetings, makes appointments to all committees and 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 and Governance Committee has carried out such reviews during 2021/22 with relevant business on each meeting agenda.

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

73. 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 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.

74. MDG's work led to South East Employers granting the Council Charter status for its member development programme in November 2020. MDG developed a clear Councillor Development Strategy and a learning programme which supports the Council's agreed priorities. A comprehensive induction programme for councillors was developed by MDG, working with senior officers and this was delivered almost entirely virtually because of the public health situation at the time. This programme covered members' strategic and local community roles, governance arrangements, skills training such as chairmanship, social media and questioning, as well as specific training on the Code of Conduct, safeguarding and corporate parenting. More tailored induction was provided for members in specialist roles or linked to membership of particular committees.

75. All members have been offered the opportunity to have a training needs analysis (TNA), which logs the training they have undertaken and identifies areas for future development. Feedback from this process is being used to inform the ongoing member development programme and the MDG is monitoring update of the TNA process.

76. Specialist training is given to members according to the roles they carry out. This includes leadership training for Cabinet Members (the executive) delivered in partnership with the Local Government Association, scrutiny committee members, members of the Regulation, Audit and Accounts Committee, Planning and Rights of Way Committee, the Pensions Committee and the Appeals Panel. Some training for members is identified as mandatory (code of conduct, adults and children's safeguarding, corporate parenting, equalities and data protection/cyber security). Different options for completion of this training are provided, including through online training modules. Completion of this mandatory training is a key performance indicator for 2021/22 and is being monitored by the MDG.

77. 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 and all other members are expected to have a standard DBS check. By January 2022, all planned DBS checks had been completed.

78. In 2021/22, support and advice has been provided to members to ensure more measurable impact of service performance oversight and purposeful scrutiny. All members were also closely involved in the development of the Council's

corporate plan and the design of its performance measures and each scrutiny committee is carrying out in public quarterly performance monitoring against the measures set out in the Council Plan.

79. During May 2022 the MDG will evaluate work to promote local democracy, which leads on from work undertaken in the lead up to the May 2021 elections. This programme focused on information for 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.

Officers

80. 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 Director of Children, Young People and Learning and the Director of Adults' and Health.

81. In March 2022 the Chief Executive implemented a revision of the composition of the Executive Leadership Team with the addition of a post of Assistant Chief Executive to lead on specific support services and corporate policy advice and partnership activity. The titles of posts within the Executive Leadership Team were revised along with their direct reports to achieve consistency. These changes will be reflected in revisions to the Scheme of Delegation.

82. All 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. The leadership team has agreed the approach to enable them to provide appropriate assurances – referred to as Directorate Statements of Assurance, to be completed to accompany the final sign off of this Assurance Statement.

83. In recent years there has been inconsistency in the completion and signing off of the Directorate Statements of Assurance, in part due to the arrival in post part way through the relevant period of the senior officer in question and the need to gain a thorough understanding of the directorate and any issues related to its structure, performance and systems of management. Greater and more sustained stability and continuity at senior leadership levels should mean that the completion of assurance statements will be more straightforward.

84. There is greater stability in the Executive Leadership Team. The Monitoring Officer and Chief Financial Officer have a place on the Executive Leadership Team, which comprises the three service Directors in addition to the Chief Executive, Director of Human Resources and Organisational Development and the Chief Fire Officer. A holder of the new post of Assistant Chief Executive came into post in January 2022 taking responsibility for policy, performance and

intelligence and communications. A new and permanent Director of Human Resources and Organisational Design came into post in March 2022.

85. The Director of Public Health who reports to the 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 2021/22. Established emergency resilience processes and systems were deployed and have been used effectively to ensure sound and clear management of the Council's responsibilities.

86. All Directors and some Assistant Directors undertake the role of 'duty director' on a rota basis alongside the Chief Executive, to provide a source of authority and direction during critical incidents outside office hours. Training and guidance on the discharge of this role is provided. The officers are also required to complete police and national vetting procedures in order to participate in Gold command activities during incidents. The arrangements for the duty director function and the role of Directors have been revised during 2021/22.

87. 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 role profiles on appointment and are supported through induction training, their personal development review and supervision in understanding and developing their roles. Internally published Human Resources procedures cover all aspects of performance and procedure to support managers.

88. 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 and Organisational Development.

89. Issues of capacity and service resilience to ensure service effectiveness are covered through workforce planning as part of directorate business planning. This was 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 (People Framework) has now been put in place.

Principle E (capacity and leadership)

Action	Owner
i. Completion of Directorate Statements of Assurance	Director of Law and Assurance
ii. Review of Duty Director role and procedure	Chief Fire Officer

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 The 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 Council Plan and monitoring is now well established. Corporate risk management is reviewed regularly as part of the Performance and Resources Report. Directorate level risks are routinely monitored by Directorate Management Teams. 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.

90. The Constitution sets out the rules, its Financial Regulations, 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.

91. 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 2020/21 concluded that arrangements remained robust. The audit for 2021/22 is in the process of being concluded. 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 to be undertaken during 2022 as part of the Smartcore project (to replace SAP and the systems linked to it).

92. 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 broader 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 this document. This covered in part E above (78-79).

Scheme of Delegation for officers

93. The officer scheme of delegation is critical for the effectiveness of controls of spending and performance as well as authority for operational actions. 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.

94. The streamlined decision-making exercise arising from the good governance review focused on the identified need to provide clarity of understanding for officers in the discharge of their roles and to provide a basis for trusting officers, especially those in management roles, to do their jobs in accordance with their professional competence and good judgment. The scheme of delegation for each Directorate is critical to this aim. It is supported by the development of the new officer guide to governance which will be used for a programme of officer training to reinforce the need to achieve a culture of clarity and trust.

95. 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 2021/22, 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.

96. The **Risk Management Strategy** is set out in the Constitution (Part 4 section 2). The Strategy describes the allocation of responsibilities between officers and elected members and ensures that corporate risks are regularly reviewed by the Executive Leadership Team in order to advise and update Cabinet as necessary. In addition, it illustrates the framework the Council has for identifying, assessing and managing corporate risk. The operation of this framework and concerns identified are reported quarterly to the Regulation, Audit and Accounts Committee as part of its responsibility for providing assurance on the effectiveness of risk management arrangements.

97. Corporate risks are also included in the Performance and Resources Report which is reviewed by Cabinet and the Executive Leadership Team and considered by the scrutiny committees. Material risks and associated actions relating to proposals, policies and spending decisions are formally identified, recorded and published in decision reports and for scrutiny committees to consider (see paragraph 61 above). Decision report guidance also clarifies the responsibility for scrutiny committees to obtain assurance that effective management of risk is being achieved.

98. Management of risk is an iterative process delivered through the application of robust controls, including the business planning process, and is supported by the Corporate Risk Manager who reports to the Director of Finance and Support Services. Operational officer responsibility is carried by that Director as s.151 Officer, with the Chief Executive accountable for the Council's overall risk profile and effectiveness of the risk management strategy.

99. The area of Health and Safety management and the corporate assurance arrangements for good Health and Safety policy and practice is the subject of continual review and, in the context of sound risk management and internal governance, works well and continues to meet the Council's need.

Principle F (risk and performance)

Action		Owner
i.	Refresh compliance and consistency in scheme of onward delegation from Directors	DLA
ii.	Review of Financial Regulations as part of Smartcore project	Director of Finance and Support Services
iii.	Review of Health and Safety governance	Director of HR & OD

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 and 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.

100. 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 and retained for public access. Cabinet, Cabinet Member and Committee decisions 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 to ensure there is general member and public awareness of the Council's plans and proposals before they are considered for approval. A limited number of reports are considered in private session only when the subject meets the prescribed criteria for confidentiality. A summary of these is published and the rationale for non-disclosure made available.

101. The County Council has several separate bodies of which it is a part, which in 2021/22 included the Local Enterprise Partnership 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

102. 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.

103. Internal Audit provides an annual assurance opinion based on the 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 2021/22 is 'reasonable assurance'.

104. The Head of Internal Audit reports to the Director of Finance and Support Services. He also has direct access to the Chief Executive and 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.

105. 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.

106. The Internal Audit annual report highlights areas where a limited assurance review has been issued. During 2021-22 internal audit undertook reviews of the Annual Governance Statement and Our Council (Performance), both of which concluded with a Reasonable assurance opinion and Information Governance (GDPR) which concluded with a limited assurance opinion. The review of information governance (GDPR) focused on compliance with the operational controls and processes to provide assurance effective information governance was in place.

107. The key observations focused on refresher training for staff, the maintenance of the Information Asset Register and the absence of data protection Key Performance Indicators to help provide assurance on information governance activities/processes.

Principle G (transparency audit and accountability)

Action	Owner
i. Information governance	Director of Law and Assurance

Main Governance Issues for action or to note

108. 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.

109. 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, February 2023

Becky Shaw Chief Executive, February 2023

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. Minor changes have been approved during the year 2021/22.
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 2022/23*****.
Anti-bribery policy	Intranet	Director L&A	Statutory obligations recorded and enforced	November 2015. Reviewed every 3 to 5 years. Review planned for 2022/23*****.
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 2021. Review of complaints arrangements planned for 2022

Source of assurance	Where found	Who is responsible	Role	last review/ action planned*
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 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
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. 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. Refreshed 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. Executive/Scrutiny protocol under consideration.

Source of assurance	Where found	Who is responsible	Role	last reviewed/ action planned*
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 during 2020-21 but has now reverted to major committees only as determined by the Governance Committee.
Consultations & community liaison forums	Intranet, Website & Press releases	Head of Communi cations & Engagement	Communication to public	New community liaison channels are being explored 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 And decision making protocol	Chief Executive. Relevant Director (for decisions) Director of HR (for staff)	Source of guidance for ensuring compliance with public sector equality duty	Policy partly reviewed 2018. Further and fuller review required*****. Respect 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 2019/20.
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*.
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 and ongoing review of arrangements and timetable for preparation.

Source of assurance	Where found	Who is responsible	Role	last reviewed/action planned
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 Committee). Reports regularly and gathers member feedback.
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	Comprehensive induction programme agreed and delivered 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	New Code of Governance agreed in February 2022.
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.

Source of assurance	Where found	Who is responsible	Role	last reviewed/action planned
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	New from 2021**.** Annual review as part of Council Plan refresh
Treasury Management Strategy	Council agenda	Director F&SS	For sound strategy to limit risks to borrowings and investments.	Reviewed and updated by Council February 2022.
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.

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 2021.
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 20/21 accounts. The 2021/212 audit is in the process of being concluded so the opinion has not yet been given.

This page is intentionally left blank

Annual Governance Statement 2021/22 Action Plan

The following actions to address significant governance issues have been agreed and updates will be provided during 2022/23.

Principle A

Action	Action Owner	Deadline	Updates
To ensure full implementation of officer interests and gifts (ongoing from 2021/22)	Director L&A	December 2022	**Ongoing.** All Directors and Head of Service in receipt of revised guidance and template for recording and collation. Arrangements underway for publication.
To adopt a simpler system for the recording of officer interests	Director L&A	December 2022	**Completed.** See above.
To disseminate the new officer guide to governance	Director L&A	October 2022	**Completed.**
To ensure full implementation of the plan to address the Teachers' Pension breach	Director F&SS	March 2023	**Ongoing.** Progress is being made and data queries, validation of processes and technical issues are being worked through. The Teachers' Pension Scheme will progress processing casework for individuals where they have completed their data validation or queries have been resolved. Any impact on the completion of all option letters by 31 March 2023 will be determined by the Teachers' Pension Scheme as soon as possible. There are 450 individuals currently in scope.

Principle B

Action	Action Owner	Deadline	Updates
Complete work to enhance and clarity the Council's partnership and community engagement arrangements as identified by the good governance project in 2020 (ongoing from 2021/22)	Assistant Director (Communities)	March 2023	**Completed.** The multi-agency approach to the pandemic contributed to a significant strengthening of the Council's partnership and community engagement arrangements across all services and sectors. The Council's Communities Directorate has led on work to enhance and clarify these arrangements, including through the development of a countywide community hub and the partnership response to support Afghan refugees and asylum seekers from Ukraine. The Council continues to aim to be an outward looking and collaborative organisation, including through initiatives such as the development of an Integrated Care Strategy covering health and care for the whole of Sussex.
Adults Services partnership and commissioning arrangements with NHS as part of care integration plans	Director of Adults and Health	March 2023	**Completed.** New governance arrangements are in place for the Sussex Integrated Care System. West Sussex representatives have been confirmed for the Sussex Integrated Care Board and the Sussex Integrated Care Partnership (Assembly). A Sussex Integrated Care Strategy was approved by the Cabinet lead in December 2022. Local West Sussex health and care plan is in place and joint working with the west Sussex health and wellbeing board is being developed.
Fire and Rescue (see FRS Statement of Assurance for 2022 published after Cabinet July 2022).	CFO	March 2023	**Completed.** Under the direction of the Cabinet Member for Fire and Rescue and Communities, West Sussex Fire and Rescue Service, within West Sussex County Council, has prepared an Annual Statement of

Action	Action Owner	Deadline	Updates
			Assurance for 2021-22. This was approved in Cabinet and cleared call in July 2022.

Principle C

Action	Action Owner	Deadline	Updates
Annual refresh of The Council Plan	Chief Executive	March 2023	**Ongoing.** Scheduled for January Cabinet and February Council meetings.

Principle D

Action	Action Owner	Deadline	Updates
Children's Improvement implementation Plan (ongoing from 2021/22)	Director CF&L	March 2023	**Ongoing.** The service is expecting a full Ofsted Inspection of Local Authority Children's Services (ILACS) imminently. The service has completed a further intensive period of activity over the last twelve months and has met all key objectives and targets. The work undertaken has been closely monitored and scrutinised by the regulator (Ofsted) and the DfE appointed Commissioner who is now the independent chair of the Improvement Board. The service has been able to evidence that it remains on a strong trajectory of improvement and is supported by the commitment shown by the whole Council, which has included significant financial investment to develop and implement the Children First programme. This

Action	Action Owner	Deadline	Updates
			programme remains a Council priority and is acknowledged as an ongoing and iterative process. At the present time the Council is three years into this journey and the Children First programme can evidence significant progress and improvement against the challenges set by Ofsted and the Commissioner. These improvements (across the service) have been verified by the monitoring visits undertaken by Ofsted and through the evidence presented and scrutinised by the previous Commissioner. The improvement activity is monitored by the independent Improvement Board which meets every month. The Council, the leadership team and our staff remain fully focused to maintain the delivery of good outcomes for children and young people and to ensure we can evidence an iterative approach to sustainable improvement.
Fire and Rescue Improvement Plan implementation (ongoing from 2021/22)	CFO	March 2023	**Completed.** His Majesty's Inspectorate of Constabulary & Fire and Rescue Service (HMICFRS) carried out a further full inspection of West Sussex Fire & Rescue Service (WSFRS) between September and November 2021. This was HMICFRS's second full inspection of fire and rescue services in England. The improvement in the service was noted and new graded judgements were issued. This closure of the improvement plan was approved by Cabinet in September 2022 with further activity incorporated through continuous improvement in alignment with the new Community Risk Management Plan 2022-26.

Action	Action Owner	Deadline	Updates
			Performance and improvement continues to be closely measured through our Performance Assurance Framework (PAF) core measures to our new CRMP which launched in April 2022. This performance is regularly scrutinised by the Strategic Performance Board and through a dedicated FRS Scrutiny Committee.
Review of Officer executive Boards governance (ongoing from 2021/22)	Director L&A	December 2022	First review **completed.** Actions identified for consistency and clarity of board governance underway.
Review of most recent changes to capital governance arrangements to align with other governance changes (ongoing from 2021/22)	Director L&A & Director F&SS	March 2023	**Ongoing.** The new governance arrangements for the capital programme are in place and as detailed within the Capital Strategy to be approved by Council in February 2023. Also described in the Code of Governance and Officer Guide to Governance. Capital Hubs review included in action above. Further consideration will be gives as part of the work to embed business planning process in 2023/24.

Principle E

Action	Action Owner	Deadline	Updates
Completion of Directorate Statements of Assurance	Director L&A	March 2023	**Ongoing.** Delayed to coincide with the finalisation of accounts. Statements to be completed before end March 23.

Principle F

Action	Action Owner	Deadline	Updates
Refresh compliance and consistency in scheme of onward delegation from Directors (annual action)	Director L&A	December 2022	**Completed.**
Review of Financial Regulations as part of Smartcore Project	Director F&SS	February 2023	**Ongoing.** This review is not yet been undertaken but will be competed in advance of the new system Go Live date and when a greater understanding on the ways of working and roles and responsibilities of the new systems have been agreed.
Review of Health and Safety governance	Director HR&OD	December 2022	**Completed.** Health & Safety governance remains under constant review to ensure it is meeting the needs of the Council. To further strengthen current arrangements, it has been agreed that the Cabinet Member for Support Services & Economic Development for will receive Health & Safety Annual Report and agree its distribution to cabinet colleagues, following a cabinet briefing. Added member awareness will also come from putting it into the weekly member bulletin (internal publication only).

Principle G

Action	Action Owner	Deadline	Updates
Improvements to Information Governance to address breaches & training compliance	Director L&A	March 2023	**Ongoing.** In final stages of being settled for implementation.

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

Director CF&L = Director of Children, Families and Learning

The Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code - Assessment of Compliance

1. Background

1.1 The Financial Management (FM) Code was developed by CIPFA in 2019 due to the intense pressure placed on local authorities following the tightening fiscal landscape. It is recognised that organisations have done much to transform services, shape delivery and streamline costs and it is crucial organisations are underpinned with strong financial management. The FM Code is designed to support good practice in financial management and assist authorities in demonstrating financial sustainability.

1.2 There is a requirement for all local authorities to comply with the FM Code.

2. FM Code Principles and Standards

2.1 The FM Code is based on a series of principles. It does not prescribe the financial management process local authorities should adopt but it requires an authority to demonstrate that they satisfy the principles of good financial management relevant to its size, responsibilities, and circumstances.

2.2 The **principles** are:

- **Organisational Leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- **Financial Management** is undertaken with **transparency** at its core using consistent, meaningful, and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
- **Adherence** to professional standards is promoted by the leadership team and evidenced.
- Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit, and inspection.
- The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

2.3 To enable the County Council to assess current practice against the principles which have been developed to match the financial management cycle and support governance, CIPFA has translated the principles into 7 **standards** which are:

1. The responsibilities of the Chief Finance Officer and the leadership team
2. Governance and financial management style
3. Long to medium-term financial management
4. The annual budget

5. Stakeholder engagement and business plans
6. Monitoring financial performance
7. External financial reporting

2.4 The Council undertook a self-assessment during 2022/23 which was reported to the Executive Leadership Team (ELT) in August 2022. This demonstrated that the Council complies with the FM Code, with areas where there is scope for improvement set out below.

3. Areas for improvement

3.1 During 2023/24, a further review will be undertaken by the new Chief Finance Officer (CFO) of the County Council's compliance against the Code, the evidence underpinning the compliance and a detailed action plan for improvement. This will be reported through the Annual Governance Statement each year to the Regulation, Audit & Accounts Committee (RAAC). Areas for improvement (with a progress update included in italics), as identified in August 2022, are set out below.

- Support arrangements are in place for the incoming CFO and carry out a review of qualified finance staff, progression and learning opportunities. ***Update*** *– The new CFO started in November 2022. During 2023/24 a new operating model will be considered for the finance department to support the implementation of the new finance system and new way of working. A business plan for the Finance and Support Services Directorate (which includes finance) is being developed for 2023/24 through a cross Directorate business planning working group. The business plan will be underpinned by strong resource and workforce planning. For the finance department, there will be a priority of developing a strong and resilient finance function to support the organisation and the delivery of the priorities in the Council Plan. The focus in 2023/24 will be on recruitment and retention - creating formal and informal development opportunities for existing staff and promoting West Sussex finance as an attractive place to start and pursue a career.*
- The Medium-Term Financial Strategy (MTFS) identifies a funding gap in future years. Savings plans should be developed for the whole period of the plan. ***Update*** *– A balanced budget for 2023/24 will be approved by County Council in February 2023. The current budget gap for the three years from 2024/25 is between £50m and £100m depending on the level of Council Tax increase each year. Work to address the longer-term financial challenge will commence before the end of 2022/23 with the expectation of publishing a MTFS in summer 2023 to set the foundations for achieving a balanced budget over the medium term. The MTFS will set out an approach which aligns the Council's limited resources with priorities in the Council Plan – based on a framework which continues to look for efficiencies but also a focus on the re-design of services which continue to deliver good outcomes but within a smaller financial envelope.*
- Requirements of the FM Code to be reflected in Treasury Management and Capital Strategy. ***Update*** *– Both strategies, along with the budget report, have been updated to reflect the FM Code, for approval at County Council in February 2023.*

- The MTFS and capital programme to reflect the long-term approach where service contracts are in place, to demonstrate the contracts can be funded over the whole period of the contract. The MTFS to cover a ten-year period and focus on future years savings plans including demand pressures. ***Update*** *– The MTFS that will be published in summer 2023 will focus on a five year period for the revenue budget and 10 to 15 years for the capital programme.*
- Conduct a financial resilience assessment to test financial sustainability in particular relating to the Dedicated Schools Grant (DSG) pressure, using key drivers, costs, and service demands. The financial strategy should include a visioning of the shape of services in the future to achieve financial sustainability. ***Update*** *- A review of the Council's financial stability and of reserves took place as part of the budget setting process towards the end of 2022. A further review is planned for early 2023/24 that will be included within the MTFS published in the summer and will set out the Council's Reserves Strategy and a five year forecast on all reserves. This review will also consider the Council's approach for dealing with long term significant risks, such as social care reforms, the DSG deficit after 2025 and any impact of changes to Government funding to manage any severe short-term reductions. Development of the MTFS in the summer will require a review of all underpinning assumptions and use of scenario planning to consider financial sustainability under a best and worst case scenario. It is likely significant budget reductions or new income opportunities will be required to achieve longer-term financial sustainability and these discussions will be targeted through the lens of the Council Plan to ensure limited resources are spent in line with the priorities of the residents of West Sussex. Lobbying will continue both individually and through the various networks across the sector to ensure Government funding recognises the challenges facing the sector.*
- Balance sheet management review to be undertaken to support better management of assets and liabilities to improve service delivery. ***Update*** *- This has been included within the Finance business plan and will be formally monitored and reported quarterly through 2023/24.*
- Strengthen the alignment of finance and operational service plans. ***Update*** *– During 2023/24, the Council will continue to strengthen its business planning process. The MTFS published in the summer will align at an organisational level, the Council's financial resources with the priorities in 'Our Council Plan' and will be used as a basis to align Directorate and departmental finance and operational plans. This will be driven forward through a new cross Council Business Planning Group which has been created and also through ELT and Directorate Management Teams.*

This page is intentionally left blank

West Sussex County Council

Audit results report

Year ended 31 March 2022

January 2023

Building a better working world

Agenda Item 5a

Regulation, Audit and Accounts Committee
West Sussex County Council
County Hall
West Street
Chichester
PO19 1RQ

23 January 2023

Dear Committee Members

2021/22 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 Committee at its meeting scheduled for 1 February 2023 on further progress to that date and explain the remaining steps to the issue of our final opinion, including our current position on your accounting for infrastructure assets.

The audit is designed to express an opinion on the 2021/22 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 County 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 meeting on 1 February 2023.

Yours faithfully

Helen Thompson

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 July 2021)” issued by the PSAA (https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/) 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.

Page 61

Agenda Item 5a

01 Executive Summary

Executive Summary

Scope update

In our Full Audit Planning report presented to the July 2022 meeting of the 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 exceptions:

- Changes in materiality: In our Full Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £31.9m. This was based on prior year gross expenditure on provision of services. We have calculated this using year end figures and our revised materiality level is £28.6m. The basis of our assessment has remained consistent at 1.8% of gross expenditure on provision of services. This results in updated performance materiality, at 75% of overall materiality, of £21.5m, and an updated threshold for reporting misstatements of £1.4m.
- Changes in risk: In our VFM Risk Assessment and Audit Progress Update report presented to the September 2022 meeting of the Regulation, Audit and Accounts Committee meeting we reported to you that we considered the accounting treatment for infrastructure assets to be a significant risk rather than an inherent risk in our audit approach for the financial statements.

Page 63

Status of the audit

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

- Consideration of the Council's response to final guidance from CIPFA on the national issue on accounting for infrastructure assets, and our review of the revised disclosures provided by the Council in this area.
- Final check of the updated financial statements after completion of all outstanding procedures
- Final review of work and completion of closing procedures.
- Update of our subsequent events procedures to the date of our opinion.
- Receipt of a signed letter of management representation.

Agenda Item 5a

Executive Summary

Auditor responsibilities under the 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.

Status of the audit – Value for Money

In our Full Audit Planning Report presented to the July meeting of the Regulation, Audit and Accounts Committee we reported that we were undertaking our VFM Planning work and would update the Committee in due course on whether we identified risks of significant weaknesses in arrangements. We subsequently completed our planning risk assessment and reported to the September meeting of the Committee that no such risks had been identified. We have now revisited our assessment and remain satisfied that there are no other risks at this point.

We have now completed our work. As at the date of this report we are satisfied that we have no matters to report by exception in the auditor's report (see Section 03).

Executive Summary

Audit differences

At the time of writing this report, there are no uncorrected misstatements.

One non-trivial quantitative adjustment and a small number of amendments to disclosures have been made as a result of our work.

Some further adjustments have been made to the draft financial statements by the Council to account for infrastructure assets in accordance with the new statutory instrument issued in this area. These remain subject to audit.

We will update the Committee at the meeting on 1 February 2023 if we identify any further issues by the time of the meeting.

Details can be found in Section 4; Audit Differences.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. A small number of amendments to have been made as a result of our work.

We have not yet been able to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission 2021/22 because guidance from HM Treasury and the group audit instructions for 2021/22 on which our work is based have not yet been released.

We will report any matters arising to the Regulation, Audit and Accounts Committee, and certify the completion of the audit after these procedures are completed.

We have no other matters to report.

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. However, we have identified a number of areas where your existing controls could be further strengthened.

Independence

Please refer to Section 9 for our update on Independence.

Executive Summary

Audit risks and areas of focus

In our full Audit Planning Report we identified a number of audit risks and areas of focus for our audit of the Council's Statement of Accounts. 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 set out in more detail in the " Audit Risks and Areas of Focus" section of this report.

Audit findings and conclusions: Misstatements due to fraud or error

- There are no significant findings or issues to draw to the Committee's attention.

Audit findings and conclusions: Inappropriate capitalisation of revenue expenditure

- There are no significant findings or issues to draw to the Committee's attention.

Audit findings and conclusions: Non-operational land and buildings classified as Investment Property and Surplus Assets

- The work undertaken by our specialist valuer is complete. This issue has highlighted some issues with the valuation of Westhampnett Solar Farm where it has been necessary to involve a separate specialist EY valuation team. We are satisfied that the carrying value of the asset, and that of the Council's other solar farm in Tangmere, is materially accurate and no adjustments have been required to the financial statements. The work of our valuer has, however, identified weaknesses in the valuation approach taken by the Council's valuer in respect of the solar farms. We set out more detail in Section 02 and raise associated recommendations for improvement.

Audit findings and conclusions: Operational land and buildings classified as property, plant and equipment – Existing Use Value

- The work undertaken by our specialist valuer is complete with no issues to report. Our local testing of assets carried at existing use value has identified no required amendments to carrying values in the financial statements but did identify an error in information used by management's valuer in the valuation of externally provided care homes. We set out more detail in Section 02 and raise an associated recommendation for improvement.

Audit findings and conclusions: Operational land and buildings classified as property, plant and equipment – Depreciated Replacement Cost

- Our testing in this area is now complete with no resulting adjustments made to the financial statements. As part of our local testing we followed-up on the findings of EYRE to further challenge the valuation of developed land for schools. We are satisfied that the Council and valuer have been able to support the approach taken in this area as reasonable.

Audit findings and conclusions: Accounting for infrastructure assets

- Changes have been made to the Local Authority Accounting Code by CIPFA and DLUHC has issued a Statutory Instrument to temporarily change accounting rules in this area. The Council has changed its approach and disclosure in the financial statements to comply with the revised requirements. This remains subject to audit at the date of this report. A Local Authority Accounting Panel (LAAP) bulletin has also been issued by CIPFA which covers how infrastructure assets should be depreciated. Management Is considering the approach currently taken by the Council to depreciating infrastructure assets against this guidance. We will need to review this assessment and any resulting changes to the financial statements or impact on our responsibilities. We will provide an update of progress in this area to the 1 February 2023 meeting of the Committee.

Executive Summary

Audit risks and areas of focus (continued)

Audit findings and conclusions: Pension Liability Valuation

- There are no significant findings or issues to draw to the Committee's attention. As in previous years an adjustment was made to account for the difference between the audited value of the Council's share of pension scheme assets and the estimated value communicated to the Council's actuary earlier in the year to inform its assessment of the Council's pensions liability. This adjustment, which we do not consider to be the correction of an error, increases the reported pensions liability and debit balance on the negative pensions reserve by £3.4 million.

Audit findings and conclusions: Going Concern

- We are satisfied the Council will remain a going concern for a period of at least 12 months from our reporting date, that management's assessment of this is reasonable and supportable, and adequately disclosed in the financial statements. We note, however, that if the current rates of inflationary uplift are sustained, this would have the impact of creating higher cash outflows than currently assumed by the Council in its modelling. We do not consider this creates a material uncertainty as other mitigating action could be taken, for example a reduction in the planned capital programme, but this a key area of risk for West Sussex and local government bodies more generally.

Audit findings and conclusions: Accounting for Covid-19 related grant funding

- There are no significant findings or issues to draw to the Committee's attention.

Audit findings and conclusions: Teacher's Pensions

- Insufficient progress has been made over the course of the last year for the Council to be able to quantify a provision or liability to be disclosed in the financial statements. The issue and potential impact of it therefore continue to be disclosed as a contingent liability. We asked the Council to amend the disclosure originally contained in the draft financial statements and draft annual governance statement so that it is more up to date, which it has done. The annual governance statement also now sets out the specific steps and actions proposed by the Council over the remainder of 2022/23. It is important that these steps are followed in line with the anticipated timeframe so that a liability can be quantified as soon as possible. We have raised a related recommendation which has been accepted by management.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Regulation, Audit and Accounts Committee.

02 Audit Risks and Areas of Focus

Fraud Risk

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?

To gain an overall understanding we:

- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Sought to understand 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 the following mandatory procedures regardless of specifically identified fraud risks:

- We reviewed journals throughout the year and at year-end to ensure there were no unexpected trends or unusual postings. All unusual or unexpected journal postings, including any which were indicative of management override, were tested further.
- We assessing accounting estimates for evidence of management bias.
- We evaluating the business rationale for significant unusual transactions.

What are our conclusions?

We have not identified any material evidence of material management override. Specifically:

- Our review of trends in general ledger data, and detailed consideration of unusual or unexpected journal postings, did not identify any journal entries that suggested the manipulation of accounting records or override or controls by management.
- Our review of accounting estimates, including estimates with a higher level of inherent risk, identified no evidence of management bias.
- There were no significant unusual transactions.

Fraud Risk

Inappropriate capitalisation of revenue expenditure

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

What judgements are we focused on?

There is a risk that management will inappropriately capitalize revenue expenditure to improve the financial position of the general fund. Capitalized revenue expenditure can be funded through borrowing with only minimal minimum revenue provision ("MRP") charges hitting the general fund, deferring the expenditure for 30+ years when the borrowing is repaid.

Due to the environment the County Council operates in there could be incentive to improve the general fund balance.

As such we have focussed on significant additions to PPE and managements judgement as to what they recognise as capital and what they recognise as revenue spend.

What did we do?

For a sample of recorded capital additions we examined invoices, capital expenditure authorisations and other data that support the appropriateness of these additions, including that they have been recorded in the correct period. Specifically:

- We tested capital additions to ensure that the expenditure incurred and capitalised was clearly capital in nature.
- We assessed whether the capitalised spend clearly enhances or extends the useful like of asset rather than simply repairing or maintaining the asset on which it is incurred.
- We assessed whether its was reasonable to capitalise any development or other related costs i.e. the costs incurred were directly attributable to bringing the asset into operational use.
- We 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.

We did not test revenue expenditure financed as capital under statute as it was not material.

What are our conclusions?

Our testing did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position.

Significant risk

Non-operational land and buildings classified as Investment Property (IP) and Surplus Assets

What is the risk?

There is a high degree of estimation uncertainty in the valuation of property. We note that the Council's IP and surplus property is subject to annual revaluation.

We have raised separate risks for IP and surplus assets, property, plant and equipment (PPE) valued at EUV and PPE valued at DRC because each valuation methodology is reliant on different assumptions and estimation processes. These assumptions are linked to different risks, for example market value volatility only impacts investment properties and PPE valued at EUV. Separating these into three specific risks therefore allows a more tailored testing approach.

What did we do?

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.
- Tested accounting entries had been correctly processed in the financial statements.
- Initially involved EY Real Estates, and subsequently commissioned EY Strategy & Transactions - Valuation, Modelling & Economics (S&T), our specialist valuer, to review the Council's valuation of Westhampnett Solar Farm. We considered it necessary to involve S&T to support this valuation due to the specialised nature of the asset which has been valued as an operational business at the reporting date. We used the findings of S&T on the valuation of Westhampnett Solar Farm to inform our review of the valuation of Tangmere Solar Farm. A further sample of assets was also tested by the local team. Sampling was designed to get coverage over significant classes or assets and geographical locations and focused on:
    - Assets where values had changed significantly or in an inconsistent way with other assets in the class.
    - Harder to value assets.
- Local team testing focused on gaining assurance over key asset information used by the valuer in performing the valuation (e.g. comparative market information) and challenged the key assumptions used by the valuer.

Significant risk

What are our conclusions?

Our work undertaken in this area, including the work of our specialist valuer S&T, is complete.

We made no adjustments to the financial statements and identified no issues to bring to your attention apart from issues relating to the valuation of Westhampnett and Tangmere solar farms. The approach taken by S&T to assess the valuation of Westhampnett solar farm was to sensitise various assumptions made by the valuer that were applied to the Council's original business model cash flow forecast for the solar farm and produce a comparative discounted cash flow from which to establish a valuation range. This showed that the Council's valuation was above the range established, but this was not by an amount greater than our error reporting threshold. No adjustments have therefore been made to the financial statements. The work did, however, identify weaknesses in the valuation approach for Westhampnett Solar Farm which apply equally to the valuation of Tangmere Solar Farm given the same valuation methodology has been applied by the Council's valuer.

The weaknesses in the valuation approach, and documentation of it, for both Westhampnett and Tangmere Solar Farms are as follows:

- The documentation produced by the valuer in relation to assumptions in the valuation, and why those assumptions have been made, is not sufficiently detailed and clear. To address this we would expect specific valuation reports or equivalent documentation to be produced by the valuer setting out all key assumptions at a level of detail that would allow an expert reviewer to understand what has been modelled.
- The estimated value of the solar farms (excluding land) is based upon the valuer's judgement of a potential investor's target internal rate of return (IRR) and payback period, and has not been calculated directly from the net income forecasts for the solar farms contained in the business plans.
- The valuation should be supportable and quantifiable which typically would require a discounted cashflow to be produced using an appropriate discount rate. The approach taken in the current year of back-solving an assumed valuation from the updated net income forecasts in the Council's business model over the remaining life of the assets to a specific IRR is not appropriate, particularly when there is limited support for the return rate used.
- We would expect an appropriate supported discount rate (based on the Capital Asset Pricing Model) to be applied in order to discount cashflows. This was not done in the 2021/22 valuation.
- The value of the underlying land should also be appropriately discounted. This was not done in the 2021/22 valuation.

Recommendation 1 - Action the points identified for improvement in the methodology and support for the 2021/22 valuations of Westhampnett and Tangmere solar farms in the 2022/23 valuations for the assets.

Management Response - We note the recommendations made with respect to the approach to solar farm valuations. We will discuss these with our specialist valuer to agree a methodology for 2022/23, and will engage external audit in further conversations as appropriate.

Significant risk

Operational land and buildings classified as Property Plant & Equipment (PPE) – Existing Use Value (EUV)

What is the risk?

There is a high degree of estimation uncertainty in the valuation of property, especially when the amount of PPE, as 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 CIPFA Code of Practice on Local Authority Accounting i.e. they are not subject to revaluation. This risk specifically pertains to surplus assets carried at EUV. As part of our 2020/21 Audit Results Report we recommended that the Council should take a more granular approach to the valuation of Horsham Enterprise Park in 2021/22 that is based on a development appraisal of the actual consented scheme.

We have raised separate risks for Investment Properties and surplus assets, PPE valued at EUV and PPE valued at DRC because each valuation methodology is reliant on different assumptions and estimation processes. These assumptions are linked to different risks, for example market value volatility only impacts investment properties and PPE valued at EUV. Separating these into three specific risks therefore allows a more tailored testing approach.

What did we do?

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.
- Tested accounting entries had been correctly processed in the financial statements.
- Commissioned EY Real Estates (EYRE), our internal specialists on asset valuations, to consider the valuation approach in more detail for a sample of assets. A further sample of assets was also tested by the local team. Sampling was designed to get coverage over significant classes or assets and geographical locations and focused on:
    - Assets where values had changed significantly or in an inconsistent way with other assets in the class.
    - Harder to value assets.
    - Asset categories where recommendations were made in the prior year.
- Local team testing focused on gaining assurance over key asset information used by the valuer in performing the valuation (e.g. comparative market information) and challenged the key assumptions used by the valuer.
- Reviewed assets not subject to revaluation by the valuer in the period to gain comfort carrying values have been updated, where there is a material need to do so, based on the valuation movements for similar assets actually subject to revaluation during the year.
- Followed-up on the level of progress made in addressing the recommendation raised in the prior year on the valuation of Horsham Enterprise Park. To do this we again commissioned EYRE to review the Council's valuation approach, further considered a point arising from the EYRE review on the classification of the asset as operational EUV and agreed inputs to the valuation to the development agreement for the scheme.

Areas of Audit Focus

Significant risk

What are our conclusions?

Our work in this area is now complete with no resulting adjustments made to the financial statements, and we are satisfied with the approach taken to the valuation of Horsham Enterprise Park in the current year.

We have one issue to bring to your attention. One of the inputs to the Council's valuation of externally provided care homes are annual charge out rates and occupancy data for the homes subject to valuation. As part of our work to test the inputs for two care home valuations we detected that prior year (2020/21) charge out rates had been used in error by the Council's valuer in performing the valuations. Although data pertaining to the year of account had been provided to the valuer this was not actually used in the valuation assessment. We worked with the Council to quantify the impact of this error across all of the externally provided care homes subject to valuation. This showed the aggregate understatement of value arising was slightly below our error reporting threshold for the audit. No adjustments have therefore been made to the financial statements in respect of this. Although this issue has not resulted in a reportable difference in the concluded valuation for the assets, it is important that the use of correct input data by the valuer is checked as part of the Council's own quality assurance processes when the valuation is received. We raise an associated recommendation for improvement below.

Recommendation 2 - Seek to ensure that quality assurance processes are sufficient to detect the use of incorrect input data to the valuation process.

Management Response - We accept this recommendation. We have worked with our specialist valuer to agree a plan which will provide an increased window for quality assurance by the Finance team prior to the adoption of the valuations supplied in our asset register. This will enable us to build additional checks into our review processes, which will include ensuring that the inputs used by the valuer in their calculations properly reflect the data supplied to them.

Significant risk

Operational land and buildings classified as PPE – Depreciated Replacement Cost (DRC)

What is the risk?

There is a high degree of estimation uncertainty in the valuation of property, especially when the amount of PPE, as 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 i.e. they are not subject to revaluation. This risk specifically pertains to surplus assets carried at DRC. The Council applies a 'Modern Equivalent Asset' 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 is a subjective approach where we need to challenge that the assumptions made by the valuer in determining the DRC are both reasonable and supportable.

We have raised separate risks for Investment Properties and surplus property, PPE valued at EUV and PPE valued at DRC because each valuation methodology is reliant on different assumptions and estimation processes. These assumptions are linked to different risks, for example market value volatility only impacts investment properties and PPE valued at EUV. Separating these into three specific risks therefore allows a more tailored testing approach.

What did we do?

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.
- Tested accounting entries had been correctly processed in the financial statements.
- Commissioned EYRE, our internal specialists on asset valuations, to consider the valuation approach in more detail for a sample of assets. A further sample of assets was also tested by the local team. Sampling was designed to get coverage over significant classes or assets and geographical locations and focused on:
    - Assets where values had changed significantly or in an inconsistent way with other assets in the class.
    - Harder to value assets.
- Local team testing focused on gaining assurance over key asset information used by the valuer in performing the valuation and challenged the key assumptions used by the valuer.
- Reviewed assets not subject to revaluation by the valuer in the period to gain comfort carrying values have been updated, where there is a material need to do so, based on the valuation movements for similar assets actually subject to revaluation during the year.

What are our conclusions?

Our testing in this area is now complete with no resulting adjustments made to the financial statements. As part of our local testing we followed-up on the findings of EYRE to further challenge the valuation of developed land for schools. We are satisfied that the Council and valuer have been able to support the approach taken in this area as reasonable.

Areas of Audit Focus

Significant risk

Accounting for infrastructure assets

What is the risk?

Where management incur subsequent expenditure to replace part of an asset, the CIPFA Code requires management to write out the value of the old part being replaced.

Nationally, audit firms have identified an issue with applying this accounting treatment to infrastructure assets. Across the country authorities are not keeping sufficient detailed records of infrastructure spend to allow the value of the part being replaced to be written out.

As reported in our Audit Progress Report we increased the level of risk since our issuing our full audit planning report from an area of audit focus to a significant risk. As set out in the Progress Report, based on our initial review of the accounting treatment adopted by the Council in this area we were unable to gain assurance that all infrastructure assets accounted for in the financial statements continue to exist. This is because the Council is unable to show that assets, or components of assets, are derecognised from accounting records when they are replaced. Subsequent to this changes have been made to the Local Authority Accounting Code by CIPFA and DLUHC has issued a Statutory Instrument to temporarily change accounting rules in this area. A Local Authority Accounting Panel (LAAP) bulletin has also been issued by CIPFA which covers how infrastructure assets should be depreciated.

What judgements are we focused on?

The risk is that the gross cost and gross accumulated depreciation of the Council's infrastructure assets are materially overstated, as assets or components that have been replaced are no longer recognised.

This may have no impact on the net book value if the assets were fully depreciated at the point of replacement, but if not then the net book value may also be materially misstated.

Furthermore, the Council needs to be able to demonstrate that it can associate the recorded values to specific identifiable assets; that they exist at the balance sheet date and are held at an appropriate value.

What did we do?

- We have reviewed the draft financial statements to identify prima facie whether the County Council is recording disposals of infrastructure assets, or components.
- We have made enquiries to understand management's current processes, including bringing forward our knowledge from previous year's audits.
- We identified whether the process is compliant with the Code.
- We considered whether the underlying issue is relevant to other categories of property, plant and equipment, and focused our existence testing accordingly.

Significant risk

What are our provisional conclusions?

We provisionally concluded that the accounting of the County Council for Infrastructure Assets is not in line with the current CIPFA Local Authority Accounting Code.

- The Council records some infrastructure asset within the fixed asset register and the general ledger as a single line entry per annum. Although infrastructure assets are derecognised when fully depreciated, asset components are not derecognised from accounting records when they are replaced.
- This means the Council does not have sufficient records to show that all assets accounted for actually continue to exist and that the gross cost and accumulated depreciation of infrastructure assets are not materially overstated.
- The Council concludes it is impracticable for it to make a correction.

Changes have been made to the Local Authority Accounting Code by CIPFA and DLUHC has issued a Statutory Instrument to temporarily change accounting rules in this area. The Council has changed its approach and disclosure in the financial statements to comply with the revised requirements. This remains subject to audit at the date of this report. A LAAP bulletin has also been issued by CIPFA which covers how infrastructure assets should be depreciated. Management Is considering the approach currently taken by the Council to depreciating infrastructure assets against this guidance. We will need to review this assessment and any resulting changes to the financial statements or impact on our responsibilities. We will provides an update of progress in this area to the 1 February 2023 meeting of the Committee.

Areas of Audit Focus

Valuation methods applied

What is the risk/area of focus?	What did we do?
Pensions Liability Valuation (inherent 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 2022 this totalled £571 million in the draft financial statements. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement 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.	We: • Liaised with the auditor of West Sussex Pension Fund, and obtained assurances over the information supplied to the actuary in relation to West Sussex County Council. • Assessed the work of the pension fund actuary (Hymans Robertson) including the assumptions they used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering the outcomes of a review of the work of PWC by the EY actuarial team. • Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model. • 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 undertake our work after production of the Council's draft financial statements, including the Council's share of 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. Conclusion: There are no significant findings or issues to draw to the Committee's attention. As in previous years an adjustment was made to account for the difference between the audited value of the Council's share of pension scheme assets and the estimated value communicated to the Council's actuary earlier in the year to inform its assessment of the Council's pensions liability. This adjustment, which we consider to be an update to an estimate and not the correction of an error, increases the reported pensions liability and debit balance on the negative pensions reserve by £3.4 million.

Areas of Audit Focus

Valuation methods applied

What is the risk/area of focus?	What did we do?
Going Concern (area of focus) 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 is a need for the Council to ensure it's going concern assessment, including its cashflow forecast, is thorough and appropriately comprehensive. Under the auditing standard in relation to going concern (ISA570), which was revised with effect from the 2020/21 accounts audit, the Council 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. Under the revised standard we are required to conclude on whether a material uncertainty related to going concern exists and assess the appropriateness of the Council's use of the going concern basis of accounting in the preparation of the financial statements.	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, when we draw our conclusions on going concern. • Challenged the disclosure made in the accounts in respect of going concern and any material uncertainties. Conclusion: Management produced a going concern assessment to the end of the 2023/24 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 37 and Note 38 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. We note, however, that if the current rates of inflationary uplift are sustained, this would have the impact of creating higher cash outflows than currently assumed by the Council in its modelling. We do not consider this creates a material uncertainty as other mitigating action could be taken, for example a reduction in the planned capital programme, but this a key area of risk for West Sussex and local government bodies more generally.

Areas of Audit Focus

Valuation methods applied

What is the risk/area of focus?	What did we do?
Accounting for Covid-19 related grant funding (inherent risk) The Council has continued to receive 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 2021/22. The Council also expected to receive £15.6 million under the Covid-19 Expenditure Pressures Grant, which is new for 2021/22. We will continue to consider the approach taken by the Council and in particular whether it is acting as agent or principal in administering the grant, whether grant conditions and restrictions exist and have been met or not. and whether the accounting treatment adopted in the financial statements properly reflects this.	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 also agreed the value of grants accounted for agreed to external notification and that the classification of any balance unspent at the end of the year was correctly classified having regard to whether the grant had conditions and whether those conditions had been met. Conclusion: Based on our work we were 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.

Areas of Audit Focus

What is the risk/area of focus?	What did we do?
<u>Teachers' Pensions (area of focus):</u> We became aware in September 2021 that the Council reported a breach of the Teachers' Pension Regulations to the Pensions Regulator in June 2021. This relates to a failure over a number of years dating back to 2007 to auto-enrol some part time and casual teaching staff onto the pension scheme as required following a change to regulations in 2007. The underlying failure to auto-enrol was fully rectified from September 2017, so this is not a continuing issue. Work completed by a professional benefits advisor in September 2021 fully scoped the number of records and individuals impacted historically. The Council was not, however, able at that point in time to quantify the cost of the breach until further work had been completed by the Teachers' Pensions Service and impacted individuals were contacted to confirm whether or not they intend to join the scheme. We raised a related recommendation for improvement as part of our 2020/21 Auditor's Annual Report.	We: • Assessed the progress made by the Council during the year to quantify the value of the liability and review the accuracy of the provision or contingent liability included in the 2021/22 financial statements by reference to the supporting work undertaken by the actuary, Teacher's Pensions Service and Council to contact impacted individuals. • Sought to ensure that the matter is properly accounted for and disclosed in the financial statements. Conclusion: Progress to quantify the number of impacted individuals and then to contact individuals to assess whether they wish to join the scheme has been slower than planned. As a consequence, the Council remains unable to financially quantify and provide for a liability for backdated employer contributions in the 2021/22 financial statements. It is now unlikely that it will be able to contact all impacted individuals until March 2023 although it remains the Council's intention, based on its current plans, to be able to financially quantify the liability in its 2022/23 financial statements. Following our review we asked the Council to update the disclosure of the related contingent liability in the draft 2021/22 financial statements to provide a fuller description of the current state of progress on actions still needed to fully rectify the breach and assess the financial impact of the issue. We also asked the Council to include a cross-reference to relevant disclosures in the 2021/22 annual governance statement, which will be published alongside the financial statements. We asked for the annual governance statement to set out both the anticipated milestones in the process necessary to assess the financial impact, and the steps the Council is proposing to take to expedite rectification. We are satisfied that disclosures in the financial statements and annual governance statement have been updated appropriately. *Recommendation 3* Accelerate the rate of progress to fully assess, financially quantify and rectify the issues caused by the historic breach of Teachers' Pensions Regulations in line with the Council's own timetable such that the liability arising can be quantified and provided for in the 2022/23 financial statements. *Management Response* There is now an agreed plan with the Teachers' Pension Scheme (TPS) to ensure that all those individuals in scope will receive an options letter to allow them to decide whether they would like to join the scheme. The data set will be provided to TPS by the end of October 2022 and all those in scope should receive an options letter by the end of March 2023, with the plan to conclude the exercise by the end of June 2023 (being three months after the final set of letters are sent). Based on this plan, the Council should then be in a position to estimate the financial impact of the breach for inclusion in the 2022/23 financial statements.

03 Audit Report

Audit Report

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

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 2022 under the Local Audit and Accountability Act 2014 (as amended). 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 40 and Expenditure and Funding Analysis on page 26 and include the firefighters' pension fund financial statements comprising the Fund Account and the Net Assets Statement, at note 41.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In our opinion the financial statements:

- give a true and fair view of the financial position of West Sussex County Council as at 31 March 2022 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 2021/22.

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. We are independent of the Council 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 Service's 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 Council's ability to continue as a going concern for the period to 31 March 2024 .

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 Council's ability to continue as a going concern.

Audit Report

Other information

The other information comprises the information included in the Statement of Accounts 2021/22, 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 2021/22.

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 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 Council
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- 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 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects.

Responsibility of the Director of Finance and Support Services

As explained more fully in the Statement of Responsibilities set out on page 22, the Director of Finance and Support Services is responsible for the preparation of the Statement of Accounts, which includes the Council 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 2021/22, and for being satisfied that they give a true and fair view and for such internal control as the Director of Finance and Support Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Support Services is responsible for assessing the Council'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 Council either intends to cease operations, or has no realistic alternative but to do so.

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

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 Council and determined that the most significant are:

- The Accounts and Audit Regulations 2015
- Local Government Act 1972 and section 114 of the Local Government Finance Act 1988
- CIPFAs Code of Practice on Local Authority Accounting
- Regulations 62 and 67 of the Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Act 2003
- Equality Act 2010
- Part 6 of the Local Government Act 1989
- Localism Act 2011
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020
- Regulation 34 of the LGPS (Administration) Regulations 2008
- The Public Service Pensions Act 2013
- National Health Service Act 2006

Audit Report

In addition, the Council 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, including the monitoring officer, 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 Council'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 Council'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 Council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine. We also reviewed journal postings to identify any inappropriate reclassification of revenue expenditure as capital.

To address our fraud risk of management override of controls, we reviewed journals throughout the year and at year-end to ensure there were no unexpected trends or unusual postings. All unusual or unexpected journal postings, including any which were indicative of management override, were tested further. We also 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.

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 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 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 2022.

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 (as amended) 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.

Audit Report

Certificate

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 Council's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

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 (as amended) 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 Council and the Council'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.

There were no misstatements greater than £21.5m which have been corrected by management. The IAS19 pension liability has been increased by £3.4m, 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 2021/22 Pension Fund accounts.

Some amendments were also made to disclosures appearing in the financial statements as a result of our work.

Some further adjustments have been made to the draft financial statements by the Council to account for infrastructure assets in accordance with the new statutory instrument issued in this area. These remain subject to audit and we will provide an update at the 1 February meeting of the Committee.

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 a governance statement. In preparing its 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 County Council accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

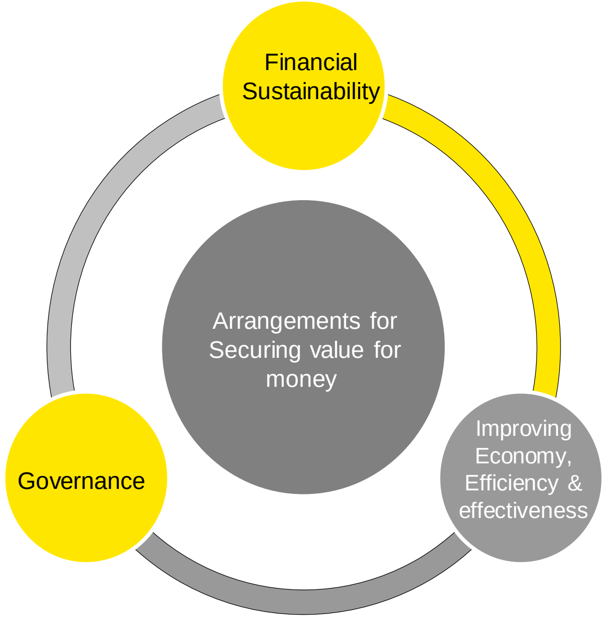
Throughout the audit we have performed a risk assessment in relation to the arrangements in place. This risk assessment looked at whether there was any risk of significant weaknesses in the VFM arrangements.

As set out in our update report to the September meeting of the Regulation, Audit and Accounts Committee we identified no risks of significant weaknesses in the Council's VFM arrangements. We have not identified any further risks as a result of ongoing considerations up to the date of this report.

Status of our VFM work

Our work on VFM is now complete and we have no matters to report by exception.

We will issue our VFM commentary in our 2021/22 Auditor's Annual Report which we expect to issue in February 2023.



Page 91

Agenda Item 5a

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 2021/22 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 2021/22 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 other matters to report. Some amendments and additions were made to the draft Annual Governance Statement as a result of our work.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have not yet been able to perform the procedures required by the NAO on the Whole of Government Accounts submission. This is because guidance from HM Treasury and the group audit instructions for 2021/22 on which our work is based have not yet been released.

We will report any matters arising to the Regulation, Audit and Accounts Committee.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (as amended) to consider whether to report on any matter that comes to our attention in the course of the audit, either for the County Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the County Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014 (as amended). We did not identify any issues.

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 County 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 no significant findings to communicate.

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 2021/22 audit.

<u>Completeness of the Council's lease register</u>
During the course of our prior year work we identified a number of operating leases present on the Council's lease register that were not present in preceding years, even though the leases 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 not required, or planned by the Council, until the 2024/25 financial year. We therefore recommended in prior years 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 review has identified a further 63 low value operating leases where the Council is lessor that were extant in prior years but were not included on the lease register until 2021/22. The value of the omitted leases, both in terms of the total annual rent and future lease payments due, was trivial and the amounts omitted from prior year disclosures do not impact our responsibilities. However, given the finding we are still not able to conclude the recommendations raised in prior years have been fully addressed and therefore continue to raise the same recommendation below.

Recommendation 4

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.

Management Response

We will continue to review and enhance the arrangements for the maintenance of our leasing register in preparation for the adoption of IFRS 16 in April 2024. Work to date has included the implementation of a reconciliation between schedules maintained by the Property and Finance teams, which has resulted in the retrospective recognition of a number of immaterial leases. Further work is required to understand how the source Property data is maintained, including during the stages of a lease's inception, to ensure that agreements are reflected in the Finance schedule at the appropriate point and in a timely manner.

Assessment of Control Environment

Financial Controls (continued)

<u>Related party declarations</u>

As part of our work in this area we identified a number of declarations made by members and senior officers where no related party interest had been disclosed but searches of Companies House records performed as part of our procedures suggest that related party interests do exist. We are satisfied that is all cases no related party transactions had actually been entered into during the year of account for any undisclosed relationship. We are also satisfied there is no evidence that the Council's control on obtaining related party declarations had not operated as designed, or that false declarations had been given, in that members and senior officers are only asked to disclose 'material' transactions with related parties as part of the declaration process. We have, however, concluded that the control should be strengthened by:

- Requiring member and senior officer declarations to disclose all related party interests and any transactions actually entered into.
- Undertaking a cross-check to Companies House records for a small sample of declarations made, particularly where no interests or transactions are disclosed.

This is necessary as we consider the use of the term 'material' in this context to be subjective and therefore open to interpretation. Under the current arrangements we consider there is scope for members or senior officers entering into an inappropriate transaction with a related party to not disclose this on the grounds that they did not consider it to be material.

Recommendation 5

Strengthen related party declaration procedures by requiring members and senior officers to disclose all related party interests and any transactions entered into. Also undertake a cross-check to Companies House records for a small sample of declarations made, particularly where no interests or transactions are disclosed.

Management Response

We accept this recommendation. As noted, there is no evidence of any error or omission in the financial statements, and so the requirements of the Code are currently being met. Additionally, our existing survey-based practice is consistent with the approach recommended by the Code Guidance Notes. However, we agree that the control could be further strengthened by adopting the measures which have been recommended. We will do so in a measured fashion, in recognition of limited resources and competing demands during a closedown period that, owing to multiple factors (including the earlier legislative timeline), is expected to be even more challenging next year.

Assessment of Control Environment

Financial Controls (continued)

Exit Packages

Our review of this area identified three low value packages totalling £21,500 where impacted individuals were notified of redundancy and related costs at the end of 2020/21 but amounts were not accrued and accounted for in the 2020/21 financial statements when the Council was demonstrably committed to the redundancies. We are satisfied that the payments were properly accounted for and disclosed in the 2021/22 financial statements which is when the redundancies actually took effect. We have concluded, however, that the Council should not apply its £10,000 accruals de minimis to exit packages to reduce the risk of not accounting for and disclosing exit packages in the financial year the Council becomes demonstrably committed to them.

Recommendation 6

Remove the accounting accruals de minimis applied to exit packages.

Management Response

We maintain that the application of our generic accruals de minimis in relation to exit packages is fully compliant with the Code's reporting requirements in this area, specifically with recognition of the Code's definition of materiality. However, we are happy to accept the recommendation to disapply our generic accruals de minimis in this specific area in future.

Schools bank reconciliations

As part of our work to review the Council's bank reconciliations at the end of the year we noted a net unreconciled difference of £858,000 across schools bank balances accounted for in the Council's accounts. We challenged this further and undertook sufficient further work to be satisfied that this is not material to our responsibilities. It remains important, however, that this is addressed and that schools provide sufficient information to the Council to allow complete reconciliation of bank balances held. The planned introduction of a new financial ledger and related processes in 2022/23 provide an opportunity to do this.

Recommendation 7

Fully reconcile schools bank balances accounted for by the Council in 2022/23.

Management Response

We accept this finding. The school banking ledger account and the associated reconciliation is currently subject to review as part of the data cleansing/migration work associated with the 'Smartcore' (SAP replacement) project, which is expected to address the unreconciled balance identified as part of the 2021/22 audit. Additionally we will review the procedures and responsibility for the ongoing oversight of this account to ensure that an appropriate reconciliation is maintained.

08 Data Analytics

Data analytics

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2021/22 our use of these analysers in the Council's audit increased having a digital audit "DigiGam" audit approach, using the Council's full journal dataset in our planning and risk assessment procedures through to execution which included testing journal entries to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our full audit planning report.

09 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 2021 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 are proposed for the year ended 31 March 2022 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 2021/22	Planned fee 2021/22	Final Fee 2020/21
	£	£	£
Scale Fee – Code work	£90,561	£90,561	£90,561
Fee variations (See Note 1)	TBC	£93,807	£51,252
PSAA pre-approved additional fee for ISA540 and VFM commentary (see Notes 1 and 2)	£17,413	£17,413 included as part of the £93,807 above	£17,413
Total Fees	TBC	£184,368	£159,226

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 assessed that the recurrent cost of additional requirements to carry out our audit should increase by £93,807. PSAA determined an additional scale fee variation of £68,665 for 2020/21. £3,800 of this relates to ISA540 Estimates, £13,613 relates to VFM commentary and the remaining £51,252 relates to other work areas and was determined on a non-recurrent basis. We expect similar recurrent costs to our assessment in 2021/22 and subsequent years. However, PSAA has stated that this will need to be determined each year.

Note 2 - PSAA communicated a range of fees in August 2021 for new VFM arrangements requirements. In the absence of further information, we have rolled this forward for 2021/22, together with the 2020/21 PSAA agreed fee for ISA540 estimates.

Other communications

EY Transparency Report 2021
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 1 July 2022: https://www.ey.com/en_uk/about-us/transparency-report

10 Appendices

Appendix A

Audit approach update

We summarise below our approach to the audit of the balance sheet.

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

Balance sheet category	Audit Approach in current year	Explanation for change
Trade receivables	Substantively tested all relevant assertions	No change
Tangible Fixed Assets	Substantively tested all relevant assertions	No change
Trade payables	Substantively tested all relevant assertions	No change
Cash, borrowings and investments	Substantively tested all relevant assertions	No change
Pension Liability	Substantively tested all relevant assertions. We engaged EY Pensions to assist with reviewing actuary model.	No change

Appendix A

Audit approach update - continued

Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
PFI	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change
Grants and Contributions	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change
Reserves	Ensured all movements in reserves were internally consistent	Ensured all movements in reserves were internally consistent	No change

Appendix B

Summary of communications

Date	Nature	Summary
Throughout the year	Meetings, calls and emails.	The Partner and Senior Manager have 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.

Appendix C

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.	Full Audit Planning Report – dated July 2022
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.	Full Audit Planning Report – dated July 2022 VFM Risk Assessment and Audit Progress Update – dated September 2022
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	This Audit Results Report

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	This Audit Results Report.
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.	This Audit Results 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 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.	This Audit Results Report.

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	This Audit Results Report.
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	Full Audit Planning Report – dated July 2022. This Audit Results Report.

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.	This Audit Results Report.

Page 111

Agenda Item 5a

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	This Audit Results Report.
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	This Audit Results Report.
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	This Audit Results Report.
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	Full Audit Planning Report – dated July 2022. This Audit Results Report.

Management representation letter - provisional

NB this wording is provisional due to the incomplete work on infrastructure assets, we are currently unable to determine the final representations that are required

Helen Thompson
Associate Partner
Ernst & Young LLP
Grosvenor House
Grosvenor Square
Southampton
SO15 2BE

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 2022. 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 2022 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 2021/22.

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 2021/22.

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 2021/22, 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 2021/22, 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 and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus 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.

6. We confirm the Council does not have securities (debt or equity) listed on a recognized exchange.

Appendix D

Management representation letter - continued

Management Rep Letter

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 improprieties;

• related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the [Council/Authority]'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/Authority]'s activities, its ability to continue to operate, or to avoid material penalties;

• 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 and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

3. We have made available to you all minutes of the meetings of the Council and committees held through 2021/22 to the most recent meeting of the Regulation, Audit and Accounts Committee held on 21 November 2022.

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.

Management representation letter - continued

Management Rep Letter

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 2021/22.

6. 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.

7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) 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, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

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 36 to the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Notes 37 and 38 to the financial statements discloses 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 34 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, 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 2021/22, 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. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered.

2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, aligned with the statements we have made in the other information or other public communications made by us.

Appendix D

Management representation letter - continued

Management Rep Letter

J. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

K. 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 and buildings classified as property, plant & equipment, investment property and surplus assets and valuation of IAS19 pension liabilities 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.

L. Estimates

1. We confirm that the significant judgments made in making the valuation of land and buildings classified as property, plant & equipment, investment property and surplus assets and valuation of IAS19 pension liabilities 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 the valuation of land and buildings classified as property, plant & equipment, investment property and surplus assets and valuation of IAS19 pension liabilities.
3. We confirm that the significant assumptions used in the valuation of land and buildings classified as property, plant & equipment, investment property and surplus assets and valuation of IAS19 pension liabilities appropriately reflect our intent and ability to carry out the specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, 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 2021/22.
5. We confirm that appropriate specialized skills or expertise has been applied in the valuation of land and buildings classified as property, plant & equipment, investment property and surplus assets and valuation of IAS19 pension liabilities
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.

M. 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,

____

Taryn Eves, Director of Finance and Support Services

____

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

Appendix E

Implementation of IFRS 16 Leases

In previous reports to the Regulation, Audit and Accounts Committee we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 has been further delayed. However, officers should be acting now to assess the County Council's leasing positions and secure the required information to ensure the County Council will be fully compliant with the Code when implemented. The following table summarises some key areas officers should be progressing.

IFRS 16 theme	Summary of key measures
Data collection	Management should: • Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors. • Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases • Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.
Policy Choices	The County Council needs to agree on certain policy choices. In particular: • Whether to adopt a portfolio approach • What low value threshold to set and agree with auditors • Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components • What is managements policy in relation to discount rates to be used?
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the County Council is lessee. However, there can be implications for some finance leases where the County Council is lessee; and potentially for sub-leases, where the County Council is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.

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.
EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

ED None

ey.com

West Sussex County Council

Draft Auditor's Annual Report

Year ended 31 March 2022

Contents

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/).The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the 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.

Introduction

Purpose

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

Responsibilities of the appointed auditor

For West Sussex County Council we have undertaken our 2021/22 audit work in accordance with the Full Audit Planning Report that we presented to the July 2022 meeting of the Regulation, Audit and Accounts Committee and the VFM Risk Assessment and Audit Progress Update report presented to the September 2022 meeting of the Regulation, Audit and Accounts Committee. For West Sussex Pension Fund we have undertaken our 2021/22 audit work in accordance with the Audit Planning Report that we presented to the July meeting of the Regulation, Audit and Accounts Committee. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

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

Responsibilities of the Council:

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

Introduction (continued)

2012/22 Conclusions	
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2022 and of its expenditure and income for the year then ended. We issued our auditor's report on XX XXXX 2023.
Going concern	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.
Consistency of the other information published with the financial statement	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
Consistency of the Pension Fund annual report and other information published with the financial statements	Financial information in the Pension Fund Annual report and published with the financial statements was consistent with the audited accounts.
Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 03.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of government accounts	We have not yet been able to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission 2021/22 because guidance from HM Treasury and the group audit instructions for 2021-22 on which our work is based have not yet been released.
Certificate	We have not yet issued our certificate for 2021/22 as we have not yet been able to perform the procedures required by the National Audit Office on the Whole of Government Accounts submission as explained above.

Audit of the financial statements – West Sussex County Council

Key findings

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

On XX XX 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 1 February 2023 Regulation, Audit and Accounts Committee meeting. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan. We reported four internal control recommendations and raised three other recommendation for improvement in the control environment in the Audit Results Report. All of these recommendations were accepted by management.

Significant risk	Findings and Conclusion
Misstatements due to fraud or error An ever present risk that management is in a unique position to commit 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 did not identify any material evidence of material management override. Specifically: • Our review of trends in general ledger data, and detailed consideration of unusual or unexpected journal postings, did not identify any journal entries that suggested the manipulation of accounting records or override or controls by management. • Our review of accounting estimates, including estimates with a higher level of inherent risk, identified no evidence of management bias. • There were no significant unusual transactions.
Inappropriate capitalisation of revenue expenditure Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund	Our testing did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position.

Audit of the financial statements – West Sussex County Council

Key findings (continued)

Significant risk	Findings and Conclusion
Non-operational land and buildings classified as Investment Property (IP) and Surplus Assets The valuation of land and buildings is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements. We made use of our own professionally qualified valuation specialists to support our work in this area. We have raised separate risks for IP and surplus assets, property, plant and equipment (PPE) valued at EUV and PPE valued at DRC because each valuation methodology is reliant on different assumptions and estimation processes.	We made no adjustments to the financial statements but our specialist valuer identified weaknesses in the valuation approach for Westhampnett and Tangmere solar farms that are set out in more detail in our Audit Results Report. As a result we raised one associated recommendation for improvement which was accepted by management.
Operational land and buildings classified as Property Plant & Equipment (PPE) – Existing Use Value (EUV) The valuation of land and buildings is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements. We made use of our own professionally qualified valuation specialists to support our work in this area. We have raised separate risks for IP and surplus assets, property, plant and equipment (PPE) valued at EUV and PPE valued at DRC because each valuation methodology is reliant on different assumptions and estimation processes.	We made no adjustments to the financial statements but detected that prior year data had been used in error in the valuation of externally provided care homes. As a result we raised one associated recommendation for improvement which was accepted by management.
Operational land and buildings classified as PPE – Depreciated Replacement Cost (DRC) The valuation of land and buildings is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements. We made use of our own professionally qualified valuation specialists to support our work in this area. We have raised separate risks for IP and surplus assets, property, plant and equipment (PPE) valued at EUV and PPE valued at DRC because each valuation methodology is reliant on different assumptions and estimation processes.	We made no adjustments to the financial statements and had no issues to raise.

Audit of the financial statements – West Sussex County Council

Key findings (continued)	
Significant risk	**Findings and Conclusion**
Accounting for infrastructure assets Where management incur subsequent expenditure to replace part of an asset, the CIPFA Code requires management to write out the value of the old part being replaced. Nationally, audit firms have identified an issue with applying this accounting treatment to infrastructure assets. Across the country authorities are not keeping sufficient detailed records of infrastructure spend to allow the value of the part being replaced to be written out.	We provisionally concluded that the accounting of the County Council for Infrastructure Assets is not in line with the current CIPFA Local Authority Accounting Code. Changes have subsequently been made to the Code by CIPFA and DLUHC has issued a Statutory Instrument to temporarily change accounting rules in this area. The Council has changed its approach and disclosure in the financial statements to comply with the revised requirements. This remains subject to audit at the date of this report. A LAAP bulletin has also been issued by CIPFA which covers how infrastructure assets should be depreciated. Management Is considering the approach currently taken by the Council to depreciating infrastructure assets against this guidance. We will need to review this assessment and any resulting changes to the financial statements or impact on our responsibilities.
Other area of audit focus	**Findings and Conclusion**
Pensions Liability Valuation (inherent risk) The Pension Fund liability is a material balance in the Balance Sheet. 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.	As in previous years an adjustment was made to account for the difference between the audited value of the Council's share of pension scheme assets and the estimated value communicated to the Council's actuary earlier in the year to inform its assessment of the Council's pensions liability. This adjustment, which we consider to be the update of an estimate and not the correction of an error, increases the reported pensions liability and debit balance on the negative pensions reserve by £3.4 million.
Going Concern (area of focus) The Council is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approval of the financial statements. There is a risk that the Council's financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period.	Management produced a going concern assessment to the end of the 2023/24 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 37 and Note 38 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. We note, however, that if the current rates of inflationary uplift are sustained, this would have the impact of creating higher cash outflows than currently assumed by the Council in its modelling. We do not consider this creates a material uncertainty as other mitigating action could be taken, for example a reduction in the planned capital programme, but this a key area of risk for West Sussex and local government bodies more generally.

Audit of the financial statements – West Sussex County Council

Key findings (continued)

Other area of audit focus	Findings and Conclusion
Accounting for Covid-19 related grant funding (inherent risk) The Council has continued to receive 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 2021/22.	Based on our work we were 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.
Teacher's Pensions We became aware in September 2021 that the Council reported a breach of the Teachers' Pension Regulations to the Pensions Regulator in June 2021. This relates to a failure over a number of years dating back to 2007 to auto-enrol some part time and casual teaching staff onto the pension scheme as required following a change to regulations in 2007. The underlying failure to auto-enrol was fully rectified from September 2017, so this is not a continuing issue. Work completed by a professional benefits advisor in September 2021 fully scoped the number of records and individuals impacted historically. The Council was not, however, able at that point in time to quantify the cost of the breach until further work had been completed by the Teachers' Pensions Service and impacted individuals were contacted to confirm whether or not they intend to join the scheme. We raised a related recommendation for improvement as part of our 2020/21 Auditor's Annual Report.	Progress to quantify the number of impacted individuals and then to contact individuals to assess whether they wish to join the scheme has been slower than planned. As a consequence, the Council remains unable to financially quantify and provide for a liability for backdated employer contributions in the 2021/22 financial statements. It is now unlikely that it will be able to contact all impacted individuals until March 2023 although it remains the Council's intention, based on its current plans, to be able to financially quantify the liability in its 2022/23 financial statements. Following our review we asked the Council to update the disclosure of the related contingent liability in the draft 2021/22 financial statements to provide a fuller description of the current state of progress on actions still needed to fully rectify the breach and assess the financial impact of the issue. We also asked the Council to include a cross-reference to relevant disclosures in the 2021/22 annual governance statement, which will be published alongside the financial statements. We asked for the annual governance statement to set out both the anticipated milestones in the process necessary to assess the financial impact, and the steps the Council is proposing to take to expedite rectification. We are satisfied that disclosures in the financial statements and annual governance statement have been updated appropriately. We also raised a recommendation for improvement as part of our Audit Results Report which was accepted by the Council.

Audit of the financial statements – West Sussex Pension Fund

Key findings

On XX XX 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 1 February 2023 Regulation, Audit and Accounts Committee meeting. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Findings and Conclusion
Risk of manipulation of investment income and valuation An ever present risk that management is in a unique position to commit 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 have not identified any material evidence of material management override. Specifically: • Our review of trends in general ledger data, and detailed consideration of unusual or unexpected journal postings, did not identify any journal entries that suggested the manipulation of accounting records or override or controls by management. • We were able to reconcile fund manager, custodian and valuer reports to investments valuations disclosed in the financial statements with no material differences. • We were able to agree the detailed investment note using reports directly from the custodian, valuer or fund managers. • We checked the reconciliation of holdings included in the Net Assets Statement back to the source reports. • Our review of accounting estimates, including estimates with a higher level of inherent risk, identified no evidence of management bias.

Other area of audit focus	Findings and Conclusion
Valuation of Level 3 Investments Where management incur subsequent expenditure to replace part of an asset, the CIPFA Code requires management to write out the value of the old part being replaced. Nationally, audit firms have identified an issue with applying this accounting treatment to infrastructure assets. Across the country authorities are not keeping sufficient detailed records of infrastructure spend to allow the value of the part being replaced to be written out.	We were satisfied that the valuation of the Fund's level 3 investments is materially correct in the financial statements. There were no significant reporting points or areas of concern arising from the procedures undertaken.

Page 127

Agenda Item 5b

Audit of the financial statements – West Sussex Pension Fund

Key findings

Other area of audit focus	Findings and Conclusion
Valuation of directly held property We consider the valuation of property investments to be of a higher degree of inherent risk because of the level 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.	We were satisfied that the valuation of the Fund's directly held property investments is materially correct in the financial statements. There were no significant reporting points or areas of concern arising from the procedures undertaken
Going Concern 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. 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.	We were satisfied that management's assessment that the financial statements should be prepared on a going concern basis and that this was properly informed by management's assessment. Some amendments were made to relevant disclosure in the draft financial statements as a result of our work. In particular we asked management for a period of more than 12 months from the anticipated date the financial statements are authorised for issue.
IAS 26 We consider the valuation of IAS 26 to be of a higher degree of inherent risk because of the level of estimation uncertainty resulting from the calculation using a number of underlying assumptions. The actuary is required to make assumptions on salary increases, discount rates, pension rates, scheme member longevity and other variables. While IAS 26 does not inform the primary statements, there is stakeholder interest in this disclosure due to it's nature.	We identified no significant issues as a result of our review.

Value for Money

We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2021/22.

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

We have no matters to report by exception in the audit report.

Scope

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

Reporting

We completed fully completed our risk assessment procedures by September 2022 and did not identify any significant weaknesses in the Council's VFM arrangements. We have also not identified any risks of significant weaknesses in arrangements during the course of our audit. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our full commentary for 2021/22 is set out in Appendix A. The commentary on these pages summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see below) throughout 2021/22. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Annual Auditors Report and have been updated for 2021/22.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weaknesses identified

Value for Money (continued)

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

Net revenue expenditure for 2021/22 on portfolio budgets was £590.4 million, representing a £1.2 million underspend, and overall, the Council underspent against its revenue budget by £5.6 million. Full year outturn capital spending for 2021/22 was £112.0 million. This was £4.6 million greater than the revised budget of £107.4 million. The level of delivery of the capital programme improved significantly from 2020/21, when only 89.5% of the planned capital programme, and 91.7% of the revised capital budget, had been delivered by the end of the year because of the impacts of Covid-19.

Total usable reserves decreased by £19 million from £296 million to £277 million over the course of the year, but this was attributable to the application of capital grants to finance the capital programme and address the level of slippage from the previous year. Usable earmarked revenue reserves increased by £14.9 million in the period, and the general fund balance remained unchanged at £20.3 million. Both the budget management reserve and inflation contingency reserve balances increased. This is important given the financial challenges faced by the Council in future years. The Covid-19 pandemic has continued to impact the Council's operations, services and finances in 2021/22. The Council has maintained its arrangements to both monitor the impact of this on its financial position in the year and ensure that recurrent impacts are considered in its future financial plans.

A balanced budget was set for 2021/22 and 2022/23. However, as part of the Medium-Term Financial Strategy (MTFS) update in February 2022 the Council reported that the forecast cumulative budget gap to 2025/26 had increased to £63.4 million before any planned savings. Rapidly rising pay and price inflation is recognised as a key budget pressure. Although provision for pay and price inflation has been made in the 2022/23 budget the rate of inflation has continued to rise since the budget was set and is now reported as at 9.1% at July 2022, with further increases expected by the end of the calendar year. Further transfers to reserves at the end of 2021/22 provide some mitigation but, in common with other councils, the impact of inflationary pressures on the 2022/23 budget remains a very significant area of financial risk in the future. The new Dedicated Schools Grant (DSG) adjustment account has a year-end deficit balance of £25.5m which represents the Council's cumulative DSG overspend at the end of the year. Although not yet an explicit cost pressure on the Council's general fund it is important a viable deficit recovery plan is produced as costs may again become general fund pressure in 2023/24.

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

Value for Money (continued)

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

The Council continues to maintain adequate arrangements to monitor and assess risk and gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud and corruption. This is supported by the findings of internal audit work in the year, with the Head of Internal Audit concluding for 2021/22 that the Council's framework of governance, risk management and control is reasonable.

The Council has continued to make good progress in securing improvements to address weaknesses highlighted through service inspections of Children's Services and the Fire & Rescue Service in previous years. Ofsted performed further monitoring visits of Children's Services in the year to consider progress made. The results show that the service has made steady progress, specifically recognising the permanent senior leadership team and the strengthened approach to quality assurance. In March 2022 the Parliamentary Under Secretary of State for Children and Families confirmed that Children's Services will remain in control of the Council due to the improvements made to date and plans for further action. This is a significant positive achievement. Investment made into the Fire and Rescue Service has resulted in improvements. An updated inspection report was released in July 2022 by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS). HMICFRS reported that the service has made significant progress since the last inspection in 2018 but must now maintain and build on this by addressing some areas where further improvement is required.

As part of our 2020/21 audit we considered compensation payments for loss of employment to three former senior officers. As a result of our findings in this area we issued a related recommendation for improvement in our 2020/21 Auditor's Annual Report that the Council should seek to ensure that its defined process for determination and approval of senior officer compensation payments is followed consistently and that sufficient evidence is retained to demonstrate this. In its 2021/22 programme of work Internal Audit has undertaken a review of HR Policy Compliance. This report explicitly references the recommendation we made in the prior year as part of its terms of reference. The scope of this review focused on the processes in place for the authorisation and calculation of one-off payments such as settlement agreements, resettlement/removal expenses, mutual termination agreements, retention payments and loans to employees. The report has been given a 'limited assurance' grading and a number of areas have been highlighted where the framework of governance, risk management and internal control could be improved. As a consequence a number of actions have been agreed by management. We do not consider this to be a significant weakness in the Council's arrangements but conclude that our prior year recommendation, which was issued after the period considered by Internal Audit, is unlikely to have been fully addressed. We have therefore raised a further recommendation for improvement around the need to implement the recommendations in the Internal Audit report action plan.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to make informed decisions and properly manage its risks.

Recommendation 1:
Formally update the Council's leavers policy to contain a requirement for related party declarations to be obtained for all senior officers as part of standard arrangements. This partially repeats a recommendation raised as part of our 2020/21 Auditor's Annual Report.

Management response:
The process to ensure that a declaration is obtained for a departing senior officer during the year has been formally agreed with colleagues within HR&OD. The Council's internal SharePoint site has been updated to reflect the agreed process including appropriate guidance notes.

Value for Money (continued)

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

Recommendation 2:
Ensure full implementation of the management action plan agreed as part of the 2021/22 Internal Audit HR Policy Compliance review.

Management response:
There is a defined policy and agreed processes for one-off payments to employees to compensate for loss of employment. The Council acknowledges that there are additional actions, as set out in the Internal Audit report, needed to provide assurance for the application of the policy and processes and plan to complete these by the end of December 2022.

Value for Money (continued)

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

The Council has needed to progress a number of significant workstreams and partnership arrangements during the year that will have a significant impact on its core business processes. This will need to continue to be managed effectively and delivered to completion in 2022/23.

Work has continued in the year to progress the SmartCore project to replace the current Council's current SAP finance, HR and procurement system, with a new Oracle Fusion system. A contract was awarded to Entserv UK Limited (trading as DXC) in June 2020 for DXC to be the Council's contractor for the transition from SAP to Oracle Fusion. Since the commencement of the contract a number of business design and delivery requirements for the programme led to changes to the planned timetable and contractual position to ensure a successful implementation of the programme. A key part of the SmartCore Programme is to establish a new solution for procurement and purchasing at the Council. It is intended the solution in relation to procurement will be fulfilled by Atamis through an established strategic partnership.

Further progress has also been made in the year on the Council's joint venture partnership for property development. The procurement process to select a commercial enterprise to work with the Council has now completed: Lovell Partnership, a wholly owned subsidiary of Morgan Sindall Group plc, has been appointed to act as joint venture partner for the Joint Venture Limited Liability Partnership (JV LLP). The JV LLP comprises the new partner and a wholly owned subsidiary company of the Council, Edes Estates Limited. Ten sites across the County have been identified for the potential development of around 600 dwellings, with planning applications for three developments totalling 156 new homes submitted at the end of May 2022. A governance structure and shareholder group have also been established.

Arrangements to exit from the current Capita support service contract have developed further during 2021/22. A number of support service functions provided by Capita under its contract with the Council in 2021/22 are expected to either be brought back in-house, or in limited situations re-procured, during 2022/23. This has involved preparation and planning work for services and staff impacted by the transition, the design of replacement arrangements and transition and exit from the current contractual arrangements. Significant work will continue to be required during 2022/23 to support Capita staff as they transfer to the employment of the Council, design replacement service structures, agree reporting lines and management responsibilities, devise new job roles and skills requirements, transfer knowledge and implement new ways of working.

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

Appendices

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them.

Findings

The Council sets a balanced revenue budget annually. The budget supports delivery of the Council's key priorities, which for 2021/22 are set out in the Council Plan 2021-2025. The budget is therefore used to ensure financial resources are aligned to areas where the Council believes it will secure the greatest benefit to residents of West Sussex and the County as a whole. The annual budget is then linked to the medium-term aspirations of the Council through its medium-term financial strategy (MTFS), which considers a three year forward view, and its capital programme which extends forward for 5 years. Council members are fully engaged in this process, including a briefing on the MTFS including options for managing pressures and savings followed by further review by scrutiny committees. The budget considers known and expected demand and cost pressures and known and expected changes in funding. A programme of savings is needed to balance the budget, with decisions on significant savings proposals taken by the Cabinet with appropriate scrutiny.

Net revenue expenditure for 2021/22 on portfolio budgets was £590.4m, representing a £1.2m underspend. This includes underspending within the Environment and Climate Change (£2.7m) and Highways and Transport (£1.2m) portfolios, offset by overspending within the Learning and Skills (£1.6m) and Finance and Property (£2.7m) portfolios. Homeworking also resulted in £1.2m of underspending which is included within the outturn position for each portfolio. In addition to this, there was an underspend on the contingency budget of £5.0m along with an overspend on the non-portfolio capital financing budget of £0.6m. The overall underspending from these three areas is £5.6m. This underspending has been transferred to two reserves. The balance of the unallocated contingency budget (£5.0m) has been transferred to the Inflation Contingency Reserve. This reserve recognises the future challenging economic forecast and the uncertainty regarding inflationary increases in 2022/23. The balance of the homeworking underspend (£0.6m) has been transferred to the Service Transformation reserve to fund future innovative projects

Full year outturn capital spending for 2021/22 was £112.0m. This was £4.6m greater than the revised budget of £107.4m, which included £5.8m of slipped project from 2020/21 where delivery of the capital programme had been impacted by Covid-19. The level of delivery in 2021/22 improved significantly from 2020/21, when only 89.5% of the planned capital programme, and 91.7% of the revised capital budget, had been delivered by the end of the year.

Total usable reserves decreased by £19m from £296m to £277m over the course of the year. This was directly attributable to the increased level of capital spending during the year and a £33.8m call on the capital grants unapplied account to partly finance this. Usable earmarked revenue reserves increased by £14.9m in the period and the general fund balance remained unchanged at £20.3m. As part of earmarked reserves, the budget management reserve has increased by £7.3m compared to the prior year. An inflation contingency reserve has been created and has a year-end balance of £5m. Both balances are available to support the revenue spending of the Council should there be a need to do so in the future.

The Covid-19 pandemic continued to have a significant impact on Council operations, services and finances in 2021/22, however the scale of impact has reduced from previous years. Discrete arrangements have been developed to manage both the additional costs and grant funding relating to the pandemic. The MTFS planning framework also reflects the potential impact of Covid-19, both from the potential funding and budget pressure perspectives. A total £94.4m of Covid-19 revenue funding was available in 2021/22. Of this funding, £71.3m was utilised in year in response to the pandemic, £3.3m of unspent ringfenced grant will be repaid to the Government and £19.8m has been carried forward into 2022/23 to continue to cover the costs of the on-going pandemic in the new financial year, of which £16.0m is held within an earmarked reserve.

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

How the body plans to bridge its funding gaps and identifies achievable savings.

Findings

As part of the update of the MTFS at the time the 2021/22 budget was set in February 2021 the Council was able to report a balanced budget for 2021/22 but with a remaining cumulative budget gap of £53.9m to the 2024/25 financial year, with £35.8m of that funding shortfall forecast to occur in 2022/23. As part of setting the budget the Council sets out the savings plans for 2021/22 and 2022/23. 2021/22 contained target savings of £18.5m to deliver a balanced budget. While not all planned savings were achieved in the year, the Council has continuously monitored and flagged delivery risks. The MTFS update in February 2022 reported a balanced budget for 2022/23, however the cumulative budget gap to 2025/26 had increased to £63.4m before any planned savings.

Both a bottom-up and top-down approach is taken to budget setting. In late spring/early summer the published MTFS, as approved by the Council in February, is revised to reflect:

- The latest guidance from government on core funding.
- An update of the tax base for council tax and business rates, with realignment to the latest information from the district and boroughs.
- The latest Office of Budget Responsibility inflation forecasts.

Known and emerging service pressures and savings proposals are considered and quantified as part of this and are required to be supported by directorate templates, including impact assessments. Other savings are driven by strategic decisions that are taken at Cabinet level. Following this initial appraisal, funding sources, service pressures and savings are kept under continual review. In late November/early December, control totals are generated from the MTFS to enable services to build their budgets up for the following year. The totals include service provisions for inflation, budget pressures and adjustments for savings. Final control totals are issued following the outcome of the local government finance settlement in mid-December.

Rapidly rising pay and price inflation is recognised as a key budget pressure. Allowances for inflation are recognised in both the 2021/22 and 2022/23 budgets with 2.5% (21/22) and 3% (22/23) being included for pay inflation, 3.7% for price inflation, and with a further £2.9m inflation contingency included in the 2022/23 budget. Inflation in the UK has continued to rise since the budget was set and is now reported as at 9.1% at July 2022, with further increases expected by the end of the calendar year. The £5m set aside by the Council in the inflation contingency reserve, £2.9m inflation contingency included in the 2022/23 budget and general contingency of £6.3m in the 2022/23 budget provide some mitigation but, in common with other councils, the impact of inflationary pressures on the 2022/23 budget remains a very significant area of financial risk in the future.

The emphasis in budget planning continues to be on delivering efficiencies, cost reductions and income generation with a view to protecting core services along with delivering the Council's strategic priorities as set out in its Council Plan for 2021-2025. The Council's stated aim has been to avoid arbitrary or across the board budget reductions, as it considers these would not reflect the Council's priorities and would be more difficult to assess in terms of impact on its broad range of responsibilities. Instead, the Council seeks to focus on specific measures to both understand impacts and address any adverse effects on services or support. The Council's Capital Strategy and Capital Programme are aligned to this and set out how the Council proposes to invest in capital projects to deliver its priorities and alleviate current or forecast future pressures on the revenue budget.

The Council routinely reports the delivery of savings in its Performance and Resources Report (PRR)), as part of its wider monitoring of financial and business performance. Historically the Council has a good track record of delivery and reports that around £287m of savings had been delivered at the end of 2021/22 since 2010, typically delivering over 90% of planned savings each year. The budget for 2021/22 assumed savings of £18.5m. Only £10.2m or 55% of this was achieved as originally envisaged or delivered by other means. The largest area of missed savings was in the adult services portfolio. This is because the cost of care packages rose by almost 4% in real terms, which prevented delivery of the savings target for absorbing demand growth through demand management because care could not be purchased at the price on which that plan had been based. This shortfall was mitigated in the 2022/23 budget.

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

How the body plans to bridge its funding gaps and identifies achievable savings.

Findings (continued)

The Dedicated Schools Grant (DSG) remains an important source of funding for the Council. The new DSG adjustment account has a year-end deficit balance of £25.5m which represents the Council's closing cumulative DSG overspend at the end of the year. The cumulative deficit has increased by £15.1m reflecting continued overspending by the Council against its DSG allocation during 2021/22. Although the deficit continues to be classified as an unusable reserve in accordance with regulatory changes which took effect during 2020/21, the temporary legislation that enables this was set to expire at the end of March 2023, although this has now been extended by three years to March 2026. It is therefore important that plans are formulated to address this and that it is properly considered as a cost pressure in future year budgets. To address this an updated mitigation plan has been established by the Council for 2022/23 which was agreed in November 2021. A further update to the DSG recovery plan was also scheduled for later in 2022/23. Although not yet an explicit cost pressure on the Council's general fund, it is important a viable deficit recovery plan is produced as costs may again become general fund pressure in 2023/24 following expiry of the current temporary legislation.

Reporting Sub-Criteria

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

Findings

The annual budget and MTFS sit alongside and facilitate the Council's Plan for 2021-25. The Council Plan has been developed collaboratively with elected members, staff, partners and residents to prioritise the most important areas the Council needs to focus on in the future. This is done to allow the Council's limited resources to be spent on the areas where it is needed most. It has been developed in parallel with the budget for 2022/23 and is fully funded. As it is aligned to the budget and MTFS, it is intended to act as the framework in which investment decisions can be made based on agreed priorities and the outcomes the Council wants to achieve.

The process of defining the Council Plan has been designed with the intention of bringing together business planning, financial planning and risk management processes. It is intended to provide the framework for the Council's decision making and planning to ensure that it is making the best use of the resources available, properly understanding the value for money delivered and at the same time remaining focused on the delivery of priority outcomes.

The Council undertook a review against comparable authorities based on CIPFA's financial resilience index. It was reported that the latest published index of March 2020 showed the County Council had good resilience in terms of a strong council tax base and a reasonable level of overall reserves. The level of reserves held is continually reviewed and reported as part of the PRR. As at 31 March 2022, the balance on the Budget Management Reserve was £61.7 million, an increase of approximately £7 million from the prior year, and the Service Transformation Reserve remaining broadly unchanged at £13.3 million.

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system.

Findings

The integration between the Council's business and financial planning has been described above, including the link to its capital strategy and capital programme. The development of the annual budget and MTFS, and detailed assumptions on the operations of the Council that underpin them, is now being driven by its vision of the future as set out in the Council Plan, which is also then linked to the key governance and control arrangements of the Council, for example its performance and risk management arrangements.

Over the past two years the Council has also needed to respond to the challenges of Covid-19, which has required working together with other partners including district and borough councils, whether in terms of social care, support to vulnerable individuals and families, safely re-opening schools, supporting suppliers and partners including the NHS and school transport. This has shown that the Council is able to react and work effectively as part of wider system of public services.

Reporting Sub-Criteria

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Findings

The Council's arrangements for identifying its significant financial pressures as part of its annual budgeting and medium-term financial planning have already been considered as part of this commentary. Performance against those plans is monitored in the PRR which provides an integrated assessment of the Council's business and financial performance. This integrated monitoring enables the Council to detect unplanned changes to its service activities and operations with potential to impact its financial resilience on an ongoing basis so they can be considered in its continuous budget planning. Its risk and performance management arrangements, which are considered further below as part of this commentary, also feed into this. The corporate planning process has been designed with the intention of further integrating business planning, financial planning, and risk management processes.

The Council seeks to maintain an adequate level of usable reserves. Although usable reserves decreased by £19m over the course of the year this was directly attributable to the increased level of capital spending during the year and calls on the capital grants unapplied account to partly finance this. Usable earmarked revenue reserves increased by £14.9m in the year and the general fund balance remained unchanged at £20.3m. The total of earmarked general fund reserves and the general fund balance of £251.4m provide contingency for unexpected changes and sustains financial resilience. Reasonable general and pay-specific contingencies are built into the annual revenue budget and the budget management reserve is used to provide a stable platform for service planning as the MTFS is developed. It is intended to be the first call on the Council resources to deal with any unforeseen in year expenditure if the revenue contingency budget were to be exhausted. As for all public bodies, inflationary cost pressures going into 2022/23 represent a significant financial risk.

Appendix A – Summary of arrangements

Governance

Reporting Sub-Criteria

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.

Findings

The Council's arrangements for the allocation of responsibility for risk management are set out in the Risk Management Procedures in Part 4 of the Council's Constitution. The Chief Executive is responsible for approving the Council's Corporate Risk Management Strategy and for reviewing the effectiveness of risk management. The Executive Leadership Team is responsible for implementing the Corporate Risk Management Strategy throughout the Council. The Director of Finance and Support Services is responsible for the monitoring and reporting all significant risks. Directors, Assistant Directors and Heads of Service throughout the Council are responsible for managing specific areas of risk that apply in their specific businesses and are to be aligned with business planning. The Regulation, Audit and Accounts Committee is responsible for monitoring the effective operation of risk management in the Council and for ensuring that Internal Audit's programme of work considers the Council's risks. Members, including through Cabinet and the non-executive and scrutiny committees, are responsible for ensuring that there are appropriate processes in place for effective risk management. The Council's Risk Management Strategy is refreshed annually and shows the alignment of strategic risks and priorities, with the last update taking place in July 2021. There are linked corporate and directorate risk registers, with risks scored according to their likelihood of occurrence and severity of impact. Quarterly review and update of the corporate risk register is reported as part of the Council's PRR and reviewed by the Regulation, Audit and Accounts Committee, which considers the effectiveness of risk management arrangements more generally. Management has a range of monitoring arrangements to ensure controls are operating effectively, including Internal Audit. The annual Internal Audit Plan incorporates an appropriate level of coverage in respect of the County Council's system of internal control.

In 2021/22 the Head of Internal Audit has concluded that the Council's framework of governance, risk management and control is reasonable. Where deficiencies in governance arrangements are identified they are reported in the Council's Annual Governance Statement (AGS) with related actions for improvement included in the AGS action plan. This includes any concerns raised by external inspectorates, external audit, and any limited assurance audit reports, which are issued by Internal Audit. The AGS process itself was reviewed by internal audit in November 2021 and a reasonable assurance report was given. Following completion of our VFM planning procedures we asked the Council to refer to the issues highlighted in the limited assurance Internal Audit review of GDPR compliance arrangements in the year end AGS and this was done.

Minimising any losses to fraud and corruption is an essential part of ensuring that all the Council's resources are used for the purposes for which they are intended. To facilitate this the Council has an Anti-Fraud and Corruption Strategy that sets out its overall policy in respect to fraud and corruption. The Strategy is based on inter-related procedures designed to frustrate any attempted fraudulent or corrupt act. These cover culture, prevention, detection, investigation and training. The Council's anti-fraud and corruption strategy is currently being reviewed and this review will also include a decision on how often this policy should be updated. The anti-fraud strategy is further supplemented by separate policies on whistleblowing and anti-bribery.

The Monitoring Officer and Director of Finance and Support Services work with the Head of Internal Audit to devise and prioritise a counter-fraud work plan. The Monitoring Officer is notified of all specific instances of suspected fraud and the outcome of all related investigations in addition to regular meetings with the Director of Finance and Support Services and the oversight of the AGS and actions arising from it. This is supplemented by the lead role of the Monitoring Officer in overseeing the use of the Whistleblowing Policy and tracking complaints about the Council's systems and procedures made through individuals using the policy or more direct referrals. The Whistleblowing Policy is designed to offer a route for challenges to processes or actions within the Council where Council staff need confidentiality.

Appendix A – Summary of arrangements

Governance

Reporting Sub-Criteria

How the body approaches and carries out its annual budget setting process.

Findings

The Council sets a balanced revenue budget annually. The budget is intended to support delivery of the Council's key priorities, which for 2021/22 were set out in the Council Plan 2021-2025. We have considered the linkage between the annual budget and the MTFS in the section of this VFM commentary which considers how the Council identifies all significant financial pressures that are relevant to its short term and medium-term plans.

Responsibilities and procedures for the annual budget process are set out in the Council's Constitution. The Cabinet is responsible for issuing guidance on the general content of the budget reflecting political priorities. It is the responsibility of the Executive Leadership Team to ensure that budget and capital programme estimates reflecting the Council Plan are submitted to the Cabinet and that these estimates are prepared in line with guidance issued by the Cabinet.

The Director of Finance and Support Services is responsible for ensuring that an overall revenue budget and capital programme summarising service budget estimates is prepared on an annual basis for consideration by the Cabinet, before submission to the County Council, along with a forward financial forecast in line with Government funding notifications. The Performance and Finance Scrutiny Committee considers strategic issues relating to the budget including comment on individual portfolio budgets. We are satisfied that this process was followed in both 2021/22 and to date in 2022/23.

Reporting Sub-Criteria

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

Findings

The Council's constitution sets out the Director of Finance and Support Services' responsibility for providing appropriate financial information to enable both the revenue budgets and the capital programme to be monitored effectively. There is a requirement to monitor expenditure against budget allocations and report to the Cabinet on the overall position on a regular basis, as part of an overall performance management reporting process. It is the responsibility of Directors and Assistant Directors to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Director of Finance and Support Services. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Director of Finance and Support Services to any problems. Any new proposal containing significant financial implications must take note of the Director of Finance and Support Service's advice as well as that of the relevant Director or Assistant Director. The Council received a reasonable assurance internal audit report in November 2021 for Budgetary control and a reasonable assurance internal audit report for risk management in March 2021. This suggests that there are adequate budgetary control systems in place and that the Council have processes in place to monitor this through their internal audit plan.

The Council's financial performance (revenue and capital), savings delivery and business performance are monitored monthly through the Monthly Monitor report, with a more detailed PRR produced each quarter for consideration by the Performance and Finance Scrutiny Committee and Cabinet with a tailored service-relevant version also scrutinised by the other four Scrutiny Committees. The Council therefore takes an integrated approach to its financial and business performance reporting. The PRR reports actual financial results to date together with a forecast position at the end of the year. It identifies areas where performance is not meeting targets together with the corrective action that needs to be taken to address this.

Governance

Reporting Sub-Criteria

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

Findings

Ofsted undertook an inspection of the Council's Children's Services during 2018/19 which concluded the overall effectiveness of the service was inadequate. Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HIMICFRS) published the results of an inspection it undertook in late June 2019. The service was rated as requiring improvement in two of the three areas reviewed, and inadequate in the third area.

Since then, the Council has made further progress in implementing and embedding recommendations from the good governance review undertaken in January 2020. Ofsted performed further monitoring visits of Children's Services in May and September 2021 and March 2022 to report on the continuation of improvements. The results show that the Council has made steady progress, specifically recognising the permanent senior leadership team and the strengthened approach to quality assurance. In March 2022 the MP for Parliamentary Under Secretary of State for Children and Families contacted the Council to confirm that Children's Services will remain in the control of the Council due to the improvements made to date and plans for further action. This is a significant positive achievement.

Similarly, investment made into the Fire and Rescue Service has resulted in some improvements. The updated HIMICFRS inspection report was released in July 2022. HMICFRS reported that the service has made significant progress since the last inspection in 2018 and must now maintain and build on this improvement. The report noted a number of areas of improvements, but also noted there remain areas where the service needs to improve further. The following findings are considered to be the most important from the assessment of the service over the last year:

- The service is improving how it responds to incidents.
- The service is getting better at having the right people with the right skills.
- The service is becoming more efficient.

The inspection report concludes, however, that the service continues to require improvements in two of the three areas assessed on how effective the service is at keeping people safe and secure, and how well the service looks after its people.

Appendix A – Summary of arrangements

Governance

Reporting Sub-Criteria

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

Findings

The responsibilities and statutory requirements for all officers and members are embedded in the Council's Code of Corporate Governance (the Code) and Constitution. The underlying principles of the Code are derived from a series of important reports on governance including the Nolan Committee Report on Standards in Public Life and cover openness, inclusivity, integrity and accountability. All significant actions by the Council which may have legal implications either require authorisation by the Director of Law and Assurance or individuals specifically delegated to act on behalf of the Director as set out in the Council's decision-making rules. Decision makers are also required to act within the Council's Standing Orders and scheme of delegation which makes provision for legal and constitutional advice to inform such decisions. The Council's Constitution contains a number of check points at which officers are able to identify whether decisions are being taken in compliance with the prescribed rules which ensure legal compliance. All executive decisions and policy proposals are considered and advised on by legal officers with access to all current legal provisions and guidance and who use a knowledge and research resource which updates all legislation and sources of advice automatically and provides alerts for significant changes in the law.

An updated County Council Code of Governance was approved in February 2022. The Code of Governance explains the framework of governance for Council business and decision-making, and the rules and procedures it has to ensure it acts as a public democratic body should. The Code is underpinned by the Nolan Principles of Standards in Public Life. These provide a guide to the Council to ensure it has robust systems and processes that support effective leadership and high standards of behaviour. There is an established Code of Conduct contained in the Council's Constitution with which all members are expected to comply. 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. 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 about personal interest declarations, and the need to disclose interests is a standing item on all formal meeting agendas for both officers and members. Officer interests, including gifts and hospitality, should be published on the County Council's website annually. The Council's 2021/22 AGS recognises, however, that this has not happened for some time. Our testing of the Council's financial statements has confirmed that processes have been maintained to identify member and officer interests to inform the disclosure of related party transactions the Council is required to make in its accounts. As part of our work in prior years we observed related party declarations were not routinely requested from senior officers leaving the Council and raised a related recommendation for improvement. Although we are satisfied that a related party declaration was obtained for the senior officer that left the Council during 2021/22 the Council's leavers policy has not yet been fully updated to ensure this requirement is met in all cases.

Appendix A – Summary of arrangements

Governance

Reporting Sub-Criteria
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).
Findings (continued)
In September 2021 we were made aware that the Council reported a breach of the Teachers' Pension Regulations to the Pensions Regulator in June 2021. This resulted in a contingent liability being disclosed in the 2020/21 financial statements, as the Council was not yet in a position to be able to estimate the potential cost to the Council of the breach. We updated our understanding of progress made in addressing the Teachers' Pensions Regulation breach during 2021/22 where we treated this as an area of audit focus in our financial statements audit. We asked the Council to include further disclosure in both the financial statements and Annual Governance Statement on the matter. This has now been done and we have raised a further recommendation for improvement as part of our Audit Results Report that arrangements to facilitate financial quantification of the Council's liability need to be progressed in line with the action plan set out in the Annual Governance Statement. We do not consider this matter to be a significant weakness in the Council's arrangements.

Appendix A – Summary of arrangements

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria

How financial and performance information has been used to assess performance to identify areas for improvement.

Findings

The Council Plan includes KPIs that will be used to monitor the performance of the Council in its identified key priority areas from 2021/22. For 2021/22 the KPIs were based on the Council Plan 2021-2025. The KPI dashboard is discussed as part of the PRR which is provided to Cabinet and Scrutiny Committees. The dashboard is used to flag areas of required improvement, devise actions to address the weakness identified and monitor progress.

Executive Leadership Team, Cabinet and Scrutiny Committees are responsible for considering reported performance against the KPIs and ensuring effective and efficient mitigating actions are taken to ensure targets set are being met. This performance dashboard is publicly available on the Council's website and based around the agreed strategic priorities of the Council. As set out previously in this commentary routine reporting of performance is combined with financial monitoring in the PRR.

Reporting Sub-Criteria

How the body evaluates the services it provides to assess performance and identify areas for improvement

Findings

As set out previously in this commentary, service performance against Council priorities is considered regularly throughout the year through both the performance dashboard, which is made publicly available on the Council website, and as part of the quarterly PRR which shows a complete picture of both business and financial performance. This enables the Council to identify services that are not performing as expected by reference to KPI outcomes against targets which from 2021/22 will be based on the Council's refreshed strategic priorities as per the Council Plan. The PRR includes an exception report to highlight areas where performance is deteriorating or not expected to achieve annual target to clearly flag where remedial action needs to be taken.

At year end performance indicators measured in relation to the West Sussex Plan 2017-22 priorities, reflected that 80% were at Green (70%) or Amber (10%) levels. There are 13 (out of 53 total) measures with no data to update in July 2022, however 4 of these are likely to be green and the remaining 9 are likely to be yellow. This shows an improvement on data collection since the prior year, where a lot of data was not available due to Covid. Green measures have increased year on year, however total green and yellow measures have dropped by 3%. This suggests a shift towards focusing on fully completing achievable measures.

The Council's response to previous adverse service inspections in Children's Services and the Fire and Rescue Service also show that the Council can take effective action to address service weaknesses and secure improvements. The Children's Services will remain in the Council's control and Fire and Rescue Services have been confirmed as improved on re-inspection, although the Council recognises that further improvements continue to be required in both areas.

Appendix A – Summary of arrangements

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve.

Findings

The County Council works with a variety 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 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).

Regular meetings with other partners, most notably the NHS Clinical Commissioning Group (CCG), 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. The West Sussex Better Care Fund (WSBCF) was established in 2015. This is a joint operation between the Council and NHS West Sussex CCG to provide integrated health and social care support within the area. The Council acts as host in the arrangement. The WSBCF is monitored by the West Sussex Health and Wellbeing Board with related reporting presented to the Performance and Finance Scrutiny Committee. Due to planned changes in NHS commissioning arrangements brought about by the creation of Integrated Care Systems, and all existing contracts were novated to the new Sussex Integrated Care Board at the start of 2022/23.

Partnership pledges, referred to as 'growth deals' have been made between the Council, and all district and borough councils in the county. Each five-year, tailor-made growth deal identifies specific priority projects to bring local improvements for West Sussex residents, businesses and visitors.

The Council established an arrangement with East Sussex County Council effective from January 2020 intended to bolster leadership capacity and bring more stability to the Council's senior leadership which, as highlighted by the results of external service inspections, had been lacking over recent years. This led to the appointment of the shared Chief Executive. It also considered:

- ongoing work on further joint procurements including West Sussex and East Sussex accessing each other's Frameworks, although this has not yet resulted in joint procurement activity.
- Ongoing discussions about waste and highways management.
- Support for Children's Services recruitment in West Sussex.

There have continued to be ad hoc arrangements for informal mutual support between the two council leadership teams.

Appendix A – Summary of arrangements

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria

Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

Findings

The Council's Standing Orders on Procurement and Contracts; and the Financial Regulations and Procedures provide rules for lawful and sound processes for contract and spending decisions. These are managed by the Director of Law and Assurance and Director of Finance and Support Services in consultation with the Regulation Audit and Accounts Committee and supported by a group of officer subject matter experts sitting as the Procurement Board. The intention is for this to provide a single process for scrutiny of procurement planning, to ensure the most effective and optimal commercial arrangements, ensuring best value from the council's procurement activity, compliance with due process and consistency of best practice. The Council plans to consider some elements of its arrangements further as part of the 'streamlined decision-making' workstream from the good governance review, with the aim being to make aspects of procurement activity simpler and more accessible to officers engaged in commissioning – particularly focussed on ensuring the most effective decision path/routing and documentation required, through the various governance boards in the Council.

Work has continued in the year to progress the SmartCore project to replace the current Council's current SAP finance, HR and procurement system, with a new Oracle Fusion system. A decision was originally taken in November 2019 to approve the commencement of a procurement process for services to deliver a replacement business management system for the Council. This established the SmartCore Programme. The programme is intended to provide the opportunity to take advantage of the business benefits that it is anticipated the new Oracle Fusion will bring. A contract was awarded to Entserv UK Limited (trading as DXC) in June 2020 for DXC to be the Council's contractor for the transition from SAP to Oracle Fusion. Since the commencement of the contract a number of business design and delivery requirements for the programme led to changes to the planned timetable and contractual position to ensure a successful implementation of the programme. A key part of the SmartCore Programme is to establish a new solution for procurement and purchasing at the Council. The Council plans for the purchasing of goods or services (purchase to pay activities including the creation of requisitions and purchase orders using purchasing catalogues and making commitments against Council Contracts) to be fulfilled by Oracle Fusion when it goes live in April 2023. It is intended the solution in relation to procurement (source to contract activities including the sourcing of quotes, competitive tenders and supplier / contract management) will be fulfilled by use of the eProcurement system provided by Atamis, an established strategic partnership. The latest Atamis implementation will move the Council's current tendering process from its current provider Intend to Atamis. The current timetable is for this to happen prior to the Oracle Fusion Go live in April 2023.

The Council developed a Procurement Strategy for 2019-2021 which sets the framework in which it works to ensure that procurement delivers value for money across all services and directly contributes to the achievement of the Council's strategic goals. The published strategy has been rolled forward rather than re-created for 2022 onwards but will be reviewed as part of the planned change to procurement arrangements, as the Council transitions to Oracle/Atamis in 2022/23, to ensure it reflects the changes in the Council's procurement approach coming out of the new ways of working, which are intended to enable much better visibility, contract compliance and service improvements. The Performance and Finance Scrutiny Committee is responsible for the overview of procurement and contract management. The Committee reviews the performance of the Council and seeks to identify areas where procured goods and services are not delivering expected benefits through the performance dashboard, KPI's and financial monitoring in the PRR identifying significant overspending on projects and budgets. Covid-19 again required the Council to adapt its arrangements in 2021/22.

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria

Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

Findings (continued)

Further progress has also been made in the year on the Council's joint venture partnership for property development. A decision was originally taken in July 2019 to approve a procurement process to select a commercial enterprise to act as a joint venture partner with the Council for the commercial development of surplus Council land for shared financial returns. The procurement process has now completed with Lovell Partnership, which is a wholly owned subsidiary of Morgan Sindall Group plc, appointed to act as joint venture partner for the Joint Venture Limited Liability Partnership (JV LLP). The JV LLP comprises the new partner and a wholly owned subsidiary company of the Council, Edes Estates Limited. Ten sites across the County have been identified for the potential development of around 600 dwellings, with planning applications for three developments totalling 156 new homes submitted at the end of May 2022. A governance structure has been established for the JV LLP with the JV LLP Board comprising three representative officer directors from the Council and three further directors from the Lovell Partnership. Council officers have also been appointed as directors and company secretary for Edes Estates Limited. A separate shareholder group has also been established, formed of the Council Leader, Cabinet Member for Finance and Property and senior officers of the Council including the Chief Executive. The Shareholder Group acts in an advisory capacity to the Cabinet Member, who seeks to ensure alignment between the activity of Edes Estates and the JV LPP to the vision and direction of the Council.

Arrangements to exit from the current Capita support service contract have also developed further during 2021/22. A number of support service functions provided by Capita under its contract with the Council in 2021/22 have been brought back in-house, or in limited situations re-procured, during 2022/23. This has involved preparation and planning work for services and staff impacted by the transition, the design of replacement arrangements and transition and exit from the current contractual arrangements. Significant work will continue to be required during 2022/23 to support ex-Capita staff as they embed within the employment of the Council, design replacement service structures, agree reporting lines and management responsibilities, devise new job roles and skills requirements, transfer knowledge and implement new ways of working.

EY | Assurance | Tax | Transactions | Consultancy

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.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

ED None

EY-000070901-01 (UK) 07/18. CSG London.

In line with EY's commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

ey.com

Regulation, Audit and Accounts Committee

1 February 2023

Financial Statements 2021/22

Report by Director of Finance and Support Services

Summary

The audits of the Statement of Accounts for 2021/22 for both West Sussex County Council and the West Sussex Pension Fund have now largely concluded. The Committee reviewed and approved the West Sussex Pension Fund Statement of Accounts at its meeting in September 2022, subject to the completion of the audit for the County Council Statement of Accounts.

The audited Statement of Accounts for West Sussex County Council are attached and reflect the changes which Ernst & Young (EY) has identified as part of its audit, details of which are outlined below.

Recommendations

The Committee is asked to:

(a) Consider and approve the Statement of Accounts for 2021/22 for West Sussex County Council, as attached at Appendix A,

(b) Delegate authority to the Chairman to approve and sign-off any minor changes to the Statement of Accounts for 2021/22 for West Sussex County Council which may be required after the date of the Committee.

1 Background and context

1.1 The Committee considered the audited accounts for the West Sussex Pension Fund at its September meeting. EY reported that there were a couple of closing procedures that it needed to complete for the West Sussex Pension Fund accounts. At this meeting the Committee approved the West Sussex Pension Fund accounts, subject to the completion of the audit for the County Council Statement of Accounts. The closing procedures have now been completed.

1.2 A complete set of draft accounts for the County Council were submitted to EY for audit on 29 July 2022. EY commenced its audit on 1 August 2022 and the accounts inspection period ran from 1 August 2022 to 12 September 2022 inclusive.

1.3 As part of the County Council audit, EY also consider whether the Council has put in place "proper arrangements" to secure economy, efficiency, and effectiveness in its use of resources. The work undertaken by EY is now complete and it has not identified any risks of significant weaknesses in the Council's arrangements. A narrative commentary on this work is set out in the 2021/22 Auditor's Annual Report considered elsewhere on the agenda.

2 Financial Statements

2.1 Following the identification of the Infrastructure Assets issue last year, steps have now been taken nationally to resolve this. The Department for Levelling Up, Housing and Communities issued a temporary Statutory Instrument (SI) which came into force on 25 December 2022 and remains in force until the 2024/25 accounts inclusive. The SI allows authorities to treat the value of any replaced component of an infrastructure asset as nil and also allows authorities to assume that the net value of assets brought forward is correct; this latter point evidences the existence of the assets. In addition, Chartered Institute of Public Finance and Accountancy (CIPFA) issued an update to the Code of Practice in December 2022 which removed the requirement to report both the gross book value and the accumulated depreciation separately and instead report the net position only.

2.2 At the time of despatch, there is still a small element of work outstanding to conclude the Infrastructure Assets issue. The CIPFA Local Authority Accounting Panel (LAAP) bulletin, issued on 11 January 2023, sets out guidance to practitioners in terms of applying the requirements of the Code of Practice. To ensure that the Council complies with the updated Code, we are documenting our approach for depreciating infrastructure assets in line with the CIPFA LAAP bulletin.

2.3 Other than the outstanding work outlined in paragraph 2.2, the audit for the West Sussex County Council Statements of Accounts is complete. The following changes have been identified and are reflected in the set of statements set out in Appendix A:

- Update to the Narrative Report to align with the audited accounts
- Update the International Accounting Standard (IAS) 19 disclosure notes and statements to reflect the changes to the audited Pension Fund accounts, which reflects the County Council's share of the change in market value of the Pension Fund assets (£3.4m)
- Update the Property, Plant and Equipment disclosure note (note 4) to remove the need to report gross cost and accumulated depreciation for infrastructure assets in line with the updated Code of Practice and added specific narrative disclosures required by the Code Update and Statutory Instrument
- Add additional text to the existing footnote on the Senior Officer Remuneration disclosure note (note 30) relating to payments made to East Sussex County Council for the Director of Adults' and Health, to identify the percentage split between authorities.
- Add additional text to the Pooled Budgets disclosure note (note 31) to disclose the additional contribution made by the West Sussex Clinical Commissioning Group in respect of the Better Care Fund, and the arrangements for the return of any surplus.
- Update the Contingent Liabilities disclosure note (note 36) to reflect the latest position in relation to the Teachers' Pension Scheme regulatory breach

2.4 The changes outlined above have had no impact on the General Fund balance.

2.5 There are recommendations included in both the Audit Results Report and the Auditor's Annual Report and the Council's management responses to the recommendations are also included in these reports.

3 Consultation, engagement and advice

3.1 An Equality Impact Assessment 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 process and in fact any additional resource applied would only be at the expense of other areas within the teams.

EY's proposed audit fee for the West Sussex County Council, as set out in its Audit Results Report (Section 9), is a base scale fee of £90,561. EY has advised there will be further fees of £93,807, subject to approval by Public Sector Audit Appointments Ltd (PSAA).

5 Risk implications and mitigations

Risk	**Mitigating Action (in place or planned)**
Failure to complete the County Council 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 plan which was approved by the Committee in March 2022, there is a detailed risk register which was monitored throughout both the preparation and audit of the County Council statements.

Taryn Eves
Director of Finance and Support Services

Contact Officer: Vicky Chuter, Financial Reporting Manager, 033022 23414, vicky.chuter@westsussex.gov.uk

Appendices
Appendix A – West Sussex County Council – Statement of Accounts 2021/22

Background Papers
None

This page is intentionally left blank

West Sussex County Council

Statement of Accounts 2021/22

west sussex county council

Table of Contents

Narrative Report 2021/22

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, which was approved in February 2022 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 tackling 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 2022, the County Council was made up of 70 councillors (known as members), controlled by the Conservatives. The political composition was:

- Conservative: 47
- Liberal Democrat: 11
- Labour: 9
- Green and Independent Alliance: 3

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.

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 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:

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

Council Employees

At the end of March 2022, the Council employed 4,799 full time equivalents (5,364 people), excluding school-based employees, on 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 28% of employees aged 55+, and those aged 16–24 are particularly under-represented at only 3.1% of the workforce.
- Ethnicity – 3.2% of the workforce are recorded as belonging to black and minority ethnic groups. However, 37% of employees are of unknown ethnicity, so the actual proportion could be higher.

In line with the Government guidance in relation to Covid-19, the Council adopted a policy of advising employees to work from home throughout 2021/22, 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 during 2021/22 has been Anxiety, Stress, Depressions & Mental Health, with Musculoskeletal the second highest reason for sickness absence. The top reason for short-term sickness absence over the year was Covid-19 which reflects the level of positive Covid-19 cases experienced across the county during the financial year.

Our Council Plan Performance for 2021/22

The Council Plan sets out our strategic priorities and includes a set of 53 measures with targets against which we measure our performance. Quarterly reviews of performance and resources are undertaken by ELT, Scrutiny Committees and Cabinet.

Year-end results for 40 measures are available. There is no data for two measures relating to Key Stage 2 education attainment where no results were collected nationally as a consequence of the Covid-19 pandemic. Data for a further 11 measures (mostly annual measures) will not be available until later in 2022. This will be monitored as part of the 2022/23 performance arrangements.

Of the 40 measures with results, we have successfully met or exceeded 28 (70%) of our targets with a further four measures (10%) close to meeting their target, providing an overall total of 80% of measures that were exceeded, met, or nearly met. We did not meet our targets for eight measures (20%).

Some key highlights and challenges are summarised below.

Keeping People Safe from Vulnerable Situations

There are times when residents may require extra support and help, and the Council ensures that appropriate and timely support is provided to manage risk and prevent any further escalation of need. The measures within this priority include both children and adults.

Despite unprecedented demand for adult social services at the 'front door' and increased acuity of need throughout the county, the County Council has achieved its target in respect of contacts progressing to social care assessments (18% against a target of under 20%) and assessments that result in a support plan (74.8% against a target of under 75%). This reflects the success and impact of interventions to meet people's needs through information and advice as well as the provision of preventative services.

This year data shows there was a significant reduction in the prevalence of healthy weight in England, the Southeast and West Sussex in 2020/21. Despite a reduction in healthy weight for 10-11 year-olds nationally, West Sussex (at 63.2%) remains significantly better than the England average (57.8%) and exceeded the target of 62.9%. It is recognised that there are likely to be many confounding factors in additional weight gain, for example, the impact of the Covid-19 pandemic with a number of lockdowns, resulted in a reduction in children and young people undertaking physical activity and changes in dietary intake.

Although Covid related restrictions have lifted, the impact of the pandemic remains with many residents still reluctant to have in-home visits and as a result it was challenging for Fire and Rescue teams to deliver the target of 4,000 Safe and Well visits. These visits for over 65s that are considered at risk offer advice on how to make the home safer and, where appropriate, fit smoke alarms or other specialist fire detection equipment free of charge. Nevertheless, there has been a month-on-month increase in this activity and 3,355 visits were carried out, an increase of 12% compared to last year.

Performance for care leavers in employment, education or training has shown consistent improvement throughout the year and year-end results are now 57% against a target of 64%. New joint working relationships with DWP are expected to ensure continued improvement in future. Positive outcomes for children on Child Protection Plans also remain a challenge, achieving 70% against a target of 80%, although there has been steady improvement throughout the year.

A Sustainable and Prosperous Economy

A sustainable and prosperous economy in West Sussex is key to the future wellbeing of the county and it has never been more important to focus on this given the economic impact of Covid-19. A significant number of KPIs within this priority were met or exceeded this year.

A key focus of the council's Economy Plan is to provide support to enterprises, encouraging successful start-ups and helping established businesses to revive, innovate and grow. Despite the effects of the pandemic, all programmes of work were able to adapt their delivery plans and the collective target of 1,500 West Sussex enterprises supported was significantly exceeded and reached 2,385.

Cycle paths also exceeded the target of 7.5km this year with a total of 16.3km new cycling infrastructure across the county. This includes 10km in partnership with the Burgess Hill Growth and Connectivity programmes.

Carbon emissions from Council activities was better than the target, at 30,400te compared to the target of 30,521te. Overall, demand was 9% lower than in 2020/21. Heat demand from the Schools Estate remained the largest recorded source of carbon emissions and Business Transport related emissions remains significantly lower than pre Covid-19 levels.

The main challenge for this priority this year was highways defects repaired within 28 days, where the overall annual average was 74% against a target of 96%. There were a number of reasons for this, including weather events and increased workload. Performance is expected to improve next year with a number of activities including Jet Patcher trials underway.

Helping People and Communities Fulfil Their Potential

Key successes include the number of schools and the number of pupils attending schools with OFSTED rating of good or outstanding reaching an all-time high in 2021/22 and exceeding the targets. The number of schools reached 88.8% against the target of 88.5%, and the number of pupils reached 89.3% against a target of 88%.

Performance for responses to 'critical fires' (where the first appliance in attendance meets our emergency response standard) also met its target of 89% and finished the year with Q4 results at 93.6%, the highest performance recorded.

The use of virtual/digital library services reached 5.81m, exceeding the annual target of 5.45m; and the Community Hub supported 76,477 people against an expected 35,000.

The number of young people not in employment, education, or training or with a status 'unknown' continued to improve to 5.99% and exceeded the target of <7%, improving by 1.67% from 2020/21. This is still below the national (4.72%) and South East (5.45%) averages, but the gap has narrowed; from 2.18% and 1.25% for national and South East respectively, to 1.27% and 0.46%. Collection of data and relationships with schools, colleges and other establishments has seen a marked improvement and West Sussex is now in the top quintile for improvements of all authorities since 2020/21 and is the 9th most improved in relation to County Local Authorities.

For adult social care there has been unprecedented demand across the services, mirroring a national trend. The ongoing pressures, in particular for supporting the NHS with hospital discharges, has impacted on the ability to meet all the targets. These include the level of annual reviews and/or assessments carried out within the last 12 months (60% against a target of 73.2%) and the percentage of adults with learning difficulty in paid employment (1.1% against a target of 3.6%).

Making the Best Use of Resources

It is important that the County Council works effectively and efficiently and continues to manage increasing demands in a different way to achieve best value for residents.

This year the Council has successfully reduced the size of operational property estate by 10.75% and reduced the number of properties from 267 to 211. Operational square metres now stand at 161,625sqm, bettering the target of <170,000sqm.

Additionally, 92.8% of member training was delivered within 12 months of the 2021 elections, a new Code of Governance was endorsed and published in February to assist public, staff, and elected members to navigate the Council's decision making process and we exceeded the target to increase digital services available to support self-serve 24/7, making it easier for customers to obtain support and information. Overall performance was 64% against a target of 60%.

Full details of the outcomes against all 53 measures can be found on the West Sussex Performance Dashboard.

External Performance Assessment and Review

In March 2022 the West Sussex Youth Justice Service was inspected and in June 2022 they received an overall rating of 'good' from Her Majesty's Inspectorate of Probation, with four areas of the service rated as 'outstanding'.

Chief Inspector of Probation Justin Russell said: "West Sussex Youth Justice Service has all the hallmarks of a service which understands the needs of children under their supervision and is doing all it can to improve their lives and turn them away from further crimes. They have weathered a tricky period, from the impact of Covid-19 to changes in local children's services, to continue to make improvements for the benefit of the children, victims and the local community."

In addition, there are noteworthy updates to two key service areas which were initially subject to independent external assessment during 2018/19, as set out below:

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 was such that the Secretary of State agreed to pause the Children's Trust process in December 2020, with direct control of Children's Services remaining with the County Council for a further year.

In March 2022 the Council received the announcement from Will Quince, MP and Minister for Children and Families, that the service would no longer become a standalone Trust and will remain within the County Council. This decision was made based on the evidence of significant improvements within the service over the last two years, including Ofsted monitoring, the completion of the Council's 'Reset and Reboot' governance programme, a report from the Children's Services Commissioner for West Sussex and the Council's commitment to put children first. The Council remains focused on continuing to raise the standards to the best we can be and are committed to continuing the improvement work.

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 in 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. Since then the Council has invested in the improvements needed and as at 31 March 2022 has spent over £5m addressing the areas of concern raised by HMICFRS in their original report. From 2022/23 onwards, the base budget has been increased to allow further improvements to be embedded in service delivery.

There was a further inspection of the service in October 2021 and the report was published on 27 July 2022. HMICFRS reported that the service has made significant progress since the last inspection in 2018 and must now maintain and build on this improvement. The report noted a number of improvements including:

- The service has used increased funding to expand its prevention and protection teams. HMICFRS no longer have causes of concern about how these teams carry out aspects of their work.
- The service has improved how it responds to incidents and is now rated as good. Fire engines arrive at incidents within expected timeframes.
- The service commands incidents well, and there are good processes for staff to learn from the incidents it deals with.
- The service is good at having the right people with the right skills. The service has good workforce planning processes in place. This means it anticipates the number of staff retiring and how many staff it needs to recruit and train. A new computer system allows the service to monitor the competence of staff more easily.
- The service has improved its online training programme to make sure staff are trained to a consistent standard.

- The service is recognised as being more efficient and is rated as good in this area. It is good value for money and, whilst lean, it has sufficient resources to deliver against its statutory functions. It has made comprehensive plans for carrying out its work in different future financial situations. And it has improved the way it works with other organisations. This includes joint control arrangements with other services.
- Plans are built on sound scenarios. They help make sure the service is sustainable and are underpinned by financial controls that reduce the risk of misusing public money. HMICFRS noted an improvement in the way the service approaches its risk planning and use of resources.

HMICFRS also reported that there are still areas where the service needs to improve and these include making sure firefighters carry out enough prevention activity, doing more to reduce unwanted fire signals and continuing to make sure staff behaviour aligns with organisational values.

Financial Performance

The budget for 2021/22, agreed by County Council in February 2021, supported the objectives of the West Sussex Plan. Despite significant overall reductions in government funding since 2009/10, the Council continued to make progress in delivering its ambitions on behalf of the residents of West Sussex, while achieving this within the resources available. The County Council continued to focus on the areas which made the biggest difference to the lives of its residents and the future prosperity of the county and aimed to support the delivery of members' vision and deliver the priorities of the plan, all whilst the Covid-19 pandemic continued.

Measures to balance the portfolio budgets for both 2021/22 and 2022/23 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 2021/22 assumed savings of £18.5m and by the year end, £10.2m was achieved as originally envisaged or was delivered by other means. The balance, £8.4m, was not delivered in the financial year and is reflected in the outturn position for 2021/22.

As part of the budget approved in February 2021, the County Council approved the use of up to £10.0m of capital receipts in 2021/22 to fund specific transformation projects. Within the outturn Capital Programme there is £4.4m of revenue transformational projects which meet the eligibility criteria under the Flexible Use of Capital Receipts principles.

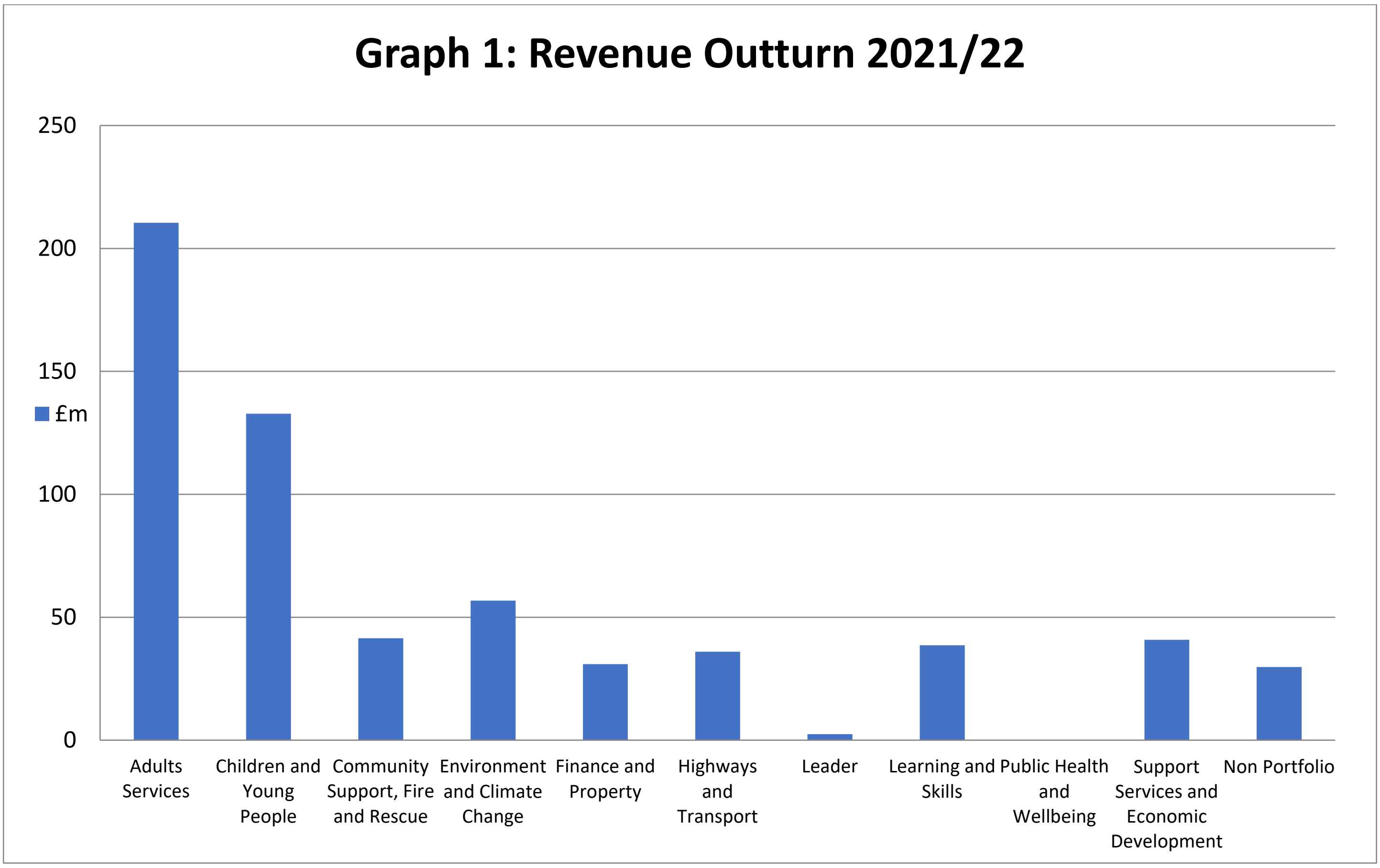
Net revenue expenditure for 2021/22 on portfolio budgets is £590.4m, representing a £1.2m underspend. This includes underspendings within the Environment and Climate Change (£2.7m) and Highways and Transport (£1.2m) portfolios, offset by overspendings within the Learning and Skills (£1.6m) and Finance and Property (£2.7m) portfolios. Homeworking also resulted in £1.2m of underspendings which are included within the outturn position for each portfolio.

In addition to this, there was an underspend on the contingency budget of £5.0m along with an overspend on the non-portfolio capital financing budget of £0.6m. The overall underspending from these three areas is £5.6m. This underspending has been transferred to two reserves:

- The balance of the unallocated contingency budget (£5.0m) has been transferred to the Inflation Contingency Reserve (to enhance the £2.9m inflation contingency created as part of the 2022/23 budget process). This reserve recognises the future bleak economic forecast and the uncertainty regarding inflationary increases in 2022/23.
- The balance of the homeworking underspend (£0.6m) has been transferred to the Service Transformation reserve to fund future innovative projects.

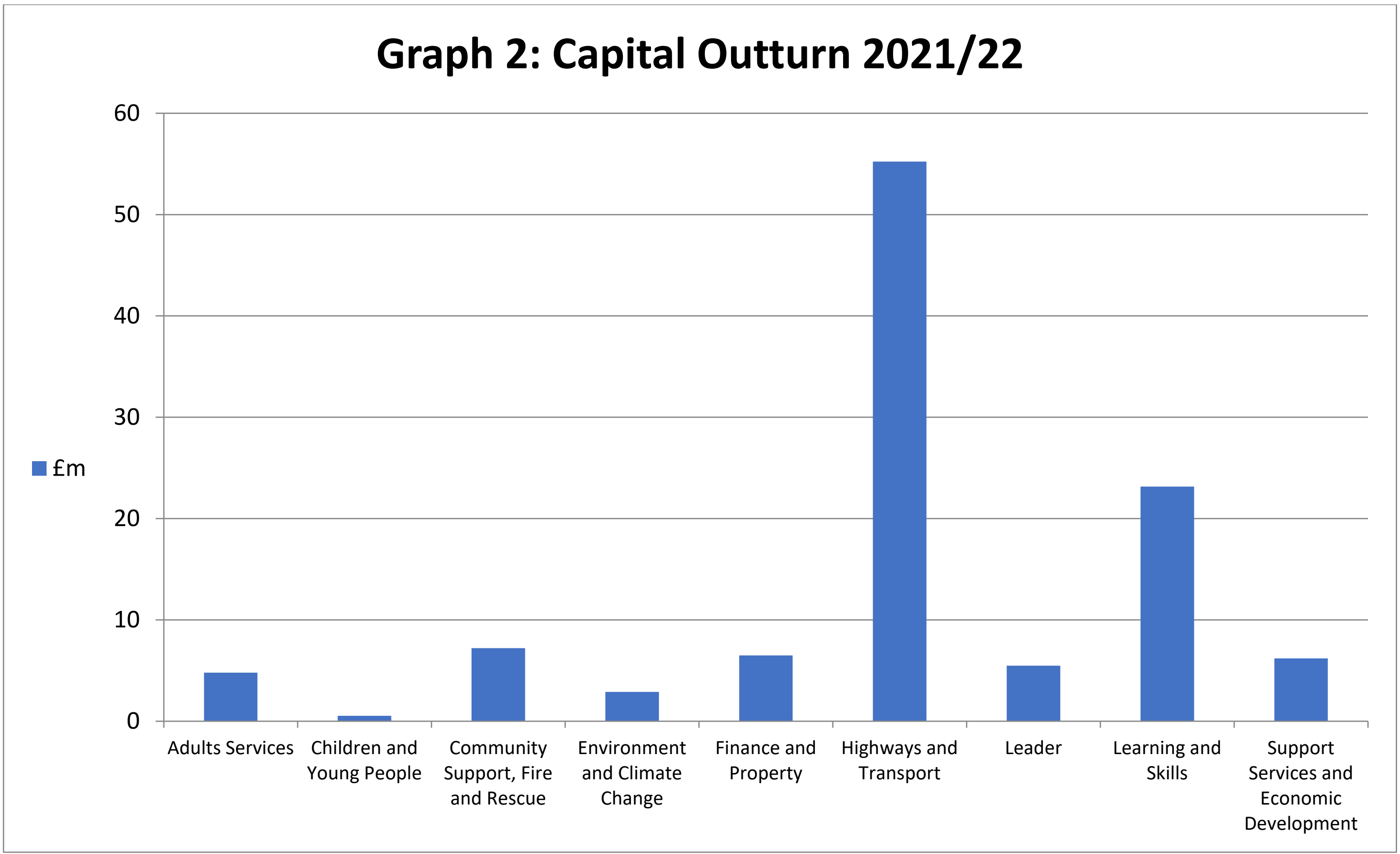
Full details are set out in the outturn Performance and Resources Report (PRR). The PRR is the Council's monitoring and reporting mechanism for finance performance (revenue and capital), savings delivery, and business performance. It is regularly scrutinised by the Performance and Finance Scrutiny Committee and available from Committee papers on the Council's website.

Graph 1 below illustrates the net outturn spend for the year by portfolio:



County Council, in February 2021, agreed a capital programme totalling £101.6m for 2021/22. In addition, £5.8m which was originally profiled to be spent in 2020/21 was slipped into 2021/22, increasing the capital programme to £107.4m. Since this time, overall spend has increased by £4.6m, to give a full year spend for 2021/22 of £112.0m. Full details are set out in the outturn PRR.

Graph 2 below sets out the capital outturn for 2021/22 by portfolio:



During the year, despite the pandemic, a number of capital projects were completed across the county. The most noteworthy include:

Month	Project	Location	Description
April	Sompting Village Primary	Adur	Relocation and repurposing of modular classroom unit to accommodate a bulge class
May	A Place to Live No. 2 Boundary Close	Worthing	Refurbishment of the residential property for use as supported living with adults with learning disabilities
July	Midhurst Depot Closure and modification to site at Stedham	Chichester	Works completed to allow service relocation from site to enable disposal of the asset
July	West Sussex Gigabit Voucher Scheme	Various	Launch date met, grants awarded and external delivery underway
July	Worthing Community Hub	Worthing	Refurbishment of Worthing library to create a new community hub space and a range of services in the library building
August	Westergate Extra Care Housing Scheme	Arun	Contribution towards a development of 60-unit extra care housing scheme enabling WSCC direct nomination rights to 31 affordable rental units

Month	Project	Location	Description
August	The Weald All Weather Pitch	Horsham	Replacement of the all weather pitch, including suitable drainage, suitable playing surface and fencing
September	Adults In-House Day Services Part B - Glebelands	Adur	Refurbishment and configuration works to accommodate people currently receiving services from Pines, Coastal Enterprise day centres
September	Adults In-House Day Services Part B – Laurels and The Rowans	Worthing	Refurbishment and configuration works to accommodate people currently receiving services from Pines, Coastal Enterprise day centres
September	Forest School (21 Summer works)	Horsham	Remodelling of changing rooms, refurbishment of toilets and new school entrance to allow the school to become co-ed
September	Woodgate Primary School	Crawley	Technical advisor role in the development of new school at Whitehouse Farm
September	Library Self Service Terminals	Various	Programme to replace customer self-service terminals
October	Crawley Homes Solar PV Bird Protection	Crawley	Project to fit bird mesh to the domestic solar PV systems installed on Crawley Homes properties
November	Willow Park – Relocation of the service	Arun	Project to relocate services in all three units into alternative WSCC accommodation in order to achieve a revenue saving
November	Oak Grove College	Worthing	Provision of temporary modular classrooms at Oak Grove College providing four classrooms increasing pupil numbers by 15 from 256 to 271
November	S106 St Andrews CE High School Co-Ed	Worthing	Project delivered directly by the Diocese with WSCC funding contribution
November	Southwater Infants & Junior School	Horsham	Replacement of modular teaching accommodation
November	Thorney Island	Chichester	To increase the size of the main school hall and to reconfigure the corridor arrangement to accommodate an increase in occupancy
December	Lingfield Lodge Extra Care	Mid Sussex	Provision of 48 units of extra care housing
December	Fairbridge Waste Site	Mid Sussex	Removal of Japanese Knot Weed and installation of required root barrier at Fairbridge Waste Site
January	Remodel East Preston CFC	Arun	Remodelling of space to meet the needs of children, families and the service
January	Remodel Brick Kiln – Children's Emergency Accommodation	Chichester	Remodelling of space to bring a vacant property up to standard to enable solo occupancy of children
January	Downs Link	Arun	Delivery of five surfacing schemes along the Downs Link

Month	Project	Location	Description
January	Crawley County Buildings	Crawley	Demolition of County Buildings to enable future development on the site
February	Chichester High School Demolition	Chichester	A Southern Gateway Growth Programme project to demolish vacant buildings to clear the site for future developments

In 2021/22 a further two schools obtained Academy status, at which point the building ceased to be a County Council asset (resulting in assets to the value of £1.98m 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 £5.42m to the Balance Sheet). As of March 2022, there are 80 schools with Academy status in the County, with a further 205 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 2021/22 is provided by the Movement in Reserves Statement, and is summarised below:

Movement in Reserve Balances 2021/22	Balance at 1 April 2021	2021/22 Movement	Balance at 31 March 2022
	£000	£000	£000
General Fund	20,286	-	20,286
Earmarked Reserves	216,246	14,885	231,131
Capital Grants Unapplied Account	55,031	-33,802	21,229
Capital Receipts Reserve	4,789	-	4,789
Total Usable Reserves	296,352	-18,917	277,435
Unusable Reserves	280,209	188,380	468,589
Total Authority Reserves	576,561	169,463	746,024

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 2022 is £20.3m, which (at 3.1% of the net expenditure budget for 2022/23) is considered to be a prudent buffer against the significant financial pressures affecting the Council. 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 £231.1m are held as at 31 March 2022; this includes the Budget Management reserve of £61.7m, £17.4m one-off business rates pilot funding that the Council is committed to spending in conjunction with the districts and boroughs and £16.0m of Covid-19 grants. A detailed analysis of this balance is provided in Note 3 to the accounts.

Included within unusable reserves is a Dedicated Schools Grant (DSG) deficit balance of £25.5m as at 31 March 2022, an increase of £15.1m during the year. The deficit is now classified as an unusable reserve in accordance with regulatory changes which took effect during 2020/21. The temporary legislation, which states that any DSG deficits are to be recovered from future DSG income over time rather than from local authority General Funds, is set to expire at the end of March 2023. We are awaiting an update from the Department for Education on the approach in the future.

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 £574.7m 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 2022 to 2042 was approved by full Council in February 2022 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 2022/23 to 2026/27 capital programme is £755.7m.

The authority borrows prudentially for capital investment purposes. The Council did not undertake any external borrowing during 2021/22, but £3.5m of debt was repaid during the year. Outstanding Public Works Loans Board borrowing as at 31 March 2022 was £471.3m (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 PRR and reported to Cabinet. Scrutiny Committees also consider this report and the Leader and the Cabinet Member for Finance and Property ultimately approve any decisions sought as part of the PRR. This process provides a regular challenge relating to the Council's performance.

The Impact of Covid-19 on the Provision of Council Services

On 24 February 2022, the Government announced its plan for 'Living with Covid' and the removal of all Covid-19 domestic legal restrictions in England. The plan details how vaccines and other pharmaceutical interventions will continue to form the first defence against the virus. However, prior to this change Covid-19 continued to impact County Council services with some form of restrictions in place for much of the year. The Covid-19 Omicron variant, although found in the UK back in November 2021, didn't peak until January 2022.

Throughout the year, the County Council remained focused on ensuring continued support for the most vulnerable people in the community. At the start of the pandemic, the Covid-19 Community Hub (in partnership with District and Borough Councils) was launched. This has been a crucial lifeline to many residents who have needed help and support during the last year. Also as part of the response, social care have been working with NHS colleagues and other partners to help alleviate the pressure on hospitals, but this has impacted on the ability to meet all targets within adult social care.

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. 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.

The cost of the Covid-19 pandemic to the County Council has been monitored separately from the portfolio budgets agreed by County Council in February 2021. A total £94.4m of Covid-19 revenue funding was available in 2021/22 which included £92.1m from grants – i.e. grant balances carried forward from 2020/21, ringfenced grants with conditions attached, ringfenced grants administered in accordance with Government requirements (passporting funds to third parties) and other non-ringfenced grants. A further £2.3m of contributions from other organisations including the West Sussex Clinical Commissioning Group (CCG) also contributed to this funding.

Of this funding, £71.3m was utilised in year in response to the pandemic, £3.3m of unspent ringfenced grant will be repaid to the Government and £19.8m has been carried forward into 2022/23 to continue to cover the costs of the on-going pandemic in the new financial year, of which £16.0m is held within an earmarked reserve. Full details are set out in Appendix 2 to the outturn PRR.

Within the £71.3m, there are a number of different categories of expenditure or loss of income that the funding has supported:

- **Specific/dedicated grants administered in accordance with Government requirements (£21.3m):** West Sussex acted as an agent in administering these grants to care providers. The funds have supported infection control and rapid testing to reduce the rate of Covid-19 within and between care settings through infection prevention and control practices, helped address adult social care workforce capacity pressures through recruitment and retention activity and supported care providers and social care staff with the costs associated with accessing Covid-19 and flu vaccinations.
- **Additional County Council costs (£35.8m):** 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.
- **Local Council Tax support (£3.6m):** provide funding to support the continuation of the council tax hardship schemes across the West Sussex districts and boroughs for 2021/22 which provided £150 relief per working age household that claims relief under the council tax scheme offered by the district and boroughs. The remaining balance of £3m has been carried forward into 2022/23 in order to continue the support.
- **Loss of income (£3.1m):** fees and charges and commercial and investment income losses as a result of the restrictions (for example library fees, ceremony fees and highways charges).
- **Cost of delayed projects (£7.5m):** 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).

While the pandemic has created significant budget pressures, the Council has seen some financial benefits associated with home working. In line with government guidelines the Council had asked its employees to work from home where possible, which has resulted in £1.2m 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), of which £0.6m has been transferred into the Service Transformation Fund.

While restrictions have been removed, we continue to focus, with our partners, on supporting recovery from the longer-term consequences of the pandemic as we plan for the future. The County Council expects that there will be a continuing cost associated with the pandemic and its impact on services in 2022/23. There is £19.8m of funding available in 2022/23 to assist the County Council with expected in-year costs. Safe and sustainable exit plans for pandemic expenditure continue to be reviewed and monitored.

The largest identified area of concern for future years relates to the continued pressures within Adult Social Care. The social care market is in a turbulent position with demand exceeding supply. It is not known how the market will settle in the short-medium term, however there is real financial risk going forward.

Planning for the Future

Our ambitions are captured each year in a detailed Council Plan which covers what we will do and the specific targets we will use to judge our performance during the year. The Council Plan, revenue budget and capital programme are fully integrated through our business planning process. Business planning continues to be underpinned by a relentless focus on our four priority outcomes (with a cross cutting theme of tackling climate change), which are:

- keeping people safe in vulnerable situations;
- a sustainable and prosperous economy;
- helping people and communities fulfil their potential; and
- making best use of resources.

The process matches available resources with delivery of priority outcomes in order to focus and protect our efforts and spending where it will have most effect. Our Council Plan has been reviewed in parallel with the budget for 2022/23 and the integrated business and financial planning process brings together business planning, financial planning and risk management processes. It provides the framework for decision making and planning to ensure the best use of the resources available, understanding the value for money and at the same time remaining focussed on priority outcomes. It also ensures 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 ongoing uncertainties arising from the pandemic, Brexit and the cost-of-living crisis and outstanding questions about the future of local government funding.

Financial Outlook

Looking forward into 2022/23 and beyond, the cost-of-living crisis and the impact of the increasing cost of goods and services remains a significant concern, with the cost of care continuing to increase at higher rates than budgeted for and the projected costs of delivering the capital programme continuing to increase. Although ongoing economic implications on services have been factored into the Council's Medium-Term Financial Strategy (MTFS) and budget for 2022/23, there is uncertainty with regard to the continuing inflation rises and the effect this will have on the value of our service contracts and funding available to deliver essential services over the short-to-medium term.

There remains significant uncertainty around Local Government funding from 2023/24 onwards. The Fair Funding review was expected to be implemented in 2023/24 but it now seems likely it will be further delayed. In October 2021, the Government announced a three year Spending Review (SR21), covering the financial years 2022/23 through to 2024/25 although the Provisional Local Government Financial Settlement in December 2021 was a one-year settlement only.

Throughout 2021/22 a programme of work was undertaken to review the MTFS and set a balanced budget for 2022/23, in accordance with statutory responsibilities. The County Council's budget for 2022/23 utilises the flexibilities announced in the Spending Review which keeps within the 2% threshold for core council tax rises and uses the flexibility to raise a further 1% precept for Adult Social Care. The announcements also confirmed a one-off Services Grant and that funds for the Improved Better Care Fund, Social Care Support Grant and the New Homes Bonus would continue to be available.

The MTFS published as part of the Budget Book in February 2022 assumes the national reviews for Fair Funding and Business Rates are implemented, and the impact is currently reflected in the budget gap of £25.7m for 2023/24. However, it now seems likely the implementation will be further delayed.

Given the 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 impacts from the pandemic, competing priorities, and organisational capacity.

It is more important than ever that the County Council holds adequate reserves for the future given the continuing uncertainty and volatility of public funding expected in the coming years, as well as inflationary pressures and the aftermath of the Covid-19 pandemic on the Council's finances. As at the end of March 2022, the total earmarked reserves (excluding School Balances) is £203.4m, with full details set out in the Reserves and Balances section above. The majority of the reserves within earmarked reserves are held to fund future commitments that the County Council has entered into. These relate to large programmes of work which include the Service Transformation Fund 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; £5.0m has been allocated as an additional inflation contingency as part of the outturn position and a £5.0m reserve was created for Children's and Adults social care pressures as part of 2022/23 budget setting.

The Council is currently in a solvent position; however, the impact of the cost-of-living crisis and longer term impacts of the pandemic present significant risk. 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 the inflationary challenges in the wider economy 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.
Failure of social care provisions – Failure leading to personal and/or reputational harm	Improvement/development of current governance arrangements and stakeholder groups.

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, Corporate Risk Manager, and respective Directorate Leadership Teams (DLT). 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 2022. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, 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 £10.8m at 31 March 2022, of which £6.3m relates to the insurance provision and £4.2m relates to the National Non-Domestic Rates (NNDR) Appeals provision.

Changes to Accounting Policies

The policies for West Sussex County Council have been updated to ensure ongoing alignment with the CIPFA Code of Practice where appropriate, and to provide clarification, streamline, or to address previous omissions. There are no changes to the accounting policies for the Pension Fund.

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 205 active employers and 84,581 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.

Administration

The provision of administration services has been provided by Hampshire County Council since 6 March 2019. The team have met all their key performance indicators during 2021/22. There has also been noticeable improvement in the quality of the Fund's membership data, which has benefits to members and employers and reduces costs.

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 2022 valuation will review the Fund's position and set employer contributions for 1 April 2023 onwards – however it is estimated that the overall funding position has increased.

Assets

Strategy

The Pension Fund invests in equities, bonds, property, private equity, private debt and infrastructure as summarised below. The mix of assets reflects the Fund's investment strategy and the objective of protecting the strong funding position (through holding bonds), increasing diversification (through widening the range of assets classes within the portfolio) and providing additional cashflows (through investment in income producing assets such as infrastructure and private debt).

Asset	31 March 2021 £m	31 March 2022 £m
Equities	2,896	2,478
Private Equity	85	127
Direct Property	380	594
Private Debt	61	143
Infrastructure	0	249
Bonds	1,886	1,877
Cash or Cash Equivalents	82	16
Total	**5,390**	**5,484**

The choice of strategy and manager to implement the strategy reflects the Pension Committee's commitment to responsible investment and the integration of Environmental, Social and Governance (ESG) principles throughout the investment decision-making process, from setting investment strategy to monitoring the Fund's investment managers. 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.

Asset Pooling

In response to the Government's requirement that Administering Authorities "pool investments to significantly reduce costs while maintaining investment performance", the Pension Fund is working with eleven like-minded LGPS funds under the name ACCESS (A Collaboration of Central, Eastern and Southern Shires). As at 31 March 2022 the Fund has invested 79% of its assets in the ACCESS pool (31 March 2021: 54%). This investment was valued at £4.4bn as at 31 March 2022 (31 March 2021: £2.9bn).

Investment in Russian Companies

Following the Pension Fund's reporting date the war in Ukraine following Russia's invasion has continued. Whilst this has tragic humanitarian and significant political consequences, the financial impact on the Pension Fund has been negligible. Prior to the war the Pension Fund had £10.5m of investments in listed Russian companies. Following the outbreak of war and the suspension of trading on the Russian stock market it was not possible to sell any of these investments and they have been written down to zero in the Pension Fund's accounts.

Asset Performance

During the year, the Fund's assets returned -0.6% compared to the market of 7.9%. This was primarily driven by the Fund's equity holdings and whilst this has also impacted longer term figures, as a long-term active investor, short term underperformance can be expected.

Performance	12 months	3 years pa	10 years pa
Total Fund	-0.61%	7.28%	9.75%
Market Index	7.92%	8.37%	9.51%
Difference	-8.53%	-1.09%	0.25%

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 2022, and of its income and expenditure for the year ending on that date. These financial statements replace the unaudited financial statements certified by my predecessor on 29 July 2022.

Taryn Eves
Director of Finance and Support Services
1 February 2023

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 1 February 2023 on behalf of West Sussex County Council.

Dr Nigel Dennis
Chairman of the Regulation, Audit and Accounts Committee
1 February 2023

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 £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 1 April 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	-
(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	-	-	-	-	-
(Increase)/Decrease in 2020/21	**-**	**-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**
Movement in Reserves during 2021/22:							
Total Comprehensive Income and Expenditure	24,039	-	-	-	24,039	-193,502	-169,463
Adjustments between Accounting and Funding Basis (Note 2)	-38,924	-	-	33,802	-5,122	5,122	-
(Increase)/Decrease before Reserve Transfers	**-14,885**	**-**	**-**	**33,802**	**18,917**	**-188,380**	**-169,463**
Transfers to/from Earmarked General Fund Reserves (Note 3)	14,885	-14,885	-	-	-	-	-
(Increase)/Decrease in 2021/22	**-**	**-14,885**	**-**	**33,802**	**18,917**	**-188,380**	**-169,463**
Balance at 31 March 2022	**-20,286**	**-231,131**	**-4,789**	**-21,229**	**-277,435**	**-468,589**	**-746,024**

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 the Movement in Reserves Statement. The total General Fund of the Council, including Earmarked General Fund Reserves, is therefore £251,417,000 as at 31 March 2022.

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'.

Description	Notes	1 April 2021 £000	31 March 2022 £000
Property, Plant & Equipment	4	1,500,802	1,554,037
Heritage Assets	5	280	280
Investment Property	7	89,172	107,147
Intangible Assets	8	-	-
Long Term Investments	9	48,283	52,659
Long Term Debtors	9	31,633	29,450
Long Term Assets		**1,670,170**	**1,743,573**
Short Term Investments	9	215,105	271,715
Assets Held for Sale	10	845	5,329
Inventories	N/A	356	519
Short Term Debtors	11	126,998	108,909
Cash and Cash Equivalents	12	151,913	118,582
Current Assets		**495,217**	**505,054**
Short Term Borrowing	9	-13,416	-20,250
Short Term Creditors	13	-220,316	-214,721
Short Term Provisions	14	-6,129	-6,007
Short Term PFI Liability	15	-3,287	-3,645
Short Term Finance Lease Liability	16	-108	-113
Current Liabilities		**-243,256**	**-244,736**
Long Term Borrowing	9	-471,303	-461,287
Long Term Provisions	14	-3,567	-4,826
Long Term PFI Liability	15	-91,724	-88,079
Long Term Finance Lease Liability	16	-2,115	-2,002
Pension Liability	17	-665,952	-574,725
Capital Grants Receipts in Advance	25	-109,137	-125,324
Other Long Term Liabilities	9	-1,772	-1,624
Long Term Liabilities		**-1,345,570**	**-1,257,867**
Net Assets		**576,561**	**746,024**
Usable Reserves	MIRS	-296,352	-277,435
Unusable Reserves	19	-280,209	-468,589
Total Reserves		**-576,561**	**-746,024**

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.

2021/22 **Portfolio**	Net Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Adults Services	210,446	-9,912	200,534
Children and Young People	132,799	12,212	145,011
Community Support, Fire and Rescue	41,473	-430	41,043
Environment and Climate Change	56,752	3,456	60,208
Finance and Property	30,963	6,943	37,906
Highways and Transport	36,010	28,255	64,265
Leader	2,453	706	3,159
Learning and Skills	38,623	32,245	70,868
Public Health and Wellbeing	0	647	647
Support Services and Economic Development	40,842	10,201	51,043
Net Cost of Services	590,361	84,323	674,684
Other Income and Expenditure	-605,246	-45,399	-650,645
(Surplus) or Deficit	**-14,885**	**38,924**	**24,039**
Opening General Fund Balance			-20,286
Add (Surplus)/Deficit on General Fund Balance in Year			-14,885
Add Transfers to/(from) Earmarked General Fund Reserves in Year			14,885
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 £251,417,000 as at 31 March 2022.

Restated 2020/21 **Portfolio**	Net Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Adults Services	224,184	-8,811	215,373
Children and Young People	131,877	6,013	137,890
Community Support, Fire and Rescue	38,693	3,154	41,847
Environment and Climate Change	58,762	12,160	70,922
Finance and Property	26,321	6,659	32,980
Highways and Transport	34,474	27,024	61,498
Leader	2,605	2,959	5,564
Learning and Skills	23,960	286,812	310,772
Public Health and Wellbeing	0	196	196
Support Services and Economic Development	47,499	2,309	49,808
Net Cost of Services	588,375	338,475	926,850
Other Income and Expenditure	-622,905	40,052	-582,853
(Surplus) or Deficit	**-34,530**	**378,527**	**343,997**
Opening General Fund Balance			-20,286
Add (Surplus)/Deficit on General Fund Balance in Year			-34,530
Add Transfers to/(from) Earmarked General Fund Reserves in Year			34,530
Closing General Fund Balance			**-20,286**

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.

2021/22	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Adults Services	403,648	-203,114	200,534
Children and Young People	170,099	-25,088	145,011
Community Support, Fire and Rescue	56,823	-15,780	41,043
Environment and Climate Change	76,321	-16,113	60,208
Finance and Property	40,919	-3,013	37,906
Highways and Transport	87,411	-23,146	64,265
Leader	3,338	-179	3,159
Learning and Skills	621,120	-550,252	70,868
Public Health and Wellbeing	42,908	-42,261	647
Support Services and Economic Development	55,054	-4,011	51,043
Cost of Services	**1,557,641**	**-882,957**	**674,684**
Other Operating Expenditure (Note 22)	12,044	-	12,044
Financing and Investment Income and Expenditure (Note 23)	77,483	-56,381	21,102
Taxation and Non-Specific Grant Income (Note 24)	-	-683,791	-683,791
(Surplus) or Deficit on Provision of Services	**1,647,168**	**-1,623,129**	**24,039**
(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Chargeable to the Revaluation Reserve (Note 4)			-28,054
Actuarial (Gains) and Losses on Remeasurement of Pension Scheme Assets and Liabilities (Note 17)			-165,448
Other Comprehensive Income and Expenditure			**-193,502**
Total Comprehensive Income and Expenditure			**-169,463**

Restated 2020/21	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Adults Services	395,319	-179,946	215,373
Children and Young People	164,456	-26,566	137,890
Community Support, Fire and Rescue	53,194	-11,347	41,847
Environment and Climate Change	82,263	-11,341	70,922
Finance and Property	35,611	-2,631	32,980
Highways and Transport	80,058	-18,560	61,498
Leader	5,749	-185	5,564
Learning and Skills	850,104	-539,332	310,772
Public Health and Wellbeing	20,937	-20,741	196
Support Services and Economic Development	51,277	-1,469	49,808
Cost of Services	**1,738,968**	**-812,118**	**926,850**
Other Operating Expenditure (Note 22)	58,958	-	58,958
Financing and Investment Income and Expenditure (Note 23)	88,582	-51,327	37,255
Taxation and Non-Specific Grant Income (Note 24)	-	-679,066	-679,066
(Surplus) or Deficit on Provision of Services	**1,886,508**	**-1,542,511**	**343,997**
(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Chargeable to the Revaluation Reserve (Note 4)			151,452
Actuarial (Gains) and Losses on Remeasurement of Pension Scheme Assets and Liabilities (Note 17)			165,773
Other Comprehensive Income and Expenditure			**317,225**
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.

Cash Flow Statement (Indirect Method)	**2020/21 £000**	**2021/22 £000**
Net (surplus) or deficit on the provision of services	343,997	24,039
Adjustments to net surplus or deficit on the provision of services for non cash movements (Note 33a)	-497,206	-138,339
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 33b)	78,268	65,401
Net cash flows from Operating Activities	-74,941	-48,899
Investing Activities (Note 33c)	-20,994	75,053
Financing Activities (Note 33d)	10,535	7,177
Net (increase)/decrease in cash and cash equivalents	-85,400	33,331
Cash and cash equivalents at the beginning of the reporting period	-66,513	-151,913
Cash and cash equivalents at the end of the reporting period (Note 12)	**-151,913**	**-118,582**

Notes to the Accounts

1. Prior Period Adjustment

The Authority has made a prior year adjustment in preparing its 2021/22 Statement of Accounts. This is detailed below.

Segment Reporting in the Comprehensive Income and Expenditure Statement (and associated notes)

In accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting, the Authority presents its Comprehensive Income and Expenditure Statement (and associated notes) on a cabinet member portfolio basis to reflect local reporting arrangements. The Authority made a number of changes to its portfolio structure following the local elections in May 2021, and therefore the 2021/22 financial statements have been prepared using this revised portfolio structure. Furthermore, and in accordance with the requirements of IAS1 Presentation of Financial Statements, the 2020/21 comparators in the Comprehensive Income and Expenditure Statement (and associated notes) have also been restated on this revised reporting basis. The impact of this restatement is disclosed below.

Comprehensive Income and Expenditure Statement

Cabinet Member Portfolio Structure (pre May 2021)	**2020/21 Net Expenditure £000**
Adults and Health	216,068
Children and Young People	139,618
Economy and Corporate Resources	61,845
Education and Skills	310,035
Environment	72,165
Finance	25,129
Fire & Rescue and Communities	39,091
Highways and Infrastructure	61,498
Leader	1,401
Cost of Services	**926,850**

Cabinet Member Portfolio Structure (post May 2021)	**Restated 2020/21 Net Expenditure £000**
Adults Services	215,373
Children and Young People	137,890
Community Support, Fire and Rescue	41,847
Environment and Climate Change	70,922
Finance and Property	32,980
Highways and Transport	61,498
Leader	5,564
Learning and Skills	310,772
Public Health and Wellbeing	196
Support Services and Economic Development	49,808
Cost of Services	**926,850**

Expenditure and Funding Analysis

Cabinet Member Portfolio Structure (pre May 2021)	2020/21 Net Expenditure Chargeable to the General Fund £000	2020/21 Adjustments between Funding and Accounting Basis £000
Adults and Health	224,743	-8,675
Children and Young People	133,389	6,229
Economy and Corporate Resources	56,422	5,423
Education and Skills	23,356	286,679
Environment	59,930	12,235
Finance	18,684	6,445
Fire & Rescue and Communities	36,035	3,056
Highways and Infrastructure	34,474	27,024
Leader	1,342	59
Net Cost of Services	**588,375**	**338,475**

Cabinet Member Portfolio Structure (post May 2021)	Restated 2020/21 Net Expenditure Chargeable to the General Fund £000	Restated 2020/21 Adjustments between Funding and Accounting Basis £000
Adults Services	224,184	-8,811
Children and Young People	131,877	6,013
Community Support, Fire and Rescue	38,693	3,154
Environment and Climate Change	58,762	12,160
Finance and Property	26,321	6,659
Highways and Transport	34,474	27,024
Leader	2,605	2,959
Learning and Skills	23,960	286,812
Public Health and Wellbeing	0	196
Support Services and Economic Development	47,499	2,309
Net Cost of Services	**588,375**	**338,475**

This revised portfolio structure has also been reflected in the prior year comparators in Notes 6 Capital Expenditure and Capital Financing, 21 Segmental Income and 25 Grants Credited to Services.

The Balance Sheet is unaffected by this change, and therefore no 'third' balance sheet (providing comparators as at 1 April 2020) has been presented as part of this restatement. The Movement in Reserves Statement and Cash Flow Statement are also unaffected. There are no implications for the General Fund Balances or any other reserves arising from this change.

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.

Summary of Adjustments to Usable Reserves

2021/22	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)	-74,221	-	-
• Financial instrument revaluations (transferred to the Pooled Investment Funds Adjustment Account or, for equity investments, the Capital Adjustment Account)	2,370	-	-
• Council tax and NDR (transferred to or from the Collection Fund Adjustment Account)	19,385	-	-
• Holiday pay (transferred to the Accumulated Absences Account)	1,919	-	-
• DSG deficits (transferred to the Dedicated Schools Grant Adjustment Account)	-15,116	-	-
• 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)	-7,922	-	-53,358
Total Adjustments to Revenue Resources	-73,585	-	-53,358
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	12,118	-12,118	-
Transfer of deferred sales proceeds from revenue to the Deferred Capital Receipts Reserve	-	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-75	75	-
Write down of finance lease debtor (transfer from Deferred Capital Receipts Reserve)	-251	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	16,511	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	6,358	-	-
Total Adjustments between Revenue and Capital Resources	34,661	-12,043	-
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	12,043	-
Application of capital grants to finance capital expenditure	-	-	87,160
Cash payments in relation to deferred capital receipts	-	-	-
Total Adjustments to Capital Resources	-	12,043	87,160
Total Adjustments	**-38,924**	**-**	**33,802**

2020/21	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	-	-	-
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	-	-	-
Total Adjustments to Capital Resources	-	3,700	74,294
Total Adjustments	**-378,527**	**-830**	**556**

3. Transfers to/from Earmarked Reserves

Reserve	Balance at 1 April 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000
Adult Social Care Reform Risk	-	-	-4,700	-4,700	-	-263	-4,963
Ash Dieback	-	-	-1,200	-1,200	-	-	-1,200
Budget Management	-14,952	1,530	-40,995	-54,417	11,391	-18,631	-61,657
Business Rates Pilot Fund	-20,463	1,340	-2,747	-21,870	4,490	-	-17,380
Capital Infrastructure	-12,028	12,028	-	-	-	-	-
Children First Improvement Plan	-	-	-2,285	-2,285	2,285	-	-
Covid-19 Fund	-20,525	44,925	-31,372	-6,972	57,692	-66,696	-15,976
Dedicated Schools Grant (DSG)	1,739	-	-1,739	-	-	-	-
Economic Growth	-1,297	-	-762	-2,059	75	-	-1,984
Highways Commuted Sums	-3,360	378	-1,087	-4,069	402	-1,498	-5,165
Highways On-Street Parking	-1,650	1,911	-2,182	-1,921	2,605	-2,081	-1,397
Inflation Contingency	-	-	-	-	-	-4,969	-4,969
Infrastructure Works Feasibility	-997	1,076	-1,515	-1,436	1,029	-1,523	-1,930
Insurance	-5,845	-	-	-5,845	2,516	-	-3,329
Interest Smoothing Account	-1,078	-	-1,176	-2,254	-	-524	-2,778
Recycling & Waste PFI	-10,741	200	-6	-10,547	200	-15	-10,362
School Balances	-16,241	16,241	-24,778	-24,778	1,643	-4,605	-27,740
Schools Sickness and Maternity Scheme	-1,933	162	-	-1,771	368	-	-1,403
Service Transformation Fund	-11,810	3,200	-4,959	-13,569	820	-597	-13,346
Social Care Support Grant 2018/19	-1,517	-	-	-1,517	1,018	-	-499
Special Support Centres	-1,845	1,845	-	-	-	-	-
Statutory Duties	-2,437	-	-	-2,437	191	-	-2,246
Strategic Economic Plan	-1,061	1,061	-	-	-	-	-
Street Lighting PFI	-23,585	236	-13	-23,362	442	-33	-22,953
Unapplied Revenue Grants	-419	59	-685	-1,045	565	-2,325	-2,805
Waste Materials Resource Management Contract (MRMC)	-26,700	1,350	-14	-25,364	1,900	-33	-23,497
Other Earmarked Reserves	-2,971	991	-848	-2,828	936	-1,660	-3,552
Earmarked Reserves	**-181,716**	**88,533**	**-123,063**	**-216,246**	**90,568**	**-105,453**	**-231,131**

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 2021/22.

- The Adult Social Care Reform Risk reserve (formerly known as Adults & Health Pressures and Recovery) is held to guard against rebound pressures which are anticipated to materialise within the Adult Services and Public Health and Wellbeing portfolios 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, which is now expected to be undertaken during 2022/23.
- 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 balance of s31 Business Rates Relief NNDR3 Reconciliation Grants (see Note 25), which have been recognised in the appropriate financial year in accordance with proper accounting practice but are earmarked to finance collection fund deficits which under statutory arrangements do not become chargeable to the taxpayer until subsequent 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.
- 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 was reclassified as an Unusable Reserve. Further detail can be found in Notes 19 and 28.
- 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 Inflation Contingency reserve was created using the unspent element of the base contingency budget in 2021/22. It is held to supplement the base inflation contingency built into the 2022/23 budget, in recognition of accelerating inflationary pressures and general economic uncertainty.
- 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 were identified within the capital programme to support these schemes, and therefore this funding was 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 was 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.

4. Property Plant and Equipment

Movements in 2021/22	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Assets under Construction £000	**Total Property, Plant & Equipment excluding Infrastructure Assets £000**
Cost or Valuation					
At 1 April 2021	1,011,315	101,597	48,626	8,087	**1,169,625**
Additions	24,316	3,813	565	7,634	**36,328**
Donations	3,545	-	-	-	**3,545**
Revaluation increases /(decreases) recognised in the Revaluation Reserve	16,935	-	-1,526	-	**15,409**
Revaluation increases /(decreases) recognised in the Surplus/Deficit on the Provision of Services	11,235	-	160	-	**11,395**
Disposals	-783	-311	-5,947	-	**-7,041**
Derecognition - Academies	-2,054	-	-	-	**-2,054**
Derecognition - Finance Leases	-	-	-	-	**-**
Derecognition - Other	-9,293	-9,474	-2,731	-	**-21,498**
Assets reclassified (to)/from Assets Held for Sale	-4,785	-	-1,260	-	**-6,045**
Assets reclassified (to)/from Investment Property	-1,538	-	69	-	**-1,469**
Transfer in asset category	2,996	342	3,771	-6,767	**342**
At 31 March 2022	**1,051,889**	**95,967**	**41,727**	**8,954**	**1,198,537**

Movements in 2021/22	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Assets under Construction £000	**Total Property, Plant & Equipment excluding Infrastructure Assets £000**
Accumulated Depreciation and Impairment					
At 1 April 2021	-	-39,257	-	-	**-39,257**
Depreciation charge	-26,545	-10,930	-755	-	**-38,230**
Depreciation written out to the Revaluation Reserve on revaluation	12,079	-	566	-	**12,645**
Depreciation written out to the Surplus/Deficit on the Provision of Services on revaluation	13,639	-	70	-	**13,709**
Disposals	55	-	14	-	**69**
Derecognition - Academies	73	-	-	-	**73**
Derecognition - Finance Leases	-	-	-	-	**-**
Derecognition - Other	333	8,932	160	-	**9,425**
Depreciation written out on newly classified Assets Held for Sale	190	-	46	-	**236**
Depreciation written out on newly classified Investment Property	75	-	-	-	**75**
Transfer in asset category	101	-88	-101	-	**-88**
At 31 March 2022	**-**	**-41,343**	**-**	**-**	**-41,343**
Net Book Value At 1 April 2021	**1,011,315**	**62,340**	**48,626**	**8,087**	**1,130,368**
Net Book Value At 31 March 2022	**1,051,889**	**54,624**	**41,727**	**8,954**	**1,157,194**

Comparative Movements in 2020/21	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment excluding Infrastructure Assets £000
Cost or Valuation					
At 1 April 2020	1,507,658	113,878	36,165	9,019	**1,666,720**
Additions	24,914	8,738	150	9,582	**43,384**
Donations	-	-	-	-	**-**
Revaluation increases /(decreases) recognised in the Revaluation Reserve	-182,324	-	11,046	-	**-171,278**
Revaluation increases /(decreases) recognised in the Surplus/Deficit on the Provision of Services	-279,307	-	2,043	-	**-277,264**
Disposals	-	-3,138	-585	-	**-3,723**
Derecognition - Academies	-48,287	-	-	-	**-48,287**
Derecognition - Finance Leases	-	-	-	-	**-**
Derecognition - Other	-11,125	-17,881	-57	-	**-29,063**
Assets reclassified (to)/from Assets Held for Sale	-1,512	-	1,346	-	**-166**
Assets reclassified (to)/from Investment Property	-43	-	-	-	**-43**
Transfer in asset category	1,341	-	-1,482	-10,514	**-10,655**
At 31 March 2021	**1,011,315**	**101,597**	**48,626**	**8,087**	**1,169,625**

Comparative Movements in 2020/21	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Assets under Construction £000	**Total Property, Plant & Equipment excluding Infrastructure Assets £000**
Accumulated Depreciation and Impairment					
At 1 April 2020	-	-44,713	-	-	**-44,713**
Depreciation charge	-37,517	-12,425	-676	-	**-50,618**
Depreciation written out to the Revaluation Reserve on revaluation	19,314	-	512	-	**19,826**
Depreciation written out to the Surplus/Deficit on the Provision of Services on revaluation	15,999	-	108	-	**16,107**
Disposals	-	-	27	-	**27**
Derecognition - Academies	1,863	-	-	-	**1,863**
Derecognition - Finance Leases	-	-	-	-	**-**
Derecognition - Other	303	17,881	-	-	**18,184**
Depreciation written out on newly classified Assets Held for Sale	67	-	-	-	**67**
Depreciation written out on newly classified Investment Property	-	-	-	-	**-**
Transfer in asset category	-29	-	29	-	**-**
At 31 March 2021	**-**	**-39,257**	**-**	**-**	**-39,257**
Net Book Value At 1 April 2020	**1,507,658**	**69,165**	**36,165**	**9,019**	**1,622,007**
Net Book Value At 31 March 2021	**1,011,315**	**62,340**	**48,626**	**8,087**	**1,130,368**

Infrastructure Assets

In November 2022, CIPFA issued an Update to the 2021/22 (and 2022/23) Code of Practice on Local Authority Accounting. This Update allows for the movement between the opening and closing balance of infrastructure assets to be presented on a net book value (rather than gross cost/accumulated depreciation) basis for a temporary period up to and including 2024/25, in recognition that authorities do not typically hold sufficiently granular detail regarding historical expenditure on their infrastructure assets in order to accurately account for derecognitions on a gross basis.

Furthermore, an amendment to the Local Authorities (Capital Finance and Accounting) Regulations was also laid in November 2022 which permits local authorities, when they replace a component of an infrastructure asset, to determine the carrying amount to be derecognised in respect of that replaced component as nil. This statutory override also applies up to and including 2024/25. West Sussex County Council has made this determination in respect of its 2021/22 Statement of Accounts.

Infrastructure assets have therefore been excluded from the previous tables which analyse the movement on Property, Plant and Equipment on a gross book value/accumulated depreciation basis. The movement on infrastructure assets is instead presented in the following note, along with a reconciliation to total Property, Plant and Equipment as reported on the Balance Sheet and elsewhere in these financial statements. In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

Movements in 2021/22	Infrastructure Assets £000	Other Property, Plant & Equipment £000	**Total Property, Plant & Equipment £000**	PFI Assets included in Property, Plant & Equipment £000
Net Book Value				
At 1 April 2021	370,434	1,130,368	**1,500,802**	117,139
Additions	60,902	36,328	**97,230**	515
Donations	-	3,545	**3,545**	-
Depreciation charge	-34,239	-38,230	**-72,469**	-4,949
Revaluation increases /(decreases) recognised in the Revaluation Reserve	-	28,054	**28,054**	2,823
Revaluation increases /(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	25,104	**25,104**	-
Disposals	-	-6,972	**-6,972**	-
Derecognition - Academies	-	-1,981	**-1,981**	-
Derecognition - Finance Leases	-	-	**-**	-
Derecognition - Other	-	-12,073	**-12,073**	-
Assets reclassified (to)/from Assets Held for Sale	-	-5,809	**-5,809**	-
Assets reclassified (to)/from Investment Property	-	-1,394	**-1,394**	-
Transfer in asset category	-254	254	**-**	-
At 31 March 2022	**396,843**	**1,157,194**	**1,554,037**	**115,528**

Comparative Movements in 2020/21	Infrastructure Assets £000	Other Property, Plant & Equipment £000	**Total Property, Plant & Equipment £000**	PFI Assets included in Property, Plant & Equipment £000
Net Book Value				
At 1 April 2020	350,815	1,622,007	**1,972,822**	143,336
Additions	42,974	43,384	**86,358**	1,083
Donations	-	-	**-**	-
Depreciation charge	-34,010	-50,618	**-84,628**	-5,443
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-151,452	**-151,452**	-21,837
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-261,157	**-261,157**	-
Disposals	-	-3,696	**-3,696**	-
Derecognition - Academies	-	-46,424	**-46,424**	-
Derecognition - Finance Leases	-	-	**-**	-
Derecognition - Other	-	-10,879	**-10,879**	-
Assets reclassified (to)/from Assets Held for Sale	-	-99	**-99**	-
Assets reclassified (to)/from Investment Property	-	-43	**-43**	-
Transfer in asset category	10,655	-10,655	**-**	-
At 31 March 2021	**370,434**	**1,130,368**	**1,500,802**	**117,139**

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 37 Accounting Policies.

Capital Commitments

The Authority has entered into a number of contracts prior to 31 March 2022 for the construction or enhancement of Property, Plant and Equipment. It has commitments totalling £95.4m to be paid in 2022/23 and thereafter (commitments at 31 March 2021 were £46.7m). The major commitments are:

Name of capital project	Programme duration	Outstanding commitments £000
Live Training Centre and Horsham Fire Station	2019-2023	17,304
Woodlands Meed College	2019-2024	16,017
Principal Roads – Preventative Resurfacing	2021-2023	9,635
A259 Corridor Capacity Enhancement, East Arun	2015-2023	6,546
Crawley Growth Programme	2017-2025	4,439
Burgess Hill Northern Arc Secondary School	2022-2026	2,847
Queen Elizabeth II Silver Jubilee School	2020-2023	2,771
Highways Pre-Surface Dressing Patching Programme	2021-2023	2,437
A2300 Corridor Capacity Enhancement, Burgess Hill	2018-2023	2,303
Principal Roads – Reactive Surfacing	2021-2023	2,190
Worthing Public Realm	2020-2024	2,183
Your Energy Sussex Programme	2019-2024	2,157
Footway Improvement Programme	2021-2023	2,075
Countywide Carriageway Patching	2020-2023	1,923
Bridges Programme	2020-2023	1,851
Emergency Active Travel Fund	2020-2024	1,610
Drainage Infrastructure Improvements	2020-2023	1,270
Local Transport Investment Programme	2020-2023	1,109

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 37 Accounting Policies.

The Authority undertook a number of valuations at 31 March 2022. 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.

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 2021/22. 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 2022, 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 2022 £000
Commercial	-	-	8,688	8,688
Residential	-	-	31,762	31,762
Sub Total	-	-	40,450	40,450
De minimis	-	-	1,277	1,277
Total	**-**	**-**	**41,727**	**41,727**

Comparative figures as at 31 March 2021:

	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	-	-	3,564	3,564
Office Units	-	-	3,392	3,392
Residential	-	-	40,186	40,186
Sub Total	-	-	47,142	47,142
De minimis	-	-	1,484	1,484
Total	**-**	**-**	**48,626**	**48,626**

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

Commercial

Valuation technique used to measure Fair Value	Unobservable Inputs	Range (weighted average used)	Valuation Process	Fair Value at 31 March 2022 £000
Market Approach	Market comparables	£3,800 - £3,000,000 per acre for commercial development land	Analysed comparable 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.	6,428
Market Approach	Market comparables	£65 - £470 per square foot for commercial development buildings	Analysed comparable evidence data from across the county (obtained from either CoStar or EIG) to place a building value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality.	2,260

Residential

Valuation technique used to measure Fair Value	Unobservable Inputs	Range (weighted average used)	Valuation Process	Fair Value at 31 March 2022 £000
Market Approach	Market comparables	£7,000 - £1,600,000 per acre for residential development land	Analysed comparable 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.	22,974
Market Approach	Market comparables	£30 - £568 per square foot for residential development buildings	Analysed comparable evidence data from across the county (obtained from either CoStar or EIG) to place a building value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality.	4,226
Market Approach	Market comparables	Residential values £250,000 - £800,000	Analysed comparable evidence data from across the county (obtained from either CoStar or EIG) to place a value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality.	3,742
Market Approach	Residual and comparable	£325,000 - £2,000,000 per acre	Residual appraisal, based upon the scheme and density.	820

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 2022 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 Financing Requirement	Restated 2020/21 £000	2021/22 £000
Balance brought forward at 1 April	609,905	599,949
Capital Investment for the Year by Portfolio		
Adults Services	3,131	4,796
Children and Young People	4,052	541
Community Support, Fire and Rescue	8,949	7,214
Environment and Climate Change	664	2,890
Finance and Property	6,446	6,488
Highways and Transport	38,898	55,238
Leader	4,092	5,487
Learning and Skills	22,408	23,158
Support Services and Economic Development	3,902	6,209
Finance Lease Notional Investment	524	-
Recycling & Waste PFI Notional Investment	902	515
Total Capital Investment for the Year	93,968	112,536
Source of Finance		
Capital Receipts	-3,700	-12,043
External Contributions	-4,499	-9,917
External Contributions applied to REFCUS	-1,554	-1,611
Government Grants	-69,795	-77,243
Government Grants applied to REFCUS	-2,799	-1,857
Revenue Contribution to Capital Outlay	-5,762	-6,358
Total Source of Finance	-88,109	-109,029
Sums set aside from revenue (MRP)	-15,815	-16,511
Balance carried forward at 31 March	**599,949**	**586,945**
Change in Capital Financing Requirement	-9,956	-13,004

REFCUS expenditure of £14.019m is included within portfolio totals in 2021/22 (2020/21 £7.359m). Included within this total is £4.381m (2020/21 £1.200m) that has been capitalised in accordance with a direction issued by the Secretary of State for Levelling Up, Housing and Communities 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.

Explanation of change in CFR	**2020/21 £000**	**2021/22 £000**
Increase in underlying need to borrow	4,433	2,992
Assets acquired under finance leases	524	-
Assets acquired under PFI contracts	902	515
Less the total of the Minimum Revenue Provision	-15,815	-16,511
	-9,956	-13,004

<u>Reconciliation of the Capital Financing Requirement to the Balance Sheet</u>

	31 March 2021 £000	**31 March 2022 £000**
Capital Financing Requirement	599,949	586,945
Property Plant & Equipment (Note 4)	1,500,802	1,554,037
Heritage Assets (Note 5)	280	280
Investment Property (Note 7)	89,172	107,147
Intangible Assets (Note 8)	-	-
Equity Investments (Note 9)	2	2
Other Long Term Liabilities (Note 9)	-1,772	-1,624
Assets Held for Sale (Note 10)	845	5,329
Capital Adjustment Account (Note 19)	-748,952	-819,248
Revaluation Reserve (Note 19)	-240,428	-258,978
	599,949	586,945

Note to the table:

Equity Investments - 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.

Other Long Term Liabilities - 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.

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:

	2020/21 £000	**2021/22 £000**
Rental income from investment property	-2,406	-2,310
Direct operating expenses arising from investment property	1	-
(Gains) and losses on sale of investment property	58	241
Change in fair value of investment property	2,215	-16,088
Net (gain)/loss	**-132**	**-18,157**

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:

	2020/21 £000	**2021/22 £000**
Balance at 1 April	91,401	89,172
Additions		
Purchases	-	-
Construction	-	519
Subsequent expenditure	251	768
Disposals of Investment Properties	-58	-519
Net gains from fair value adjustments	-2,215	16,088
Transfers		
(To)/from Property, Plant and Equipment	43	1,394
(To)/from Assets Held for Sale	-250	-275
Balance at 31 March	**89,172**	**107,147**

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 2021/22. 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 2022, 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 2022 £000**
Commercial	-	-	77,946	77,946
Residential	-	-	21,665	21,665
Agricultural	-	-	4,417	4,417
Sub Total	-	-	104,028	104,028
De minimis	-	-	3,119	3,119
Total	**-**	**-**	**107,147**	**107,147**

Comparative figures as at 31 March 2021:

	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	-	-	58,606	58,606
Residential	-	-	22,200	22,200
Agricultural	-	-	5,000	5,000
Sub Total	-	-	85,806	85,806
De minimis	-	-	3,366	3,366
Total	**-**	**-**	**89,172**	**89,172**

There were no transfers between the levels of fair value hierarchy during the year.

Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs – Level 3

Commercial

Valuation technique used to measure Fair Value	Unobservable Inputs	Range (weighted average used)	Valuation Process	Fair Value at 31 March 2022 £000
Income Approach	Market comparables	Commercial yield evidence ranges between 5% - 10% 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.	38,320
Income Approach	Market comparables	Income/profits forecasts	Based on a discounted cashflow methodology, considering the net income and remaining life of the assets. The calculation assesses the internal rate of return for the site. Yield evidence from CoStar and EIG has been used to assist in a cross reference exercise against the adopted multiplier within the valuation.	31,541
Market Approach	Market comparables	£750,000 - £1,500,000 per acre	Consideration of commercial land sales adjusted to reflect size. Further adjusted for uncertainty e.g. to reflect risks associated with planning consent and pre-lets.	4,692
Market Approach	Market comparables	Land value range £75,000 - £275,000	Analysed comparable 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.	2,010
Market Approach	Market comparables	Commercial yield evidence ranges between 5% - 10% typically with a gross yield 0.5% higher	Analysed comparable 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.	933
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.	450

Residential

Valuation technique used to measure Fair Value	Unobservable Inputs	Range (weighted average used)	Valuation Process	Fair Value at 31 March 2022 £000
Market Approach	Residual land values	£500,000 - £1,500,000 per acre	Analysed comparable 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.	15,345
Market Approach	Residual property values	£280,000 - £420,000 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.	4,008
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.	1,574
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.	738

Agricultural

Valuation technique used to measure Fair Value	Unobservable Inputs	Range (weighted average used)	Valuation Process	Fair Value at 31 March 2022 £000
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.	4,417

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. 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, and the carrying amount of the intangible asset is amortised on a straight-line basis.

The intangible assets held at 1 April 2020 related to purchased SAP licenses. These licenses were initially assigned a useful life of 10 years, and became fully amortised in 2020/21. The amortisation of £390,000 charged to revenue in 2020/21 was charged to the Economy and Corporate Resources portfolio (now Support Services and Economic Development) in the Net Cost of Services. The movement on Intangible Asset balances during the year was as follows:

	2020/21 £000	**2021/22 £000**
Balance at 1 April		
- Gross carrying amounts	3,483	-
- Accumulated amortisation	-3,093	-
Net carrying amount at start of year	390	-
Purchases	-	-
Amortisation for the period	-390	-
Balance at 31 March	**-**	**-**
Comprising		
- Gross carrying amounts	-	-
- Accumulated amortisation	-	-
	-	-

9. 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 County 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 2021/22 are classified in accordance with the Code of Practice as follows:

Amortised cost (financial assets whereby the County 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 (not held for trading)
- British Government backed deposits and securities including the Debt Management Account Deposit Facility, Gilts & other securities (e.g. Treasury Bills)
- Loans to other UK local authorities (by way of fixed-term investments)
- 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 2022 the County 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 County 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 County 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 County 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 2021/22. Additionally the County 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 2022, the County 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 2021/22 no transaction costs relating to the County Council's financial instruments (loans and investments) have been charged to the Comprehensive Income and Expenditure Statement. However, due to the short-term nature of the Council’s financial instruments held in custodian services provided by King & Shaxson Ltd, all related transaction costs (£29,039) have been amortised against the carrying value of the respective financial assets.

a. Financial Instruments Balances

The financial assets and liabilities disclosed in the Balance Sheet are made up of the following categories of financial instruments:

Long Term	**1 April 2021 £000**	**31 March 2022 £000**
Financial Assets		
Investments	9,994	-
Trade Debtors	31,633	29,450
Amortised cost	41,627	29,450
Fair value through other comprehensive income	-	-
Pooled investment funds	38,287	52,657
Equity investments	2	2
Fair value through profit and loss	38,289	52,659
Total Financial Assets	79,916	82,109
Financial Liabilities		
Borrowing (principal amount)	-471,303	-461,287
PFI liability	-91,724	-88,079
Finance lease liability	-2,115	-2,002
Other long-term liabilities	-1,772	-1,624
Amortised cost	-566,914	-552,992
Fair value through profit and loss	-	-
Total Financial Liabilities	-566,914	-552,992

The County Council began long-term borrowing during 2000/01 all arranged with the Public Works Loan Board (PWLB); no additional PWLB long-term borrowing was arranged during 2021/22. All outstanding loans at 31 March 2022 are scheduled to be repaid between 2022 and 2069.

Current	**1 April 2021 £000**	**31 March 2022 £000**
Financial Assets		
Investments (including accrued interest)	214,818	271,379
Cash and cash equivalents	151,913	118,983
Trade Debtors	47,084	55,685
Amortised cost	413,815	446,047
Fair value through other comprehensive income	-	-
Pooled funds (including accrued interest)	287	336
Fair value through profit and loss	287	336
Total Financial Assets	414,102	446,383
Financial Liabilities		
Borrowing (principal amount)	-9,080	-15,977
Accrued interest (PWLB)	-4,336	-4,273
PFI liability	-3,287	-3,645
Finance lease liability	-108	-113
Trade Creditors	-114,117	-134,177
Cash and cash equivalents	-	-401
Amortised cost	-130,928	-158,586
Fair value through profit and loss	-	-
Total Financial Liabilities	-130,928	-158,586

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 2022/23.

(i) Soft Loans

In accordance with the 2021/22 Code of Practice, where loans are advanced at below market (commercial) rates they are classified as 'soft loans' and included within the County Council's trade debtor totals. 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 County 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 £3,500 (considered below de minimis for full disclosure).

Additionally, during 2019/20 the County 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 County 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 £54,600. Again this is considered to be below the de minimis for full disclosure in the financial statements as per the County Council's accounting policy for soft loans as detailed at Note 37.

The position relating to soft loans at 31 March 2022 is therefore:

	2020/21 £000	2021/22 £000
Balance brought forward	1,255	1,423
Loans advance	599	620
Repayments Received	-438	-497
Interest charged to Comprehensive I&E Statement (CIES)	6	6
Expected credit loss allowance (movement charged to CIES)	1	1
Soft Loans Total (within trade debtors)	1,423	1,553
Long-Term	1,063	1,070
Short-Term	360	483
Soft Loans Total (long/short-term disclosure)	1,423	1,553

(ii) Other

During 2021/22, 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 in 2021/22 are made up as follows:

	Financial Liabilities Amortised Cost £000	Financial Assets Amortised Cost £000	Financial Assets Fair Value through Profit and Loss £000
Interest			
Expense	-30,429	-	-
Income	-	1,002	1,865
Total Interest	-30,429	1,002	1,865
Fair value gains/losses			
Equity	-	-	-
Multi-asset income funds	-	-	-1,471
Property funds	-	-	3,841
Ultra-short dated bond funds	-	-	-
Total fair value gains/losses	-	-	2,370
Other			
Fee expense (brokerage)	-	-	-
ECL allowance (prior year reversal)	-	31	-
ECL allowance at 31 March	-	-30	-
Total fair value gains/losses	-	1	-
Total gains and losses recognised in Surplus or Deficit on Provision of Services (CIES)	-30,429	1,003	4,235

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments in 2020/21 are made up as follows:

	Financial Liabilities Amortised Cost £000	Financial Assets Amortised Cost £000	Financial Assets Fair Value through Profit and Loss £000
Interest			
Expense	-30,856	-	-
Income	-	1,988	1,514
Total Interest	-30,856	1,988	1,514
Fair value gains/losses			
Equity	-	-	-
Multi-asset income funds	-	-	1,441
Property funds	-	-	-390
Ultra-short dated bond funds	-	-	19
Total fair value gains/losses	-	-	1,070
Other			
Fee expense (brokerage)	-	-	-
ECL allowance (prior year reversal)	-	41	-
ECL allowance at 31 March	-	-31	-
Total fair value gains/losses	-	10	-
Total gains and losses recognised in Surplus or Deficit on Provision of Services (CIES)	-30,856	1,998	2,584

The Department for Levelling Up, Housing and Communities (DLUHC) 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 County Council has maintained this accounting policy throughout 2021/22 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**	**1 April 2021 Nominal £000**	**31 March 2022 Nominal £000**	**1 April 2021 Fair Value £000**	**31 March 2022 Fair Value £000**
Fidelity Multi-Asset Income Fund	1	7,500	13,500	7,773	12,990
Ninety-One Diversified Income Fund	1	7,500	13,500	7,540	12,852
Accrued interest (multi-asset funds)	1	n/a	n/a	64	123
Hermes Property Unit Trust	2	10,000	10,000	9,105	10,644
Local Authorities' Property Fund	2	10,000	10,000	9,423	11,078
Lothbury Property Trust	2	5,001	5,001	4,446	5,093
Accrued interest (property funds)	2	n/a	n/a	223	213
Shareholding in the UKMBA Plc	3	200	200	2	2
Total		40,201	52,201	38,576	52,995

The valuation techniques used in relation to the disclosed fair value levels include:

1. The County Council's fair value measurement of its multi-asset income pooled funds is based directly from quoted market prices at 31 March 2022.
2. The County Council's fair value measurement of its property pooled funds is based directly from the bid/redemption prices obtained from the respective fund managers at 31 March 2022; indicating the value that units can be sold (in accordance with the Code of Practice). However, given that monthly prices are calculated using the respective property fund's valuers valuation of the underlying assets and that subscription and/or redemption trades are typically set on a forward pricing basis with the trading price agreed at a future point in time, the County 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).

<u>(ii) Financial Assets and Liabilities that are not measured at Fair Value (but Fair Value disclosures are required)</u>

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 County 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:

- For Public Works Loan Board (PWLB) loans, New Loan Rates effective at 31 March 2022 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. 126/22.
- 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 bonds, certificate of deposits and other securities held by the County Council’s custodian, quoted market rates have been used to provide the fair value at 31 March 2022.
- 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).

Financial Liabilities	Fair Value Level	2020/21 Carrying Amount £000	2020/21 Fair Value £000	2021/22 Carrying Amount £000	2021/22 Fair Value £000
PWLB borrowing (including accrued interest)	2	-479,155	-587,265	-475,576	-539,019
PFI and finance lease liabilities	2	-97,234	-193,350	-93,839	-168,543
Other liabilities (Waste PFI deferred income)		-1,772	-1,772	-1,624	-1,624
Short-term (non-PWLB) borrowing		-5,564	-5,564	-5,961	-5,961
Trade creditors [1]		-114,117	-114,117	-134,177	-134,177
Bank current accounts		-	-	-401	-401
Total Financial Liabilities		-697,842	-902,068	-711,578	-849,725

[1] Excludes receipts in advance (£41.745m at 31 March 2022) and statutory creditors (£38.799m at 31 March 2022) 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 County 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 2022) arising from a commitment to pay interest to lenders above current market rates.

Financial Assets (held at amortised cost)	Fair Value Level	2020/21 Carrying Amount £000	2020/21 Fair Value £000	2021/22 Carrying Amount £000	2021/22 Fair Value £000
Securities (via custodian)	1	10,001	10,056	93,717	93,575
Short-term investments (less than 1-year to maturity)		214,811	214,811	177,662	177,662
Cash & cash equivalents		151,913	151,913	118,983	118,983
Trade debtors [1]		78,717	78,717	85,135	85,135
Total Financial Assets		455,442	455,497	475,497	475,355

[1] Excludes payments in advance (£12.905m at 31 March 2022) and statutory debtors (£40.319m at 31 March 2022) including HM Revenue & Customs (VAT repayment), government department accruals, council tax arrears and provision for doubtful debts.

The fair value of financial assets is lower than the carrying amount because the County Council's investment portfolio includes a number of fixed rate securities where the interest rate payable is lower than 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 2022) arising from a commitment to pay interest to lenders below current market rates.

d. Nature and Extent of Risk Arising from Financial Instruments

(i) Key Risks

The County 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 County 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 County 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 County 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 County 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 with 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.

Throughout 2021/22 the County 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) continued to be approved for County Council investment.

The table below summarises the fair value/amortised cost of the Council's investment portfolio at 31 March 2022 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**	**Credit rating criteria met on 31 March 2022**	**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	15,002	49,538	10,011	-	74,551
- Non-UK Bank	YES	YES	5,006	34,042	15,035	-	54,083
- MMFs	YES	YES	118,981	-	-	-	118,981
Bank Secured [2]	YES	YES	-	15,061	-	-	15,061
UK Government	YES	YES	27,509	10,080	-	-	37,589
Local Authorities	YES	YES	10,025	65,059	15,013	-	90,097
Pooled Funds [3]	n/a	n/a	78	258	-	52,657	52,993
Other	n/a	n/a	-	-	-	2	2
			176,601	174,038	40,059	52,659	443,357

[1] Bank Unsecured - The County Council's exposure to credit risk in relation to its unsecured investments in banks and Money Market Funds (MMFs) at 31 March 2022 (£247.6m) 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 2022 that such risks were likely to materialise.

[2] Bank Secured - The credit quality of £15.1m of the County Council's investments is enhanced by collateral held in the form of covered bonds (bank secured); collateralised by residential mortgages. For these investments the collateral significantly reduces the likelihood of the County Council suffering a credit loss on these investments.

[3] Pooled Funds - The County 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:

	2020/21 Long Term £000	2021/22 Long Term £000	2020/21 Short Term £000	2021/22 Short Term £000
AAA (Covered Bonds, Pooled Funds/MMFs)	9,994	-	150,007	134,042
AA- (Assumed UK Local Authority Rating)	-	-	145,221	167,520
A+	-	-	46,421	44,272
A	-	-	15,005	44,528
A-	-	-	10,077	-
Multi-Asset Income Funds	15,313	25,842	64	123
Property Funds	22,974	26,815	223	213
UK Municipal Bond Agency	2	2	-	-
Total	48,283	52,659	367,018	390,698

Note - Bonds issued by the UK Municipal Bond 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 County 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 County 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 County Council has applied a 12-month expected credit loss model to this loan in 2021/22.

Expected Credit Loss Allowance (Trade Debtors): The County Council does not generally allow credit for its trade debtors, however £45.7m of the total £85.1m trade debtor balance is past its due date for payment. The amount overdue at 31 March 2022, none of which has been impaired, can be analysed by age as follows:

Time Period	£000
Up to one month overdue	6,251
Greater than one month up to three months	3,658
Greater than three months up to six months	5,825
Greater than six months up to one year	6,061
Greater than one year up to two years	10,715
Greater than two years up to five years	10,412
More than five years	2,758
Total	45,680

Included within the £45.7m trade debtor balance that is past its due payment date, the County Council has identified that £7.025m is potentially at risk of being irrecoverable. This is based on an assessment of overdue debt at 31 March 2022 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. At 31 March 2022, none of this liability has actually been impaired due to continued negotiations between the County Council's Legal Services team and the relevant debtors.

Movement in Expected Credit Loss Allowances	**2020/21 £000**	**2021/22 £000**	**Movement £000**
Financial investments held at amortised cost (12-month ECL)	-24	-24	-
Loan to the Littlehampton Harbour Board (12-month ECL)	-7	-6	1
Provision for bad debts (Lifetime ECL model; detailed above)	-5,864	-7,025	-1,161
Provision for council tax & business rate debts	-17,252	-18,398	-1,146
Total	-23,147	-25,453	-2,306

Collateral (Trade Debtors): The County 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 2022 was £11.7m.

(v) Liquidity Risk

The County 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 County 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 County 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:

Time Period	**2020/21 £000**	**2021/22 £000**
Less than one year	367,018	390,698
Between one and two years	9,994	-
More than two years	38,289	52,659
Financial Assets Total	415,301	443,357

Trade debtors (£85.1m) are not included in the table above.

(vi) Refinancing Risk

The County 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 County 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 County 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 County 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 County Council’s borrowing liabilities (excluding accrued interest) and the associated contractual interest obligations, alongside the maximum limits for financial liabilities maturing in each period:

Time Period	Minimum Approved Limit	Maximum Approved Limit	2020/21 Principal Maturity £000	2021/22 Principal Maturity £000	2020/21 Interest Obligation £000	2021/22 Interest Obligation £000
Less than 1 year	0%	25%	9,080	16,378	19,293	19,050
Between 1 and 5 years	0%	35%	34,063	28,763	75,124	73,675
Over 5 years to 10 years	0%	60%	141,378	207,677	76,493	68,550
Over 10 years to 15 years	0%	50%	155,862	84,847	30,388	24,786
Over 15 years to 20 years	0%	25%	-	-	19,987	19,987
Over 20 years to 25 years	0%	25%	15,000	15,000	18,122	17,464
Over 25 years to 30 years	0%	25%	-	-	16,695	16,695
More than 30 years	0%	40%	125,000	125,000	45,554	42,215
Borrowing Liabilities Total			480,383	477,665	301,656	282,422

(vii) Market Risk

Interest Rate Risk

The County 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 County 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 periods of rising interest rates) fixed rate investments may be taken for shorter durations to secure more advantageous returns over a longer-term period; similarly the drawing of long term fixed rate borrowings may be reintroduced.

At 31 March 2022 the County Council held no variable long term borrowings, but held 44% (£196.6m) 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 2021/22 total interest of £2.0m has been charged to the Comprehensive Income and Expenditure Statement in respect of all the County Council's variable rate investments, representing a 0.98% rate of return on an average investment portfolio of £203.5m. If all applicable rates had been 1% higher the financial impact would have been a £2.0m increase in interest charged to the Comprehensive Income and Expenditure Statement.

Price Risk

The market prices of the County Council's fixed and variable rate investments held during 2021/22 are governed by prevailing interest rates; the market risk associated with these investments is managed alongside interest rate risk.

At 31 March 2022 the County Council held £53.0m (including accrued income) in multi-asset income and property pooled funds which is subject to price variations. During 2021/22 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, without these current regulations the County Council would have recognised a £3.8m gain in the Surplus or Deficit on the Provision of Services in relation to its property fund investments; offset by a £1.4m loss in relation to its multi-asset income fund investments. As a consequence, the total accumulated gain in the County Council's pooled investment funds adjustment account at 31 March 2022 was £0.7m.

Additionally, the County 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 County Council's cash holdings, or the potential escalation of financial liabilities if linked to inflation indices. Throughout 2021/22 the County Council achieved a 0.61% return on its investment portfolio as compared against average UK CPI inflation of 3.98% during the same period. Latest Bank of England forecasts report that UK CPI inflation was 7.0% in the twelve months to March 2022, and likely to increase to over 10% during the remainder of 2022 before starting to fall back in 2023 and returning close to the 2% target rate in two years; additional market forecasts indicate CPI averaging around 2% by 2026. With investment rates set to remain lower than inflation over the short-term (next 12 months) the County 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 County Council does not currently hold any inflation linked borrowings.

Foreign Exchange Risk

The County Council (excluding the Pension Fund) has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

10. Assets Held for Sale

	2020/21 £000	2021/22 £000
Balance outstanding 1 April	1,840	845
Assets newly classified as held for sale		
Property, Plant and Equipment	1,445	5,809
Investment Property	250	275
Assets declassified as held for sale		
Property, Plant and Equipment	-1,346	-
Revaluation gains/(losses)	-850	-755
Assets sold	-494	-845
Balance outstanding at 31 March	**845**	**5,329**

11. Short Term Debtors

Classification	2020/21 £000	2021/22 £000
Central government bodies	49,487	29,731
Other local authorities	13,583	13,701
NHS bodies	11,198	14,556
Other entities and individuals	52,730	50,921
Total	**126,998**	**108,909**

12. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

Classification	2020/21 £000	2021/22 £000
Cash held by the Authority	150,001	118,983
Bank current accounts	1,912	-401
Total	**151,913**	**118,582**

13. Short Term Creditors

Classification	2020/21 £000	2021/22 £000
Central government bodies	-51,615	-44,945
Other local authorities	-33,082	-17,476
NHS bodies	-28,047	-19,648
Public corporations and trading funds	-1	-1
Other entities and individuals	-107,571	-132,651
Total	**-220,316**	**-214,721**

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 2021 £000	Amounts used in 2021/22 £000	Additional provisions made in 2021/22 £000	Balance at 31 March 2022 £000
Long-Term				
Insurance	-3,410	1,692	-2,986	-4,704
Fire Pensions Opt-Out	-24	24	-	-
Teachers' Pension Scheme	-133	11	-	-122
Total Long-Term Provisions	**-3,567**	**1,727**	**-2,986**	**-4,826**
Short-Term				
Insurance	-1,553	1,628	-1,692	-1,617
Loss of Office	-354	354	-32	-32
NNDR Appeals	-4,045	4,045	-4,169	-4,169
Property Dilapidations	-	-	-189	-189
Registrars Tax Liabilities	-177	177	-	-
Total Short-Term Provisions	**-6,129**	**6,204**	**-6,082**	**-6,007**
Grand Total Provisions	**-9,696**	**7,931**	**-9,068**	**-10,833**

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 2022, 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 was 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 was to be funded by the Firefighters' Pension Scheme. The provision represented the gross additional liability to be met by the County Council until employees reached their eligible retirement age. This amount was offset by amounts owed by the Firefighters' Pension Scheme in respect of lump sum payments (held within debtors on the balance sheet), which were recoverable by the Authority upon retirement. The last remaining in-scope employee reached retirement age in 2021/22, and so the liability is now fully extinguished.

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.

<u>Short Term Provisions - Descriptions</u>

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 2022, 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 2022/23.

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. 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.

The **Property Dilapidations** provision is held to meet the Authority's legal obligation to make good the general dilapidations of a leased property previously used for the delivery of youth services. The Authority has declared the site as surplus and the freeholder has consequentially terminated the lease. Settlement is subject to the agreement of eligible costs with the freeholder and the Authority anticipates resolution of this matter during 2022/23.

A provision was held for **Registrars Tax Liabilities**, relating to a potential VAT obligation on ceremonies income. Following discussions between HMRC and CIPFA, it has been determined that no such obligation exists, and so the provision was released during 2021/22.

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 2022 £13.6m 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 Transport 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.

Note (i) – Value of Assets held under PFI contract

Scheme/Asset	Opening Balance at 1 April 2021 £000	Additions £000	Depreciation £000	Revaluation £000	Closing Balance at 31 March 2022 £000
Crawley Schools PFI					
Ifield Community College	14,829		-464	1,251	**15,616**
Oriel High School	18,475		-429	1,349	**19,395**
Recycling & Waste PFI					
Infrastructure	5,542		-352		**5,190**
Land and Buildings	12,512		-301	223	**12,434**
Plant and Equipment	4,193	515	-759		**3,949**
Street Lighting PFI	61,588		-2,644		**58,944**
Total PFI Assets	**117,139**	**515**	**-4,949**	**2,823**	**115,528**

Note (ii) – Value of Liability resulting from PFI Contract

Scheme	Opening Balance at 1 April 2021 £000	Increase due to Investment £000	Repayment of Liability £000	Closing Balance at 31 March 2022 £000
Crawley Schools PFI	-24,131	-	904	**-23,227**
Recycling & Waste PFI	-11,517	-515	954	**-11,078**
Street Lighting PFI	-59,363	-	1,944	**-57,419**
Total Liability	**-95,011**	**-515**	**3,802**	**-91,724**

Note (iii) – Payments due under PFI Contracts

Timeframe	Repayment of Liability £000	Interest £000	Service Charges £000	Total £000
Within one year	3,645	10,706	28,273	**42,624**
Within two to five years	18,575	40,051	123,460	**182,086**
Within six to ten years	38,044	41,536	172,190	**251,770**
Within eleven to fifteen years	31,460	13,607	58,227	**103,294**
Total Commitments	**91,724**	**105,900**	**382,150**	**579,774**

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:

Asset Net Book Values	1 April 2021 £000	31 March 2022 £000
Land and Buildings	26,615	28,759
Vehicles, Plant, Furniture and Equipment	3,141	2,512
Infrastructure Assets	10,514	10,163
Total	40,270	41,434

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:

Minimum Lease Payments	1 April 2021 £000	31 March 2022 £000
Finance lease liability	2,223	2,115
Finance costs payable in future years	1,808	1,712
Total	4,031	3,827

The minimum lease payments will be payable over the following periods:

Minimum Lease Payments	1 April 2021 £000	31 March 2022 £000
No later than one year	204	204
Later than one year and not later than five years	815	815
Later than five years	3,012	2,808
Total	4,031	3,827

Finance Lease Liabilities	1 April 2021 £000	31 March 2022 £000
No later than one year	108	113
Later than one year and not later than five years	486	510
Later than five years	1,629	1,492
Total	2,223	2,115

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:

Minimum Lease Payments	1 April 2021 £000	31 March 2022 £000
Not later than one year	1,507	1,774
Later than one year and not later than five years	2,990	2,719
Later than five years	684	535
Total	5,181	5,028

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 £1.427m. Of this total, £0.785m was chargeable to the Highways and Transport portfolio, £0.381m was chargeable to the Community Support, Fire and Rescue portfolio, and £0.249m was chargeable to the Finance and Property portfolio. A small balance of £0.012m was charged to other portfolios.

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:

Gross Investment in the Lease	1 April 2021 £000	31 March 2022 £000
Finance lease debtor	6,869	6,618
Unearned finance income	3,122	2,877
Unguaranteed residual value of property [1]	-	-
Gross investment in the lease	9,991	9,495

[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	1 April 2021 £000	31 March 2022 £000
No later than one year	496	496
Later than one year and not later than five years	1,984	1,984
Later than five years	7,511	7,015
Total	9,991	9,495

Minimum Lease Payments	1 April 2021 £000	31 March 2022 £000
No later than one year	250	259
Later than one year and not later than five years	1,094	1,133
Later than five years	5,525	5,226
Total	6,869	6,618

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:

Minimum Lease Payments	1 April 2021 £000	31 March 2022 £000
Not later than one year	3,378	3,565
Later than one year and not later than five years	9,377	8,681
Later than five years	6,198	4,854
Total	18,953	17,100

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.

Local Government Pension Scheme	**2020/21 £000**	**2021/22 £000**
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	71,874	113,269
Past service cost (including curtailments)	137	403
(Gain)/loss from settlements	74	-207
Financing and Investment Income and Expenditure:		
Interest cost on defined benefit obligation	47,283	53,958
Interest income on plan assets	-44,339	-48,833
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	75,029	118,590
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement:		
Remeasurement (gains) and losses	79,597	-135,454
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	154,626	-16,864
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	-75,029	-118,590
Actual amount charged against the General Fund Balance in the year for employer's contributions payable to the scheme	52,912	52,643

Uniformed Firefighters	**2020/21 £000**	**2021/22 £000**
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	5,531	8,201
Past service cost (including curtailments)	-	247
(Gain)/loss from settlements	-	-
Financing and Investment Income and Expenditure:		
Interest cost on defined benefit obligation	8,169	8,943
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	13,700	17,391
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement:		
Remeasurement (gains) and losses	86,176	-29,994
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	99,876	-12,603
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	-13,700	-17,391
Actual amount charged against the General Fund Balance in the year for retirement benefits payable to pensioners	9,623	9,117

Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

Local Government Pension Scheme Funded Liabilities:	**2020/21 £000**	**2021/22 £000**
Opening balance at 1 April	-2,047,182	-2,666,205
Current service cost	-71,874	-113,269
Interest cost	-47,283	-53,958
Contributions by scheme participants	-13,794	-14,437
Remeasurement gains and (losses):		
Actuarial gains/(losses) arising from changes in demographic assumptions	-8,833	15,795
Actuarial gains/(losses) arising from changes in financial assumptions	-567,443	189,898
Other experience	23,219	-3,665
Past service cost (including curtailments)	-137	-403
Transfers to/(from) other authorities	-	-
Benefits paid	58,625	59,921
Liabilities extinguished on settlements	8,497	755
Closing balance at 31 March	-2,666,205	-2,585,568

Uniformed Firefighters Unfunded Liabilities:	**2020/21 £000**	**2021/22 £000**
Opening balance at 1 April	-357,306	-447,559
Current service cost	-5,531	-8,201
Interest cost	-8,169	-8,943
Contributions by scheme participants	-1,824	-1,873
Remeasurement gains and (losses):		
Actuarial gains/(losses) arising from changes in demographic assumptions	-4,604	4,483
Actuarial gains/(losses) arising from changes in financial assumptions	-84,871	27,146
Other experience	3,299	-1,635
Past service cost (including curtailments)	-	-247
Transfers to/(from) other authorities	-16	-27
Benefits paid	11,463	11,017
Liabilities extinguished on settlements	-	-
Closing balance at 31 March	-447,559	-425,839

Reconciliation of the movements in the fair value of the scheme (plan) assets:

Local Government Pension Scheme Scheme Assets:	**2020/21 £000**	**2021/22 £000**
Opening balance at 1 April	1,930,503	2,447,812
Interest income on plan assets	44,339	48,833
Remeasurement gains and (losses):		
Return on plan assets (excluding interest income)	473,460	-66,574
Contributions by scheme participants	13,794	14,437
Employer contributions	52,912	52,643
Benefits paid	-58,625	-59,921
Transfers (to)/from other authorities	-	-
Settlements	-8,571	-548
Closing balance at 31 March	2,447,812	2,436,682

Uniformed Firefighters Scheme Assets:	**2020/21 £000**	**2021/22 £000**
Opening balance at 1 April	-	-
Contributions by scheme participants	1,824	1,873
Employer contributions	9,623	9,117
Benefits paid	-11,463	-11,017
Transfers (to)/from other authorities	16	27
Settlements	-	-
Closing balance at 31 March	-	-

Scheme History

	2017/18 £000	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**
Present value of liabilities:					
Local Government Pension Scheme	-2,094,358	-2,376,650	-2,047,182	-2,666,205	-2,585,568
Uniformed Firefighters	-374,720	-394,183	-357,306	-447,559	-425,839
Fair value of assets:					
Local Government Pension Scheme	1,816,232	1,952,269	1,930,503	2,447,812	2,436,682
Uniformed Firefighters	-	-	-	-	-
Net defined liability:					
Local Government Pension Scheme	-278,126	-424,381	-116,679	-218,393	-148,886
Uniformed Firefighters	-374,720	-394,183	-357,306	-447,559	-425,839
Total	-652,846	-818,564	-473,985	-665,952	-574,725

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £574.725m 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 2023 is £47.820m. Payments (net of employee contributions) in respect of the Uniformed Firefighters scheme for the year to 31 March 2023 are projected to be £8.408m.

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 for the Local Government Pension Scheme have been:

Mortality assumptions	**2020/21**	**2021/22**
Longevity at 65 for current pensioners:		
Men	22.1 years	21.9 years
Women	24.4 years	24.2 years
Longevity at 65 for future pensioners:		
Men	23.1 years	22.8 years
Women	26.1 years	25.9 years
Rate of increase in salaries	3.35%	3.70%
Rate of increase in pensions	2.85%	3.20%
Rate for discounting scheme liabilities	2.00%	2.70%

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.

The principal assumptions used by the actuary for the Uniformed Firefighters have been:

Mortality assumptions	2020/21	2021/22
Longevity at 60 for current pensioners:		
Men	26.6 years	26.3 years
Women	28.9 years	28.7 years
Longevity at 60 for future pensioners:		
Men	27.9 years	27.7 years
Women	30.3 years	30.1 years
Rate of increase in salaries	3.30%	3.65%
Rate of increase in pensions	2.85%	3.20%
Rate for discounting scheme liabilities	2.00%	2.70%

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:

Asset Category:	31 March 2021 %	31 March 2022 %
Equity Securities	51%	0%
Debt Securities	1%	0%
Private Equity	2%	2%
Real Estate	7%	10%
Investment Funds and Unit Trusts	35%	88%
Cash and Cash Equivalents	4%	0%
Total	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 2021/22, the County Council paid £38.116m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. Employer contributions of £38.016m were made in 2020/21 (23.68% of pensionable pay).

Allowing for the estimated impact of pay awards and academy conversions, employer contributions to be paid in the 2022/23 financial year are forecasted to be £37.9m.

19. Unusable Reserves

	1 April 2021 £000	31 March 2022 £000
Accumulated Absences Account	12,155	10,236
Capital Adjustment Account	-748,952	-819,248
Collection Fund Adjustment Account	25,831	6,446
Dedicated Schools Grant Adjustment Account	10,388	25,504
Deferred Capital Receipts Reserve	-6,869	-6,618
Pensions Reserve	665,952	574,725
Pooled Investment Funds Adjustment Account	1,714	-656
Revaluation Reserve	-240,428	-258,978
Total Unusable Reserves	**-280,209**	**-468,589**

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.

	2020/21 £000	2021/22 £000
Balance at 1 April	**9,840**	**12,155**
Settlement or cancellation of accrual made at end of the preceding year	-9,840	-12,155
Amounts accrued at the end of the current year	12,155	10,236
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	-1,919
Balance at 31 March	**12,155**	**10,236**

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.

	2020/21 £000	2021/22 £000
Balance at 1 April	**-1,039,859**	**-748,952**
Charges for depreciation of non current assets	84,628	72,469
Charges for amortisation of intangible assets	390	-
Charges for impairment of non current assets	-	-
Revaluation (gains) / losses on Property, Plant and Equipment and Assets Held for Sale	262,007	-24,349
Revaluation (gains) / losses on equity investments	-	-
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	7,359	14,019
Amounts written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	61,551	22,390
Release of deferred income from Private Finance Initiatives	-147	-148
Gains from Donated Assets	-	-3,545
Reversal of items relating to capital expenditure debited/credited to the Comprehensive Income and Expenditure Statement	415,788	80,836
Adjusting amounts written out of the Revaluation Reserve	-23,172	-9,504
Net written out amount of the cost of non current assets consumed in the year	**392,616**	**71,332**
Use of the Capital Receipts Reserve to finance new capital expenditure	-3,700	-12,043
Application of grants to capital financing from the Capital Grants Unapplied Account	-74,294	-87,160
Capital grants and contributions applied to REFCUS	-4,353	-3,468
Statutory provision for the financing of capital investment charged against the General Fund balance	-15,815	-16,511
Revenue Contribution to Capital Outlay	-5,762	-6,358
Capital financing applied in the year	**-103,924**	**-125,540**
Movements in the market value of Investment Properties debited/credited to the Comprehensive Income & Expenditure Statement	**2,215**	**-16,088**
Balance at 31 March	**-748,952**	**-819,248**

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.

	2020/21 £000	2021/22 £000
Balance at 1 April	**-804**	**25,831**
Settlement or cancellation of accrual made at end of the preceding year	804	-25,831
Amounts accrued at the end of the current year	25,831	6,446
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	-19,385
Balance at 31 March	**25,831**	**6,446**

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. This temporary legislation is currently set to expire at the end of March 2023. Further instruction is awaited from the Department for Education on how accumulated deficits are to be treated at that time.

	2020/21 £000	2021/22 £000
Balance at 1 April	**-**	**10,388**
Accumulated deficit at 1 April transferred from Earmarked Reserves [1]	1,739	-
Deficit between grant receivable and eligible expenditure for the year	8,649	15,116
Balance at 31 March	**10,388**	**25,504**

[1] This unusable reserve was established on 1 April 2020 in accordance with the provisions of the Local Authority (Capital Finance and Accounting) (England) (Amendment) Regulations 2020, at which time the accumulated DSG deficit transferred from Earmarked Reserves

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.

	2020/21 £000	2021/22 £000
Balance at 1 April	**-7,110**	**-6,869**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-
Write down of Finance Lease debtor	241	251
Transfer to the Capital Receipts Reserve upon receipt of cash	-	-
Balance at 31 March	**-6,869**	**-6,618**

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.

	2020/21 £000	2021/22 £000
Balance at 1 April	**473,985**	**665,952**
(Gains)/losses on remeasurement of pension assets/liabilities	165,773	-165,448
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	135,981
Employer's pensions contributions and direct payments to pensioners payable in the year	-62,535	-61,760
Balance at 31 March	**665,952**	**574,725**

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.

	2020/21 £000	2021/22 £000
Balance at 1 April	**2,765**	**1,714**
Upward revaluation of investments	-1,441	-3,841
Downward revaluation of investments	390	1,471
Net (gain)/loss on revaluation of investments	-1,051	-2,370
Accumulated gains and (losses) on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement	-	-
Balance at 31 March	**1,714**	**-656**

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.

	2020/21 £000	2021/22 £000
Balance at 1 April	**-415,052**	**-240,428**
Upward revaluation of assets	-31,683	-48,809
Downward revaluation of assets and revaluation losses not charged to the Surplus/Deficit on the Provision of Services	183,135	20,755
Impairment losses not charged to the Surplus/Deficit on the Provision of Services	-	-
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**151,452**	**-28,054**
Difference between fair value depreciation and historical cost depreciation	9,113	4,649
Accumulated gains on assets sold or scrapped	14,059	4,855
Amount written off to the Capital Adjustment Account	**23,172**	**9,504**
Balance at 31 March	**-240,428**	**-258,978**

20. Note 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.

Adjustments between Funding and Accounting Basis 2021/22

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 Services	-657	8,988	-18,243	-9,912
Children and Young People	778	11,390	44	12,212
Community Support, Fire and Rescue	-2,988	2,545	13	-430
Environment and Climate Change	4,652	998	-2,194	3,456
Finance and Property	2,458	3,198	1,287	6,943
Highways and Transport	32,425	2,493	-6,663	28,255
Leader	351	351	4	706
Learning and Skills	10,461	25,726	-3,942	32,245
Public Health and Wellbeing	-	665	-18	647
Support Services and Economic Development	6,401	3,799	1	10,201
Net Cost of Services	53,881	60,153	-29,711	84,323
Other Income and Expenditure	-80,620	14,068	21,153	-45,399
Difference between General Fund Surplus and Comprehensive Income and Expenditure Deficit	**-26,739**	**74,221**	**-8,558**	**38,924**

Adjustments between Funding and Accounting Basis 2020/21 (Restated)

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 Services	5,485	2,902	-17,198	-8,811
Children and Young People	2,194	3,453	366	6,013
Community Support, Fire and Rescue	6,137	-3,034	51	3,154
Environment and Climate Change	13,999	315	-2,154	12,160
Finance and Property	4,103	1,039	1,517	6,659
Highways and Transport	33,040	724	-6,740	27,024
Leader	221	106	2,632	2,959
Learning and Skills	279,262	8,199	-649	286,812
Public Health and Wellbeing	-	154	42	196
Support Services and Economic Development	1,015	1,223	71	2,309
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**

21. Segmental Income

Revenue from external customers can be analysed by portfolio as follows:

Services	Restated 2020/21 £000	2021/22 £000
Adults Services	-52,735	-59,438
Children and Young People	-273	-213
Community Support, Fire and Rescue	-2,214	-3,531
Environment and Climate Change	-3,935	-5,658
Finance and Property	-4,379	-4,332
Highways and Transport	-8,442	-13,027
Leader	-2	-8
Learning and Skills	-2,809	-4,157
Public Health and Wellbeing	-9	-13
Support Services and Economic Development	-463	-1,393
Total income analysed on a segmental basis	**-75,261**	**-91,770**

22. Other Operating Expenditure

	2020/21 £000	2021/22 £000
Levies	1,145	1,183
Assets Held for Sale (Gains)/Losses on Revaluation	850	755
(Profit) / loss on sale of assets	-340	-3,948
Loss on derecognition of Academy Schools	46,424	1,981
Loss on derecognition of other assets	10,879	12,073
Assets derecognised under finance leases	-	-
Total	**58,958**	**12,044**

23. Financing and Investment Income and Expenditure

	2020/21 £000	2021/22 £000
Interest payable and similar charges	30,856	30,429
Interest receivable and similar income	-4,582	-5,238
Net interest payable/(receivable)	**26,274**	**25,191**
Pensions: interest cost on defined benefit obligation	55,452	62,901
Pensions: interest income on plan assets	-44,339	-48,833
Net pensions interest cost/(income)	**11,113**	**14,068**
Investment Property: income and expenditure	-2,405	-2,310
Investment Property: (gain)/loss on disposal	58	241
Investment Property: changes in fair value	2,215	-16,088
Net Investment Property expenditure/(income)	**-132**	**-18,157**
Total	**37,255**	**21,102**

24. Taxation and Non Specific Grant Income

	2020/21 £000	2021/22 £000
Council tax income	-480,621	-513,672
Non domestic rates	-89,120	-88,425
Other non-service government grants	-35,587	-24,791
Gains from Donated Assets	-	-3,545
Capital grants and contributions	-73,738	-53,358
Total	**-679,066**	**-683,791**

25. Grant Income

The County Council credited the following grants to the Comprehensive Income & Expenditure Statement:

Grants Credited to Services	**Restated 2020/21 £000**	**2021/22 £000**
Adults Services		
Afghanistan Resettlement Grant (DfE)	-	-1,101
Covid-19 Adult Social Care Infection Control & Testing Fund (DHSC)	-	-6,664
Covid-19 Adult Social Care Infection Control Fund (DHSC)	-3,459	-
Covid-19 Adult Social Care Rapid Testing Fund (DHSC)	-427	-
Covid-19 Contain Outbreak Management Fund (DHSC)	-949	-400
Covid-19 Omicron Support Fund (DHSC)	-	-826
Covid-19 Test and Trace Service Support Grant (DHSC)	-1,867	-
Covid-19 Workforce Capacity Fund (DHSC)	-1,627	-
Covid-19 Workforce Recruitment & Retention Fund (DHSC)	-	-6,069
Domestic Abuse Safe Accommodation (DLUHC)	-	-1,498
Improved Better Care Fund (DLUHC)	-12,933	-18,248
Independent Living Fund (DHSC)	-4,309	-4,309
Local Reform and Community Voices Grant (DHSC)	-157	-158
Public Health Grant (DHSC)	-300	-300
Social Care Capital Grant (DHSC) *applied to REFCUS*	-1,089	-750
Social Care Support Grant (DLUHC)	-17,343	-18,169
Syrian Vulnerable Persons Resettlement Programme (HO)	-320	-248
Other	-260	-525
Adults Services Total	**-45,040**	**-59,265**
Children and Young People		
Adoption Support Fund (DfE)	-1,154	-
Dedicated Schools Grant (DfE)	-1,728	-
Family Safeguarding Improvement Grant (DfE)	-	-447
Public Health Grant (DHSC)	-12,782	-12,571
Troubled Families (DfE)	-1,622	-1,644
Unaccompanied Asylum Seeking Children (HO)	-2,939	-3,632
Unaccompanied Asylum Seeking Children: Leaving Care (HO)	-1,628	-2,178
Youth Justice Board Youth Offending Teams (MoJ)	-569	-618
Other	-829	-909
Children and Young People Total	**-23,251**	**-21,999**

Grants Credited to Services (continued)	Restated 2020/21 £000	2021/22 £000
Community Support, Fire and Rescue		
Covid-19 Clinically Extremely Vulnerable (DLUHC)	-2,738	-
Covid-19 Emergency Assistance Food and Essentials (DEFRA)	-737	-
Covid-19 Household Support Fund (DWP)	-	-4,870
Covid-19 Local Support Grant (DWP)	-	-3,163
Covid-19 Winter Grant Scheme (DWP)	-1,859	-
Fire Pensions Top-Up Grant (HO)	-1,724	-1,724
Firelink Grant (HO)	-459	-409
Public Health Grant (DHSC)	-624	-832
Other	-516	-253
Community Support, Fire and Rescue Total	**-8,657**	**-11,251**
Environment and Climate Change		
Private Finance Initiative (DLUHC)	-2,124	-2,124
Other	-415	43
Environment and Climate Change Total	**-2,539**	**-2,081**
Finance and Property		
Inshore Fisheries & Conservation Support Grant (DEFRA)	-148	-148
Other	-14	-26
Finance and Property Total	**-162**	**-174**
Highways and Transport		
Bus Service Operators Grant (DfT)	-436	-436
Covid-19 Active Travel Fund (DfT)	-	-300
Covid-19 Bus Services Support Grant (DfT)	-754	-328
Funding for Supported Bus Services (DfT)	-383	-169
Local Transport Authority Bus Capacity Grant (DfT)	-	-503
Private Finance Initiative (DLUHC)	-6,069	-6,069
Other	-413	-452
Highways and Transport Total	**-8,055**	**-8,257**
Leader		
Other	-	-100
Leader Total	**-**	**-100**

Grants Credited to Services (continued)	Restated 2020/21 £000	2021/22 £000
Learning and Skills		
16 to 19 Education 'Sixth Form' Funding (DfE)	-12,304	-11,085
Adult Education (DfE)	-3,080	-3,174
Basic Need Capital Grant (DfE) *applied to REFCUS*	-1,239	-389
Covid-19 Additional Dedicated School and College Transport (DfE)	-1,096	-644
Covid-19 Job Retention (Furlough) Scheme (HMRC)	-592	-
Covid-19 National Schools Testing Programme (DfE)	-	-1,195
Covid-19 School Led Tutoring (DfE)	-	-745
Covid-19 Schools Catch-up Premium (DfE)	-3,443	-2,450
Covid-19 Schools Emergency Support (DfE)	-901	-
Covid-19 Schools Recovery Premium (DfE)	-	-794
Covid-19 Summer Schools Programme (DfE)	-	-393
Dedicated Schools Grant (DfE)	-445,180	-471,155
Extended Rights to Free Travel Grant (DfE)	-483	-635
Holiday Activities and Food Programme Grant (DfE)	-	-996
PE & Sport Premium Grant (DfE)	-3,360	-3,287
Private Finance Initiative (DLUHC)	-4,532	-4,532
Pupil Premium (DfE)	-13,991	-13,351
School Condition Allocation (DfE) *applied to REFCUS*	-	-562
School Improvement Monitoring and Brokering Grant (DfE)	-825	-752
Teachers' Pay Grant (DfE)	-4,327	-197
Teachers' Pension Employer Contribution Grant (DfE)	-12,609	-559
Universal Infant Free School Meals Grant (DfE)	-7,202	-6,497
Other	-1,373	-1,155
Learning and Skills Total	**-516,537**	**-524,547**
Public Health and Wellbeing		
Covid-19 Contain Outbreak Management Fund (DHSC)	-	-19,273
Covid-19 Self-Isolation Practical Support Fund (DHSC)	-	-1,570
Covid-19 Test and Trace Service Support Grant (DHSC)	-	-1,312
Local Reform and Community Voices Grant (DHSC)	-316	-316
Public Health Grant (DHSC)	-19,561	-18,431
Other	-402	-616
Public Health and Wellbeing Total	**-20,279**	**-41,518**
Support Services and Economic Development		
Public Health Grant (DHSC)	-	-1,210
Other	-	-53
Support Services and Economic Development Total	**-**	**-1,263**
Total Grants Credited to Services	**-624,520**	**-670,455**

Grants Credited to Taxation and Non Specific Grant Income	2020/21 £000	2021/22 £000
Non Domestic Rates (DLUHC)		
Section 31 Business Rates Relief [1]	-22,506	-13,282
Top-Up to Baseline Funding Level	-16,482	-45,792
Total Non Domestic Rates (DLUHC)	**-38,988**	**-59,074**
Other Non-Service Government Grants		
Covid-19 Emergency Fund (DLUHC)	-25,328	-
Covid-19 Expenditure Pressures Grant (DLUHC)	-	-15,618
Covid-19 Income Loss Compensation Scheme (DLUHC)	-2,570	-158
Local Council Tax Support Grant (DLUHC)	-	-6,632
Local Tax Income Guarantee Scheme (DLUHC)	-3,975	-25
New Homes Bonus Grant (DLUHC)	-3,714	-2,358
Total Other Non-Service Government Grants	**-35,587**	**-24,791**
Capital Grants and Contributions		
Basic Need Grant (DfE)	-	-6,646
Devolved Formula Capital Grant (DfE)	-1,683	-1,354
Flood Resilience and Pothole Action Fund (DfT)	-12,129	-
Highways Maintenance Block Incentive Fund (DfT)	-2,300	-1,904
Highways Maintenance Block Needs Element (DfT)	-11,043	-7,616
Integrated Transport Block (DfT)	-3,734	-3,763
Local Growth Fund (DLUHC)	-17,495	-3,164
Local Authority Major Schemes Grant - A2300 (DfT)	-9,274	-4,156
Potholes Fund (DfT)	-	-5,331
School Conditions Allocation (DfE)	-11,341	-8,388
SEND Special Provision Funding (DfE)	-	-772
Section 106 Contributions	-4,235	-9,712
Other Grants and External Contributions	-504	-552
Total Capital Grants and Contributions	**-73,738**	**-53,358**
Total Grants Credited to Taxation and Non Specific Grant Income	**-148,313**	**-137,223**

[1] In 2021/22, this includes an accrual of £6.604m for the NNDR3 Reconciliation Grant (£15.326m accrued in 2020/21). In accordance with proper accounting practice, debtors for this grant have been raised in the period that it became due to the Authority. 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 balance of the grant which has not yet been applied to finance deficits is therefore held in the Budget Management Reserve (see Note 3).

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	**2020/21 £000**	**2021/22 £000**
Devolved Formula Capital Grant (DfE)	-6,483	-2,054
Emergency Active Travel Fund (DfT)	-2,233	-1,958
Local Authority Major Schemes Grant - A2300 (DfT)	-4,156	-
Local Authority Major Schemes Grant - A259 (DfT)	-	-778
Local Full Fibre Networks Challenge Fund (DCMS)	-2,766	-1,977
Local Growth Fund (DLUHC)	-6,220	-841
Potholes Fund (DfT)	-	-3,874
SEND Special Provision Funding (DfE)	-	-7,995
Social Care Capital Grant (DHSC)	-750	-
Section 106 Contributions	-85,158	-104,654
A Place to Live	-650	-650
Other Grants and External Contributions	-721	-543
Total Capital Grants Receipts in Advance	**-109,137**	**-125,324**

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
DLUHC	Department for Levelling Up, Housing and Communities
DWP	Department for Work and Pensions
HMRC	Her Majesty's Revenue and Customs
HO	Home Office
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:

	2020/21 £000	2021/22 £000
Fees payable to EY with regard to external audit services carried out by the appointed auditor for the year	287	165
Fees payable in respect of other services provided by EY during the year	-	-
Total	**287**	**165**

In 2021/22, Public Sector Audit Appointments Ltd made a further distribution to opted-in eligible bodies of a surplus arising from its auditor appointment, fee setting, and performance and contract management functions. The amount distributed to West Sussex County Council was £17,870 (2020/21 £nil).

The Authority also received a grant of £46,684 from the Department for Levelling Up, Housing and Communities in 2021/22 (2020/21 £nil) in recognition of an increase in audit fees associated with new burdens, including those arising from the 'Redmond Review' into the effectiveness of external audit and transparency of financial reporting in local authorities and the National Audit Office's Code of Audit Practice.

The Authority incurred further costs of £4,375 in 2021/22 (2020/21 £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:

	2020/21 £000	2021/22 £000
Basic Allowances	843	870
Other Allowances	386	375
Travel and Subsistence	7	13
Total	**1,236**	**1,258**

28. Dedicated Schools Grant

The 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 2021. 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 2021/22 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2021/22 before academy and high needs recoupment			-692,352
Academy and high needs figure recouped for 2021/22			220,840
Total DSG after academy and high needs recoupment for 2021/22			-471,512
Plus: Brought forward from 2020/21			-
Less: Carry-forward to 2022/23 agreed in advance			-
Agreed initial budgeted distribution in 2021/22	-136,602	-334,910	-471,512
In year adjustments	357	-	357
Final budget distribution for 2021/22	-136,245	-334,910	-471,155
Less: Actual central expenditure	151,361		151,361
Less: Actual ISB deployed to schools		334,910	334,910
Plus: Local authority contribution for 2021/22	-	-	-
In year carry forward to 2022/23	15,116	-	15,116
Plus: Carry forward to 2022/23 agreed in advance			-
DSG unusable reserve as at 31 March 2021			10,388
Total deficit balance to be carried forward at 31 March 2022			**25,504**

29. Expenditure and Income Analysed by Nature

The Authority's expenditure and income is analysed as follows:

Expenditure/Income	2020/21 £000	2021/22 £000
Expenditure		
Employee benefits expenses	590,658	646,127
Other service expenses	802,136	864,149
Depreciation, amortisation and impairment	349,240	32,032
Interest payments	86,308	93,330
Precepts and levies	1,145	1,183
(Gain)/loss on the disposal of non-current assets	57,021	10,347
Total Expenditure	**1,886,508**	**1,647,168**
Income		
Fees, charges and other service income	-190,004	-214,812
Interest and investment income	-48,921	-54,071
Income from Council Tax and Non-Domestic Rates	-569,741	-602,097
Gains from Donated Assets	-	-3,545
Government grants and contributions	-733,845	-748,604
Total Income	**-1,542,511**	**-1,623,129**
(Surplus)/Deficit on the Provision of Services	**343,997**	**24,039**

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. For 2021/22, employee expenses of £75.199m (£73.804m in 2020/21) in relation to staff employed at the Authority's voluntary aided and foundation schools are included within Employee benefits expenses above.

30. 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:

Banding	2020/21 Non schools	2020/21 School based	2021/22 Non schools	2021/22 School based
£50,000 - £54,999	233	204	197	214
£55,000 - £59,999	113	114	182	102
£60,000 - £64,999	46	86	45	93
£65,000 - £69,999	35	44	39	44
£70,000 - £74,999	12	39	25	41
£75,000 - £79,999	3	24	3	22
£80,000 - £84,999	11	6	10	8
£85,000 - £89,999	8	5	2	7
£90,000 - £94,999	3	3	2	4
£95,000 - £99,999	2	6	3	4
£100,000 - £104,999	-	4	-	6
£105,000 - £109,999	1	4	1	5
£110,000 - £114,999	6	1	6	1
£115,000 - £119,999	3	1	4	1
£120,000 - £124,999	-	-	2	-
£125,000 - £129,999	1	1	2	-
£130,000 - £134,999	1	1	1	-
£135,000 - £139,999	-	-	-	-
£140,000 - £144,999	2	-	1	-
£145,000 - £149,999	-	-	1	-
£150,000 - £154,999	-	-	2	-
£155,000 - £159,999	-	-	-	-
£160,000 - £164,999	1	-	-	-
Total	**481**	**543**	**528**	**552**

The number of staff with remuneration above £50,000 in 2021/22 was 1,080, an increase from 1,024 in 2020/21. 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 the period 1 April 2021 - 31 March 2022 was as follows (no bonuses or expense allowances were payable for the year):

Post title (as at 31 March 2022)	Post holder [1]	Salary, fees and allowances £	Benefits in kind £	Compensation for loss of employment £	Employer's pension contribution £	**Total remuneration including pension contributions £**
Assistant Chief Executive [2]		25,968			5,805	**31,773**
Chief Executive	Becky Shaw	Post holder not directly employed by West Sussex County Council - please see footnote below				
Chief Fire Officer		142,450			41,026	**183,476**
Director of Adults and Health		Post holder not directly employed by West Sussex County Council - please see footnote below				
Director of Children, Young People and Learning	Lucy Butler	152,625			34,121	**186,746**
Director of Finance and Support Services		130,686			29,216	**159,902**
Director of Human Resources and Organisational Development (Interim) [3]		Post holder not directly employed by West Sussex County Council - please see footnote below				
Director of Human Resources and Organisational Development [4]		9,583			2,142	**11,725**
Director of Law and Assurance		120,231			26,879	**147,110**
Director of Place Services		146,367			32,722	**179,089**
Senior Coroner [5]	Penny Schofield	149,965	59		33,526	**183,550**

Notes to 2021/22 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. Appointed 10 January 2022.
3. Contracted until 25 February 2022.
4. Appointed 1 March 2022.
5. 'Salary, fees and allowances' payable to the Senior Coroner includes an additional responsibility allowance to reflect additional work undertaken for the Brighton & Hove jurisdiction on an interim basis from 11 September 2021. A total allowance of £16,750 was payable for the period and was recovered in full from Brighton & Hove City Council, who also made a further contribution of £24,204 towards the Senior Coroner's pay and associated costs.

www.westsussex.gov.uk

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 previous table:

- Payments of £156,502 have been made to East Sussex County Council for the shared services of the Chief Executive.
- Payments of £188,246 have been made to East Sussex County Council for the shared services of the Director of Adults and Health representing 80%/20% split of time between West/East Sussex County Councils.
- Payments of £176,160 have been made to Matrix SCM Ltd for the services of the Interim Director of Human Resources and Organisational Development.

The remuneration payable to the Authority's senior employees for the period 1 April 2020 - 31 March 2021 was as follows (no bonuses or benefits in kind were payable for the year):

Post title (as at 31 March 2021)	Post holder [1]	Salary, fees and allowances £	Expense allowances £	Compensation for loss of employment £	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				
Chief Fire Officer		140,000			40,320	**180,320**
Director - Education and Skills		113,025	3,975		26,380	**143,380**
Director - Finance and Support Services		128,438			29,977	**158,415**
Director - Human Resources & Organisational Development [2]				34,000		**34,000**
Director - Human Resources & Organisational Development (Interim)		Post holder not directly employed by West Sussex County Council - please see footnote below				
Director - Law & Assurance		118,163			27,579	**145,742**
Executive Director - Adults and Health [3]	Kim Curry	417		110,473	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			34,913	**199,496**
Executive Director - Communities & Public Protection [2]				88,358		**88,358**
Executive Director - Place Services		143,850			33,575	**177,425**

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. Settlement reached in 2020/21 in relation to loss of employment in previous financial year.
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.

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 previous table:

- Payments of £154,866 have been made to East Sussex County Council for the shared services of the Chief Executive.
- Payments of £249,423 have been made to The McLean Partnership Ltd for the services of the Interim Director - Human Resources and Organisational Development.
- 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.

Exit Packages

The Authority terminated, or made provision to terminate, the contracts of a number of employees in 2021/22. Total liabilities of £0.959m were incurred for the period (£1.102m in 2020/21).

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the tables below.

2021/22

(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
£0 - £20,000	28	21	49	£374,673
£20,001 - £40,000	11	2	13	£383,224
£40,001 - £60,000	-	-	-	£0
£60,001 - £80,000	1	-	1	£64,414
£80,001 - £100,000	-	-	-	£0
£100,001 - £150,000	1	-	1	£136,351
Total	41	23	64	£958,662

2020/21

(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
£0 - £20,000	13	12	25	£215,107
£20,001 - £40,000	4	6	10	£317,348
£40,001 - £60,000	1	2	3	£148,607
£60,001 - £80,000	2	1	3	£222,021
£80,001 - £100,000	-	1	1	£88,358
£100,001 - £150,000	-	1	1	£110,473
Total	20	23	43	£1,101,914

31. 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 37.

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.

	2020/21 £000	2021/22 £000
Funding provided to the pooled budget:		
West Sussex County Council	-83,553	-84,946
West Sussex Clinical Commissioning Groups (CCGs)	-19,029	-19,346
Total funding provided to the pooled budget	-102,582	-104,292
Expenditure met by the pooled budget:		
West Sussex County Council	84,442	89,766
West Sussex Clinical Commissioning Groups (CCGs)	19,231	20,444
Total expenditure met by the pooled budget	103,673	110,210
Net (surplus)/deficit arising on the pooled budget during the year	1,091	5,918
Authority's share of the net (surplus)/deficit	889	4,820

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.

	2020/21 £000	2021/22 £000
Funding provided to the pooled budget:		
West Sussex County Council	-9,185	-9,481
West Sussex Clinical Commissioning Groups (CCGs)	-61,309	-85,777
Total funding provided to the pooled budget	-70,494	-95,258
Expenditure met by the pooled budget:		
West Sussex County Council	9,346	9,622
West Sussex Clinical Commissioning Groups (CCGs)	62,377	86,794
Total expenditure met by the pooled budget	71,723	96,416
Net (surplus)/deficit arising on the pooled budget during the year	1,229	1,158
Authority's share of the net (surplus)/deficit	161	141

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.

	2020/21 £000	2021/22 £000
Funding provided to the pooled budget:		
West Sussex County Council	-11,294	-11,337
West Sussex Clinical Commissioning Groups (CCGs)	-60,678	-83,919
Total funding provided to the pooled budget	-71,972	-95,256
Expenditure met by the pooled budget:		
West Sussex District and Boroughs	-	9,415
West Sussex County Council	36,787	28,810
West Sussex Clinical Commissioning Groups (CCGs)	35,154	37,031
Total expenditure met by the pooled budget	71,941	75,256
Net (surplus)/deficit arising on the pooled budget during the year	-31	-20,000
Underspending brought forward	-264	-345
Underspending returned to partners	35	-
Interest earned on cash balances	-85	-79
Balance carried forward	-345	-20,424

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 accordance with the provisions of the Section 75 agreement, the partners agreed to an additional £20m contribution by the West Sussex CCG in March 2022 to support the activity of the pool. This has resulted in a surplus on the pooled budget at 31 March 2022. If after all relevant costs have been quantified (such as pressures arising in 2022/23 as a consequence of discharges from acute hospitals taking place in 2021/22) there is a residual balance on this additional contribution, then under the terms of the extension agreement entered into by the Joint Commissioning Strategy Group this balance shall be returnable to the CCG (now the NHS Sussex Integrated Care Board). As such, West Sussex County Council has not recognised any share of this surplus in its single entity financial statements.

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 2021/22, of which £17.8m has been recognised in the Comprehensive Income and Expenditure Statement for the period (in addition to £0.4m carried forward from 2020/21) as per Note 25. The balance of £2.2m, together with £12.0m 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.

32. 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 29. 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 2021/22 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 2021/22 goods and services to the value of £229,108 and £40,604 respectively were commissioned from these organisations.

Another Member acts as Director of Southeast Communities Rail Partnership. No transactions were entered into with this entity during 2021/22.

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.

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 (2020/21 £0.7m) 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 £63.1m (including employee contributions) to the Fund in 2021/22 (2020/21 £61.9m). 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 2022 the Fund had a daily average investment balance of £45.0m held in Sterling (31 March 2021 £154.2m), earning interest of £0.02m (2020/21 £0.05m) in these funds at a rate of return of 0.04% (2020/21 0.04%). No interest on investments held in in foreign currency was earned by the Fund during 2021/22 (2020/21 £0.01m).

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 2021/22 the precept on the County Council was £0.161m (2020/21 precept £0.142m). A further payment of £0.029m was made to the Harbour Board to reimburse legal fees.

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. The Authority also has an interest in Edes Estates Ltd but has determined that the entity had no financial activity to consolidate for the reporting period. Further details on all three arrangements are provided in Note 38.

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 205 maintained schools (207 at 31 March 2021). Non-current assets with a net book value of £687m (£666m at 31 March 2021) were recognised in relation to these schools.

33. Notes to the Cash Flow Statement

(a) Adjustments to net surplus/deficit on the provision of services for non-cash movements

	2020/21 £000	2021/22 £000
Charges for depreciation of non current assets	-84,628	-72,469
Charges for amortisation of intangible assets	-390	-
Revaluations gains/losses on Property, Plant and Equipment and Assets Held for Sale charged to the Surplus/Deficit on Provision of Services	-262,007	24,349
Impairment of non current assets	-	-
Movements in the market value of Investment Property	-2,215	16,088
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	-61,551	-22,390
Gains upon recognition of Donated Assets	-	3,545
Net reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-26,194	-74,221
Revaluation of financial instruments including expected credit losses	1,060	2,370
(Increase) / decrease in creditors	-87,893	5,658
Increase / (decrease) in debtors	9,962	-20,295
Increase / (decrease) in inventories	-18	163
Contributions (to) / from provisions	16,668	-1,137
Net adjustments for non-cash movements	**-497,206**	**-138,339**

(b) Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities

	2020/21 £000	2021/22 £000
Proceeds from the sale of Property, Plant and Equipment, Investment Property, Intangible Assets and Assets Held for Sale	4,530	12,043
Capital grants and contributions recognised in the Comprehensive Income and Expenditure Statement	73,738	53,358
Adjustments for items that are investing and financing activities	**78,268**	**65,401**

(c) Investing Activities

	2020/21 £000	2021/22 £000
Purchase of Property, Plant and Equipment, Investment Property and Heritage Assets	85,183	98,002
Purchase of short-term and long-term investments	339,422	402,581
Proceeds from short-term and long-term investments	-349,389	-343,942
Proceeds from the sale of Property, Plant and Equipment, Investment Property, Intangible Assets and Assets Held for Sale	-4,530	-12,043
Capital grants and contributions recognised in the Comprehensive Income and Expenditure Statement	-73,738	-53,358
Net position on capital grants and contributions receipts in advance	-17,942	-16,187
Net cash flows from investing activities	**-20,994**	**75,053**

(d) Financing Activities

	2020/21 £000	2021/22 £000
Repayment of PFI and finance lease liabilities	4,124	4,058
Receipts from short and long term borrowing	-	-
Repayment of short and long term borrowing	7,016	3,516
Cash held for third parties	-605	-397
Net cash flows from financing activities	**10,535**	**7,177**

34. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Director of Finance and Support Services on 1 February 2023. 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.

35. Contingent Assets

West Sussex County Council currently has no material contingent assets.

36. 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.

(5) In June 2021 the Council notified the Pensions Regulator of a breach of the Teachers' Pension Regulations. This relates to a failure over a number of years to auto-enrol some part time and casual teaching staff onto the teachers' pension scheme as required following a change to the regulations in 2007.

The Council has appointed an external adviser to investigate the extent of the breach. During 2021/22 the Council continued to make progress to identify those individuals in scope, although due to the complexity of the data and the assurance required on the consistency of the data points it has not been possible to accurately quantify the obligation to the Council for inclusion in the 2021/22 accounts. The individuals identified as potentially in scope were sent letters in both March 2021 and February 2022 to keep them updated of the progress being made.

The data analysis to identify those in scope was completed in late August 2022. The Council will work with the Teachers' Pension Scheme (TPS) to agree the data requirements during September and will then submit the full data set to the TPS in October 2022 to then allow the TPS to undertake an 'Options Exercise' for the impacted employees. The Options Exercise is due for completion in March 2023. As part of this Exercise those individuals in scope will receive an options letter detailing benefits accrued (and employee contributions payable), and individuals will then decide whether they wish to exercise their option to join the scheme. The whole exercise is forecast to conclude in June 2023, subject to the TPS finishing the Options Exercise in March 2023. The obligation to the Council only exists should the individual take up their option to join the scheme. As such, no provision for backdated employer contributions or interest charges can currently be made, as existence of the obligation is uncertain and cannot be reliably quantified.

Full detail of the current proposed actions to progress and resolve the issue are set out in the Council's 2021/22 Annual Governance Statement and will be monitored as part of that.

37. 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 Surplus or Deficit on Provision of Services where they arise from the reversal of a loss previously charged to that service).

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 by the systematic allocation of their depreciable amounts over their useful lives. 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

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

The asset is revalued immediately before reclassification 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.

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 Levelling Up, Housing and Communities 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) 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) (now the department for Levelling Up, Housing and Communities), 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:

<u>Supported Borrowing</u>

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.

<u>Unsupported Borrowing</u>

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.

<u>MRP – Finance Lease and PFI</u>

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 spreads 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.

The Authority as Lessee

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.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

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

<u>a) Financial Liabilities</u>

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.

<u>b) Financial Assets</u>

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 (now the Department for Levelling Up, Housing and Communities) 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. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority single entity financial statements (and not the group accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the 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.

<u>The Local Government Pension Scheme and The Firefighters' Pension Scheme</u>

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 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, i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability 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 – 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 Property) 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 in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

a) in the principal market for the asset, or

b) in the absence of a principal market, in the most advantageous market for the asset.

The Authority measures the fair value of an asset using the assumptions that market participants would use when pricing the asset, 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 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 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, either directly or indirectly
- Level 3 – unobservable inputs for the asset.

(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 other sections of the financial statements as appropriate, for example in Note 38 Critical Judgements in Applying Accounting Policies.

Considering the above, and the critical judgements made in applying the Council's policy on going concern as set out in Note 38, the Council is satisfied that the financial statements should be prepared on a going concern basis.

38. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 37, 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 budget for 2021/22 was set in February 2021 whilst we were in the midst of the pandemic. In response to the pandemic, the Government continued to make a number of funding streams available to local authorities to address budget pressures. A total of £94.4m of revenue funding was available in 2021/22 (including amounts carried forward from previous years), of which £71.3m was spent in 2021/22 in response to the pandemic. £3.3m of unspent ringfenced grant will be repaid to the Government and £19.8m has been carried forward into 2022/23 to continue to cover pandemic associated costs.

The Council underspent its 2021/22 revenue budget by £5.6m and this was transferred to two reserves - £5.0m to the newly created Inflation Contingency Reserve to enhance the inflation contingency of £2.9m which was established as part of the 2022/23 budget in recognition of the current cost of living crisis, and £0.6m to the Service Transformation Fund.

During the year, the Council closely monitored its cashflow position to ensure that there were sufficient funds available to meet its financial obligations and remain financially solvent. The Council took a cautious approach to investing cash balances in 2021/22 with a significant proportion of surplus cash held in instant access accounts or on very short-term deposits to ensure it was available should it be required as the effects of the pandemic continued.

The delivery of the Council's services to our residents has been impacted by a number of events including the ongoing Coronavirus pandemic and the economic pressures resulting in increased costs which have been exacerbated by the Russian invasion of Ukraine. The budget gap for 2023/24, as reported at County Council on 28 February 2022, was £25.7m. Since then, the national economic situation has worsened with significant inflationary pressures in 2022/23, some of which are likely to continue into 2023/24, adding further pressures to the Council's budgets. The timing and the implications of the Fair Funding Review are still not known which adds further uncertainty. Work is underway with the Executive Leadership Team and Cabinet Members to review this position, update with any further pressures and develop plans to mitigate the shortfall to ensure that we are able to present a sustainable balanced budget for 2023/24.

As at 31 March 2022, the Council held earmarked reserves of £186.0m (excluding School Balances and the Business Rates Pilot Fund), 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 if required.

A potential added pressure is the DSG Reserve which, as at 31 March 2022, is a deficit balance of £25.5m, an increase of £15.1m during the year. The DSG deficit is now classified as an unusable reserve in line with regulation changes which came in during 2020/21. The temporary legislation, which states that any DSG deficits are to be recovered from future DSG income over time rather than from local authority General Funds, is set to expire at the end of March 2023. We are awaiting an update from the Department for Education on the approach in the future.

The Council has produced a cashflow to 31 March 2024 and modelled the impact of two scenarios to ensure the budget is balanced for both 2022/23 and 2023/24. Both scenarios are underpinned by the Council's latest forecasts of its known financial pressures. These total £62.6m and comprise £9.7m inflationary pressures arising from the cost of living crisis in 2022/23 and the forecast £15.0m DSG annual deficit for 2022/23, along with the anticipated non-delivery of savings (£12.4m) in 2022/23 and the accumulated DSG Reserve deficit (£25.5m). The more optimistic scenario assumes that, having met the above pressures through a combination of base funding and reserves, a balanced budget can be set for 2023/24, whereas the more pessimistic scenario assumes a further funding shortfall of £39m in 2023/24. Based on this modelling we are satisfied that there is no material uncertainty relating to the Council's cashflow position to 31 March 2024.

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 one grant received from the Department of Health and Social Care (DHSC) in 2021/22, the Authority has judged that it is acting as agent. This is the Adult Social Care Infection Control and Testing Fund (£12.7m). 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 amount disclosed above reflects the proportion of the grant for which the onward distribution has been stipulated by DHSC. The Authority was given greater discretion over how to apply a smaller proportion of the grant (30%), and so the Authority has treated this element as principal and as such included the funding and associated expenditure 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. DLUHC's long-awaited Fair Funding Review into business rates retention and baseline funding allocations continues to be delayed. Whilst the spending review published by Government in October 2021 (SR21) covered a three year period from 2022/23 to 2024/25, the 2022/23 Local Government Finance Settlement confirmed in February 2022 was for one year only, although two-year settlements have subsequently been promised commencing 2023/24.

Additionally, there continues to be a high degree of uncertainty around the council tax and business rates base. The fallout from the coronavirus pandemic, coupled with the uncertain economic environment and high levels of inflation, 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, decreasing 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 36 respectively.

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 does 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. Two of the six Trustees serving at the start of this reporting period are employed as head teachers of local authority community schools (both resigned from the Board of West Sussex Music Trust on 27 April 2021). The Authority judges that the head teachers operated in their capacity as representatives of their respective schools, rather than as employees of West Sussex County Council, during their time on the Board. 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 did not exert significant influence over West Sussex Music Trust at any time during the latest reporting period.

The Authority also has an interest in Edes Estates Ltd, a wholly owned subsidiary of West Sussex County Council. Through Edes Estates, the Authority has entered into a joint venture (West Sussex Property Development LLP) with Lovell Partnerships for the purposes of developing (typically operationally surplus) land owned by the Council.

The joint venture has incurred (non-material) expenditure during 2021/22 in relation to a limited number of sites currently being appraised for development. These feasibility works (including architecture and design as part of the planning application process) are at the risk of Lovell Partnerships until such time that the Authority approves a business case for the transfer of land into the joint venture. As such it is judged that Edes Estates has no financial activity to account for at the reporting date and so has not been subject to consolidation into West Sussex County Council group accounts.

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.

39. Assumptions made about the Future and Other 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.

Property, Plant and Equipment – Revaluation

As detailed in Note 37 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 2022 using this methodology. Net indexation of £30.1m was applied to assets with a carrying value of £650.0m an overall increase of 4.6%.

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 £1.6m 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 £8.1m. 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.

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.

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 2022	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	51,821
1 year increase in member life expectancy	4%	103,423
0.1% increase in the Salary Increase Rate	0%	3,681
0.1% increase in the Pension Increase Rate	2%	47,769

Firefighters

Change in assumptions at 31 March 2022	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	9%	40,391
1 year increase in member life expectancy	3%	12,723
0.5% increase in the Salary Increase Rate	<1%	1,921
0.5% increase in the Pension Increase Rate	8%	33,599

40. 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 2021/22, this requirement is limited to the standards listed in Appendix C of the 2022/23 Code, which (as per CIPFA Bulletin 10 – Closure of the 2021/22 Financial Statements) are expected to be as follows:

- IFRS 16 Leases (only applies to authorities which have elected to adopt the standard in the 2022/23 financial year)
- Annual Improvements to IFRS Standards 2018-20
- Property, Plant and Equipment: Proceeds before Intended Use (amendments to IAS 16).

West Sussex County Council does not expect to adopt IFRS 16 in the 2022/23 financial year. The Authority intends to make full use of the deferral of this standard until 1 April 2024 as announced by CIPFA LASAAC in April 2022.

The annual IFRS improvements cycle includes minor changes to IFRS 1 (First-time adoption), IAS 37 (Onerous contracts), IFRS 16 (Leases) and IAS 41 (Agriculture), none of which are considered to have a significant impact on local authority financial reporting.

The change to IAS 16 reflects a narrow-scope amendment to prohibit the deduction of proceeds from selling items produced before an item of Property, Plant and Equipment (PPE) is available for use from the cost of that PPE, and as such is again not considered to be significant in a local government context.

41. Firefighters' Pension Scheme

Fund Account	**2020/21 £000**	**2021/22 £000**
Contributions receivable		
Employers		
Normal	-4,189	-4,212
Early retirements	-	-
Total Employer Contributions	-4,189	-4,212
Employees	-1,851	-1,899
Transfer values from employers of contributors joining the fund	-24	-27
Charges in respect of ill-health early retirements	-	-20
Total contributions receivable	-6,064	-6,158
Benefits payable		
Lump sum benefits		
Commutations	2,091	1,634
Death benefits	-	-
Total Lump sum benefits	2,091	1,634
Pensions	8,813	8,940
Transfer values to employers of contributors leaving the fund	7	-
Refund of contributions	-	2
Total benefits payable	10,911	10,576
Other miscellaneous expenditure	46	38
Net amount payable for the year before top up grant from the Home Office	4,893	4,456
Top up grant received from the Home Office	-3,243	-3,126
Top up grant receivable from the Home Office	-1,650	-1,330
Net amount payable/receivable for the year	**-**	**-**

Net Assets Statement	**31 March 2021 £000**	**31 March 2022 £000**
Current Assets		
Pension top up grant receivable from the Home Office in respect of year to reporting date	1,650	1,330
Payments in advance	-	-
Total Current Assets	1,650	1,330
Less: Current Liabilities		
Creditors	-1,650	-1,330
Net Assets - Scheme Balance	-	-

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.
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.
Current Service Cost	An increase in the present value of liabilities in a defined benefit pension scheme, arising from employee service in the current period.
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.
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).
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.
Past Service Cost	The change in the present value of the defined benefit obligation relating to employee service in prior periods, arising from amendments to retirement benefits.
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.
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.
Section 106 Contributions	Payments made by developers as part of a planning agreement entered into under the Town and Country Planning Act 1990, as a contribution towards infrastructure costs (highways, schools etc) to mitigate the impacts of a development proposal.
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.

This page is intentionally left blank

Taryn Eves
Director of Finance and Support Services
03302 223564 (Direct)
taryn.eves@westsussex.gov.uk
www.westsussex.gov.uk

County Hall
Chichester
West Sussex
PO19 1RG
01243 777100

Helen Thompson
Associate Partner
Ernst & Young LLP
Grosvenor House
Grosvenor Square
Southampton
Hampshire
SO15 2BE

xx February 2023

Management Representation 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 2022. 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 2021 to 31 March 2022 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2022, 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 2021/22.

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 2021/22.

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 2021/22, 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 2021/22 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 and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls*.*

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.

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 and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
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, or summaries of actions of recent meetings for which minutes have not yet been prepared, held through to the most recent meeting on 30 January 2023.
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 2021/22.

10. From the date of our last management representation letter at 2 November 2021 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) 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, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

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 Fund'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, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, 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 2021 to 31 March 2022.
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 member 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).

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 investments 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 directly own property investments valuation estimate.
3. We confirm that the significant assumptions used in making the directly owned property investments 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, 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 2021/22.
5. We confirm that appropriate specialized skills or expertise has been applied in making the directly owned property investments valuation 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 (Investments in Private Equity, Private Debt and Infrastructure) Estimates

1. We confirm that the significant judgments made in making the fair value hierarchy level 3 investment assets valuation estimates 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 assets valuation estimates.
3. We confirm that the significant assumptions used in making the fair value hierarchy level 3 investment assets valuation estimates appropriately reflect our intent and ability to carry out the valuations on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, 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 2021/22.
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 of the present value of promised retirement benefits.
3. We confirm that the significant assumptions used in making the IAS 26 estimate of the present value of promised retirement benefits 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, 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 2021/22.
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 and disclosures in the financial statements, including due to the COVID-19 pandemic.

N. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the financial statements.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, aligned with the statements we have made in the other information or other public communications made by us (see section G).

Yours faithfully,

____

Taryn Eves, Director of Finance and Support Services

I confirm that this letter has been discussed and agreed by the Regulation, Audit and Accounts Committee

____

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

This page is intentionally left blank

Taryn Eves
Director of Finance and Support Services
03302 223564 (Direct)
taryn.eves@westsussex.gov.uk
www.westsussex.gov.uk

County Hall
Chichester
West Sussex
PO19 1RG
01243 777100

Helen Thompson
Associate Partner
Ernst & Young LLP
Grosvenor House
Grosvenor Square
Southampton
Hampshire
SO15 2BE

xx February 2023

DRAFT

Management Representation 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 2022. 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 position of West Sussex County Council as of 31 March 2022 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

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 2021/22.

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 2021/22, 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 2021/22, 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 and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus 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.

6. We confirm the Council does not have securities (debt or equity) listed on a recognised exchange.

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 already disclosed to you in April 2022 an issue relating to the misuse of a p card, where the individual is no longer an employee of the Council and a police referral was made. We have very recently disclosed to you a further issue relating to the alleged non-compliance with grant conditions. The Internal Audit team are currently investigating the allegation and based on the investigation to date, there appears to be no demonstrable loss to the Council and there is no evidence of any further pervasive issues of this nature. The investigation is expected to be concluded shortly and the Council will support any recommendations made by the Internal Audit team. We have no knowledge of any other identified or suspected non-compliance with laws or regulations, including fraud, known to us 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;

   - 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 and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

3. We have made available to you all minutes of the meetings of the Council and committees held through 2021/22 to the most recent meeting of the Regulation, Audit and Accounts Committee held on 1 February 2023.

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 2021/22.

6. 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.

7. From the date of our last management representation letter through to the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorised 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 unauthorised 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, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

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 36 to the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Notes 37 and 38 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 34 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, 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 2021/22, 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. Climate-Related Matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered.

2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, aligned with the statements we have made in the other information or other public communications made by us.

I. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

J. 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 and buildings classified as property, plant and equipment, investment property and surplus assets and valuation of IAS19 pension liabilities, 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.

K. Estimates

1. We confirm that the significant judgments made in making the valuation of land and buildings classified as property, plant & equipment, investment property and surplus assets and valuation of IAS19 pension liabilities 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 the valuation of land and buildings classified as property, plant & equipment, investment property and surplus assets and valuation of IAS19 pension liabilities.

3. We confirm that the significant assumptions used in performing the revaluation of land and buildings classified as property, plant & equipment, investment property and surplus assets and valuation of IAS19 pension liabilities appropriately reflect our intent and ability to carry out the specific courses of action on behalf of the entity.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, 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 2021/22.

5. We confirm that appropriate specialised skills or expertise has been applied in the valuation of land and buildings classified as property, plant & equipment, investment property and surplus assets and valuation of IAS19 pension liabilities.

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.

L. 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,

Taryn Eves
Director of Finance and Support Services

I confirm that this letter has been discussed and agreed by the Regulation, Audit and Accounts Committee

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

This page is intentionally left blank

Report to Regulation, Audit and Accounts Committee

1 Feb 2023

Quarterly Review of Corporate Risk Management

Report by Director of Finance and Support Services

Summary

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

A new risk relating to the threat of Fire and Rescue Service (FRS) strike action has been added to the corporate risk register. The risks relating to corporate leadership, governance, and culture, and the increasing demand on senior officers due to COVID-19 have been closed and removed from the corporate risk register. The risk of failing to deliver the His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) improvement plan has been removed from the corporate risk register and de-escalated to the FRS risk register for monitoring.

COVID-19 response and management of related risks has now been integrated into business as usual activity, leading to the Tactical Management Group (TMG) being stood down.

Due to the impact of COVID-19 the Risk Management Lunch 'n' Learn sessions were delivered as a webinar, with the course content amended to facilitate this method. Face-to-face delivery of this course has now been re-introduced, with two courses scheduled for the 23/24 training year.

Recommendations

(1) The Committee is asked to review the information detailed in the report and provide comment as necessary.

Quarterly update

1 Introduction

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 Since the previous Regulation, Audit and Accounts Committee (RAAC) on 22 September 2022 there have been the following changes to the Corporate Risk Register (CRR).

Risk No	Risk	Action	Reason	Current Score
CR75	FRS Industrial Action	New risk		20
CR60	HMICFRS improvement plan	Risk de-escalated to FRS risk register	Cabinet agreed to close the improvement programme and manage outstanding issues through normal FRS management channels	15
CR65	Corporate leadership, governance, and culture	Risk closed	Recommendations have been carried out. Annual Governance Statement actions covered within CR7 sufficiently address governance and compliance	6
CR70	COVID19 - increasing demand placed on the senior officers	Risk closed	This risk has been at a tolerable level for some time, and no significant impact has been realised. COVID-19 planning and response is embedded within business as usual activity.	12

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
CR11	Recruitment and retention	25	25
CR39a	Cyber-security	25	25
CR58	Failure of social care provisions	25	25
CR22	Financial sustainability	20	20
CR75	FRS Industrial Action	New	20

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

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

2.5 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.

2.6 COVID-19 response has now been integrated into business-as-usual activity, leading to the Tactical Management Group (TMG) being stood down. Therefore, specific COVID-19 risks will now be considered and managed by services and reported/escalated to ELT if required (as per the Council's Risk Management Framework).

2.7 Capital risks are managed through various project hubs and the Capital programme, all reporting to the Capital and Assets Board. The Board is chaired by a member of ELT with other relevant ELT and senior officers in attendance and ensures that significant concerns to the successful delivery of the programme and/or capital 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 Due to the impact of COVID-19 the Risk Management Lunch 'n' Learn sessions were delivered as a webinar, with the course content amended to facilitate this method. Face-to-face delivery of this course has been re-introduced, with two courses scheduled for the 23/24 training year. Both formats of this course are available for staff in district and borough councils, and other partnering organisations, at nil cost. The follow-on course (Risk Management in Practice) is being designed for face-to-face delivery using a combination of instruction via PowerPoint and syndicate/group work and will involve staff working through the Council's 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 Council's Risk Management SharePoint site.

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

- Attend the Southeast 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, Chartered Management Institute
- Support projects and programmes to provide assurance and support on robust governance, including bespoke training sessions
- Engage and support directors, assistant directors, service managers and their teams on capturing and communicating risk
- Attendance at/facilitating various internal boards, meetings and working groups

2.10 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.

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

3 Risk implications and mitigations

3.1 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.

Taryn Eves, **Director of Finance and Support Services**

Appendices
Appendix 1 – 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 relaxed COVID-19 restrictions, however there are still requirements for Local Authorities to support the management of the COVID-19 pandemic. If there is a resurgence in COVID-19 infections and 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	Tolerate	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	2	10	Mar-23
			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	TMG and SMG stood down. All COVID related matters incorporated into BAU business processes, with escalation to ELT if required. ELT meeting weekly to review COVID impact on service provision.				
			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 and Engagement	ongoing	Collaboration and agreement on services provision messages with directorates and ELT.				
			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.									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.				
			6. Information not shared appropriately.																
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	New AGS actions finalised July 2022 - for approval by RAAC Jan 23. 21/22 AGS actions completed and reviewed.	4	2	8	Mar-23
			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 - specific work on governance of officer interests as first focus. Reinforced as part of 2022 AGS and Director Statements of Assurance (completed July 2022).				
			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 completed or in train as per agreed audit plan and specific audit projects				
			4. Complaints and claims.									Guidance to CMT on governance. Schedule and deliver associated training	Director of Law and Assurance	Ongoing	Guidance completed and promoted April 22. Training rolled out to CMT and further programme planned as continuous.				
			5. Censure by external inspection.																

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
CR11	As a result of skill shortages across various sectors, and less attractive employment offers in comparison to other organisations and locations (amplified by the current cost of living situation), there is a risk that we will not be able to **recruit and retain sufficient numbers of qualified/experienced staff** to manage and deliver quality services.	Director of Human Resources & Org Dev	1. Over-reliance on interim and agency staff.	Mar-17	4	5	20	Treat	4	2	8	Produce Directorate Workforce Plans, in collaboration with services, to identify skills, capacity and capability requirements (current and future). Including succession planning for key roles, and defining training and career pathways to support recruitment and retention.	Head of HR Bus Ptr & Org Dev/ Head of Res Org Dev & Talent	ongoing	Reward & Retention package for Children's Social Workers produced. Development of Workforce Plan being carried out as part of Children First Improvement Plan. Weekly meetings with CYPL directorate being conducted to review vacancies and progress to prevent issues becoming more significant. Undertaking international recruitment exercises to recruit hard to recruit to roles e.g. Qualified Social Workers for Adults and CYPL. Action plan for Property and Assets developed.	5	5	25	Feb-23
			2. Lack of corporate memory.									Development and regular communication of comprehensive employee value proposition to support recruitment and retention.	Head of Res Org Dev & Talent	Mar-23	Part of People Framework Action Plan, will be progressed once initial kick start projects are delivered. Updated context on website on 5 key areas of EVP, namely working environment, culture, financial benefits, career progression and learning and development. Recruitment & retention conversations to also take place at Smarter Working Stakeholder Group to inform and support decision making.				
			3. Inadequate pace/speed of delivery.									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.				
			4. Low staff morale and performance.									Benchmarking of salaries against peers across neighbouring LA's focussed on attracting and retaining talent for key areas.	Head of Specialist HR Services	ongoing	Joint working with ESCC to benchmark across common priority roles with a view to sharing resource if commissioning deeper piece of work is needed.				
												Conduct planning session with HR team to review current recruitment practices, and meet with key stakeholders to develop comprehensive plan to address areas needing improvement.	Head of Res Org Dev & Talent	ongoing	Several process mapping workshops have taken place with CYPL, focussing on identifying improvements to the HR service provision process. Process mapping within internal HR service has been scheduled.				
												Restructure of HR Resourcing function to ensure it better fits how recruitment now needs to be undertaken	Director of Human Resources & Org Dev	Mar-23	Draft proposal and business case has been produced for consideration and approval by ELT.				
												Develop alternative arrangements to attract candidates for hard to recruit to roles including the use of specialist third party search agencies.	Director of Human Resources & Org Dev	Feb-23	Business case seeking to commission a 3rd party agency that specialises recruiting into adults and children's services positions will be presented to ELT 17/11/22.				

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 economic conditions (mainly inflation and interest rates) impacting on service delivery, and/or failure to make the required decisions to ensure the budget is balanced. This has been compounded further with the COVID-19 pandemic and the now cost of living crisis which is making economic conditions uncertain, and impacting on the cost of council services and demand for services.	Director of Finance & Support Services	1. Insufficient government funding to deliver services.	Mar-17	4	4	16	Treat	4	3	12	Monthly monitoring of the financial positon in 2022/23 and 2023/24 and reported to ELT and Cabinet Member for Finance to ensure pressures are visible and mitigating action put in place. This includes reporting on the delivery of savings in year.	Director of Finance & Support Services	ongoing	Monthly monitoring continues and a new style of reporting to ELT and Cabinet Member to Finance and the Leader to ensure visibility and ownership of the financial position and discussions around areas of concern. The update includes the latest monitorng position but also identified risks that are starting to emerge in year.	4	5	20	Mar-23
			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 Planning sessions with EMT and JLT taking place to ensure officers and Members understand and own the financial challenge.	Director of Finance & Support Services	ongoing	These to be established from April 2023. The MTFS in summer 2023 will be developed to ensure financial resources are available to deliver on the priorities.				
			4. Increased liability of service delivery, transferred by external partners due to funding restrictions i.e. supporting homelessness.									Publication of annual MTFS (Revenue and Capital) across a five year planning period aligned to the Council Plan. The budget gap for 2024/25 remains challenging - currently estimated at £40 to £50m over the medium term that will require a long term approach to financial planning and a different approach to identifying cost reductions and income generation (aligned to the Council Plan and priorities limited resources).	Director of Finance & Support Services	ongoing	Planning for the 2024/25 cycle will begin early in the financial year and an update will be provided in the updated MTFS published in the summer in advance of budget proposals in the Autumn. A new Business Planning Group as been established across finance and performance which will drive forward a different approach to balancing the books alongside the Council Plan.				
			5. Additional unexpected service and cost pressures from savings decisions.									Continue to lobby for fairer funding for Local Government through annual settlements, the Fair Funding Review, Levelling Up Agenda and Business Rates reset.	Director of Finance & Support Services	ongoing	Responses to consultations, attendance at local and regional events, working across CCN and SCT. The Council have one-off reserves that can also be used to smooth any reduction in budgets if the government does not itself damp future settlements; which is needed given the extent of one-off and time-limited funding.				
			6. Financial implications from the recovery of the Covid-19 pandemic and now the Cost of Living Crisis for both 2023/24 and the medium term.									Financial impacts arising from the Covid-19 national emergency need to be reflected and addressed within the PRR and MTFS as appropriate. **Jan 23 - removed on change of risk ownership**	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.				
												Pursue additional savings options to help close the budget gap. **Jan 23 - removed on change of risk ownership**	Director of Finance & Support Services	Ongoing	Good progress has been made towards updating the MTFS and producing a balanced budget for 2022/23 in spite of significant national uncertainty about the future of local government funding.				

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	
CR39a	Cyber threat is an evolving, persistent and increasingly complex risk to the ongoing operation of County Council. There is a risk of a successful **cyber attack** directly from external threats; or indirectly as a consequence of members or staff falling prey to social engineering or phishing attacks. The potential outcome may 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	Regular review, measurement and evaluation of corporate (technological/process) / organisational (behavioural) response to current and emerging cyber threats, where applicable to undertake pertinent actions to mitigate risks identified.	Head of IT	Ongoing		5	5	25	Mar-23
			2. The Council's reputation is damaged.									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.				
			3. Resident's trust in the Council is undermined.									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.				
			4. Partners will not share data or information with the Council.									Conduct tests including penetration, DR and social engineering. (conducted 6 monthly)	Head of IT	Ongoing	2021 testing schedule defined and in delivery.				
			5. Punitive penalties are made on 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).				
												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			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	
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	Mar-23
			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. DPT has this task which is completed in March every year: March 2022 WSCC met expectations. Remainder is ongoing				
			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. Impact assessments completed. Further 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	Training slides provided with introduction to relevant policy and processes. Ongoing assistance from DPT available as required.				
												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 developed to support operation of the Council's transformed internal IT function subsequent to the recent exit of the IT outsource.				
												Review IT systems implemented prior to 25 May 2018 to confirm compliance with updated regulations.	Head of IT	ongoing	Full and detailed inventory of the remaining systems was undertaken between Jan-Mar 2022, with a further 6 to 12 month period to complete the end to end rationalisation, cloud migration or termination of legacy applications.				
												Ensure that access to sensitive data and information is controlled.	Director of Law & Assurance	Ongoing	**Ongoing.**				

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
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 govService. In-house audit tool currently being trialled to assess suitability for widespread implementation.	3	3	9	Feb-23
			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	1st phase H&S e-learning modules bespoke to the council H&S arrangements complete. 2nd phase currently being developed. 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 services to ensure H&S responsibilities continue to be fully understood and embedded in BAU activities.	Health and Safety Manager	Ongoing	H&S Reps Committee used to reinforce H&S responsibilities, discuss concerns and escalate to H&S Governance if necessary.				
												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 programme template created and was launched in some Directorates. C-19 and unforeseen resourcing issues in the H&S team prevented full launch across the council, and stopped the programme. Profiling activity to be re-started across all directorates once the team is better resourced.				

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	
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. 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.	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 was reduced. There was 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. Face to Face visiting/monitoring of high priority services is now in place, current measures will continue for low priority services to manage workload. Resumed monitoring increases the impact on workloads from identification of issues to support providers with. 30/11/22 DLT agreed a proposal to temporarily pause proactive monitoring of Older Peoples care providers, due to reduced capacity in the service and increased priorities and workload in delivering winter commissioning plan (reactive monitoring continues based on compliance, quality and safeguarding as indicators for monitoring & Support)	5	5	25	Mar-23
			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.	Commissioning 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.									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.				
			7. Reputational impact. Public perception of the council being willing to accept poor standards of care. Low public confidence in social care.																
			8. Adverse impact on Health and Social Care system.									Produce and receive approval for final version of the Market Sustainability Plan.	Commissioning Lead	Feb-23	Linked to potential funding for 23/24 and 24/25.				

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	
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.	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.	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 was 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. Last Ofsted monitoring visit took place in Sep 22 which confirmed that PIP has been implemented and service improvements have been noticed.	5	3	15	Feb-23
			2. Subject to investigation and further legal action taken against the Council.									Provide proactive improvement support to services to assure effective safeguarding practices.	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. Outcomes of most recent Ofsted monitoring visit demonstrated positive progress.				
			3. Immediate inspection and Government intervention.																
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.**	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	2	10	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. A strong year for improvement leading to a change of strategic direction by Secretary of State, resulting in removing the recommendation for children's services to be placed into a trust.	5	3	15	Apr-23
			2. Significant reputational damage.									Continue to work with Hants CC as a partner in practice to improve the breadth of children's service.	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	Assistant Director (Children First Transformation)	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.									Service to ensure focus on Ofsted's framework and guidance for Inspecting Local Authority Services for children (ILACS)	Director of Children, Young People and Learning	Mar-23	Final Ofsted monitoring visit took place in Sep 22 resulting in a positive outcome. DLT have developed and applied a comprehensive set of plans to ensure we meet the full inspection, which is due by end-March 2023.				

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	
CR72	The government have stipulated that from 9 Sep 2021 children in care under 16 will not be allowed to be accommodated in unregistered 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.	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-23		4	3	12	Apr-23
			2. Not fulfilling statutory duties to place children in appropriate care settings.									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					
			3. Adverse media coverage.																
			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.																
CR73	If there is a failure to adequately prioritise, finance and resource our efforts to deliver on WSCC Climate Change commitments (e.g. 2030 Carbon Neutrality), there is a risk that there will be **insufficient capacity and capability to complete the necessary actions within the required timeframes**. This will lead to prolonged variations in weather and adverse impacts on WSCC service provision.	Director for Place Services	Loss of public confidence in stated Climate Change Strategy	Jan-22	4	3	12	Treat	4	2	8	Clear prioritisation of CC Strategy delivery within Our Council Plan	Director for Place Services	ongoing		4	3	12	Jul-23
			Loss of credibility with Govt and Partners notably West Sussex districts & boroughs, South Downs National Park Authority, Environment Agency, Natural England & Southern Water									Built into county-wide Business Planning and budgeting process	Director for Place Services	ongoing					
			Negative impact on recruitment and retention of staff, and decline of productivity									SMART programme of actions based on clear definitions and metrics	Director for Place Services	ongoing					
			Local impacts on sea level rise, ecology and more frequent severe weather episodes may all impact on housing, health and welfare, economy, biodiversity and Natural Capital, revenue cost of services (e.g. Highways) and supply chains									Align pipeline of projects for existing and future funding opportunities	Assistant Director (Environment and Public Protection)	ongoing					
			Impact on public health due to rising temperatures									Recruitment and training policy to ensure all staff & elected members are suitably informed on climate change issues & that specialist skills are embedded through recruitment & training to enable delivery	Assistant Director (Environment and Public Protection)	ongoing					
			Punitive penalties are made on the Council, or be liable for higher future carbon pricing / taxation to achieve carbon neutrality									Existing estate & infrastructure made climate change resilient & future developments designed to be as low carbon & climate change resilient	Director for Place Services	ongoing					
			Damage to, or accelerated deterioration of, infrastructure/assets																

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	
CR74	The overdue re-procurement of care and support at home services has been further postponed, meaning the contractual arrangements are non-compliant, inefficient to manage, difficult to enforce and present a risk of challenge and CQC criticism . The delay is to enable more time for the market to stabilise, to complete service reviews and to allow imminent legislative changes to take effect.	Director of Adults and Health	1. Risk of challenge to the on-going non-compliance and consequent need to remedy.	Apr-22	5	3	15		5	2	10	Subject to appropriate approvals, opening up the Contingency Contract wider for providers to work with the Council in the interim	Commissioning Lead - Older People, Adults and Health	ongoing		5	3	15	Mar-23
			2. Increased scrutiny from government bodies.									Regular communication and engagement with providers on programme development/progress, and strategic direction/consequences of changes.	Commissioning Lead - Older People, Adults and Health	ongoing					
			3. The postponement of the Care and Support at Home services may in turn delay the retender of the 2007 Residential Care Home Contract (relevant to Older People, Lifelong services and Mental Health residential contracts) due to resources that will be required to procure both of these large business areas over the same timeframe.									Service commitment to undertake re-procurement if and when required	Director of Adults and Health	ongoing					
			4. Damage to Council's reputation									Focus resource onto managing provider relationships to improve contract management.	Commissioning Lead - Older People, Adults and Health	ongoing					
CR75	If the ballot for strike action returned significantly in favour of industrial action, there is a risk that **WSCC Fire and Rescue Service will be unable to effectively resource a single large operational incident or multiple smaller incidents** which will impact its ability to save a life or lives.	Chief Fire Officer	1. Catastrophic H&S impact - Single or multiple deaths	Oct-22	5	4	20	Treat	5	3	15	Ensure statutory requirements are maintained during all periods of industrial action - WSFRS maintains an ability to respond to emergency calls.	AM Risk	Ongoing/ start of industrial action	Ongoing through the BCAT meetings and task.	5	4	20	Feb-23
			2. Minor Legal Impact - No formal proceedings									Complete actions in Pathfinder Trigger Point 2 if ballot result favours strike action.	AM Risk	Feb-23					
			3. Unachievable Impact on objectives									Briefing paper to SEB to include contingency actions.	AM Risk	Nov-22					
			4. Minor Financial Impact - Insignificant financial loss less than 5k									Review/test BCAT and sub-groups framework: including crewing and logistics.	AM Risk	ongoing					
			5. Major impact on Reputation - >3 day adverse national media coverage. Public confidence in the service undermined									People Impact Assessment to support the evaluation and risk impact.	Head of DOT	Jan-23					
			6. Major impact on Business Continuity >3 days and having an adverse effect on front line services									Planning assumption exercise to forecast crewing requirements.	AM Risk	Feb-23					
												Continue communications to review arrangements with FBU, NFCC, 4F Partnership and Partner Emergency Services (to include airport for services).	AM Risk	Ongoing					
												Review MOUs informal arrangements in relation to WSFRS's operational incident response to support neighbouring FRSs and partners.	AM Risk	Jan-23					

Regulation Audit & Accounts Committee

1 February 2023

Internal Audit Progress Report (December 2022)

Report by Head of Southern Internal Audit Partnership

Electoral division(s):

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 (December 2022) 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 December 2022

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

Taryn Eves
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 (December 2022)

Background papers

None

Southern Internal Audit Partnership

Assurance through excellence and innovation

WEST SUSSEX COUNTY COUNCIL

INTERNAL AUDIT PROGRESS REPORT

DECEMBER 2022

Prepared by: **Neil Pitman, Head of Partnership**

December 2022

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

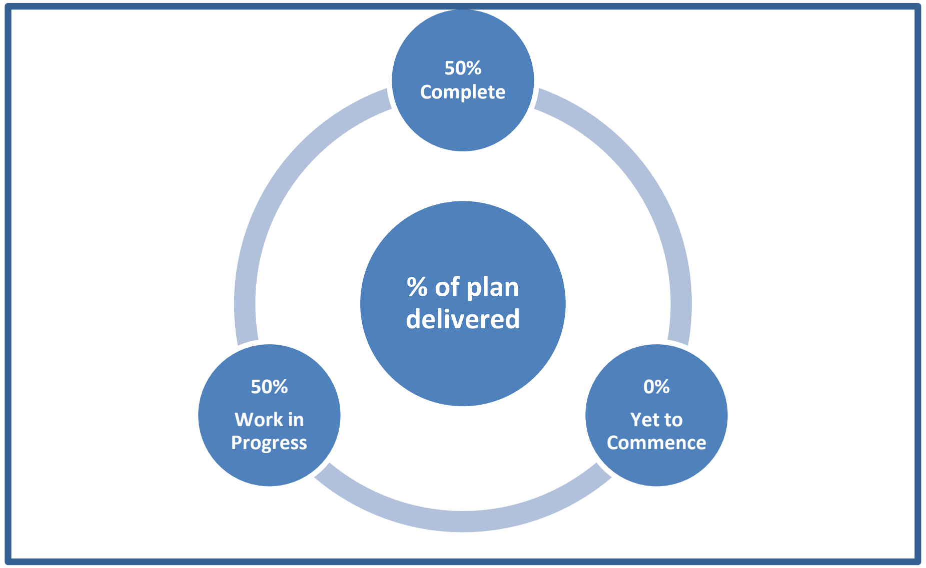
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to 'Senior Management' and 'the Board', summarising:

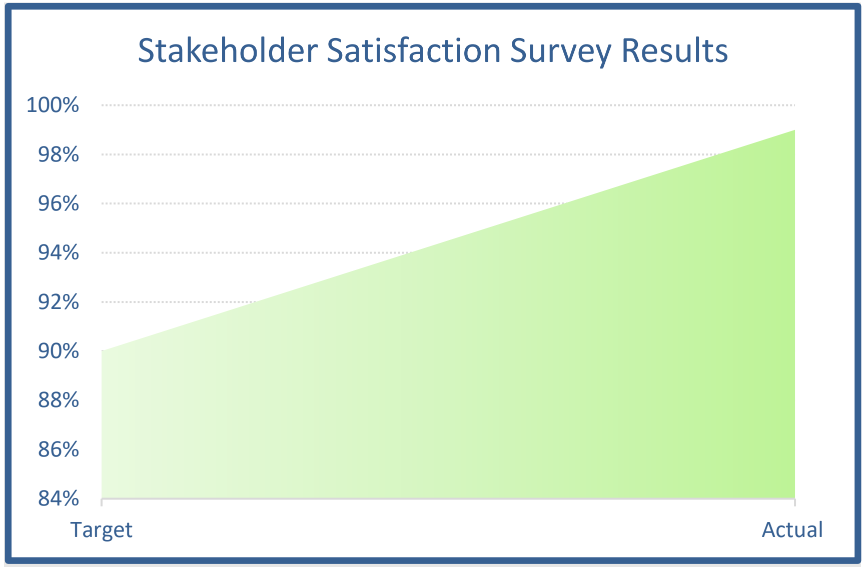
- The status of 'live' internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

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	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
School Traded Services	Mar 2021	DCYP&L	Reasonable	7	0	0	6			1
S75 Governance	Apr 2021	JSDC	Limited	12	0	0	10		2	
Cyber Security (Risk Treatment)	Jul 2021	DFSS	Reasonable	3	0	1	1		1	
Home to School Transport	Nov 21	DPS	Reasonable	7	0	0	6		1	
Annual Governance Statement	Nov 21	DL&A	Reasonable	9	0	0	8		1	
WSFRS Fleet Management	Nov 21	CFO	Reasonable	3	0	0	2		1	
Special Schools Funding Thematic	Nov 21	DCYP&L	Reasonable	4	0	0	0	2	2	
WSFRS Operational Training delivery	Jan 22	CFO	Limited	14	0	0	13		1	
Firewatch	Jan 22	CFO	Limited	4	0	0	3		1	
WSFRS Risk and Business Continuity	Mar 22	CFO	Reasonable	15	0	1	10		4	
IT Assurance Mapping	Apr 22	DFSS	Reasonable	6	0	0	4		1	1
Information Governance - GDPR	May 22	DL&A	Limited	19	0	0	16		3	
ITIL Process Transition	May 22	DFSS	Reasonable	6	0	2	4			
WSFRS Working Time Directive	May 22	CFO	No	10	0	7	0		1	2
Equality Impact Assessments	May 22	DPS	Limited	12	0	1	7		4	
Grenfell Action Plan	June 22	CFO	Reasonable	2	0	0	1			1
Climate Change Strategy	June 22	DPS	Reasonable	10	0	4	4		1	1
WSFRS Safe and Well Visits	July 22	CFO	Limited	13	0	5	8			
Financial Resilience and Savings Realisation Framework	July 22	DF&SS	Reasonable	2	0	1	1			
Adult's Income	July 22	DA&H	Limited	7	0	3	4			
Capital Project Delivery (Education)	Aug 22	DCYP&L / DPS	Limited	7	0	1	6			

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)	Not Accepted	Not Yet Due	Complete	Overdue		
								L	M	H
Adults Assurance – Provider Failure/Safeguarding/SAB	Sept 22	DA&H	Reasonable	5	0	1	4			
Adults Advocacy Service	Sept 22	DA&H	Limited	13	0	0	12		1	
Payments to Providers (HDP)	Oct 22	DA&H	Reasonable	8	0	7	1			
Company Governance Framework	Oct 22	DL&A	Reasonable	5	0	4	0	1		
HR Policy Decision Making	Nov 22	DHR/OD	Limited	12	0	0	7		5	
Promoting Wellbeing CQC	Jan 23	DA&H	Reasonable	5	0	1	4			
Adult Thematic – Medicine Control	Jan 23	DA&H	Reasonable	16	0	9	7			
Total								3	30	6
Overdue Management Actions - Direction of travel since August 2022 progress report								+1	+8	-1

Audit Sponsor

Chief Executive
Becky Shaw

Chief Fire Officer	Director of Adults & Health	Director of Children, Young People & Learning	Director of Place Services	Director of Finance & Support Services	Director of HR/OD	Director of Law & Assurance
(CFO)	(DA&H)	(DCYP&L)	(DPS)	(DF&SS)	(DHR/OD)	(DL&A)
Sabrina Cohen- Hatton	Alan Sinclair	Lucy Butler	Lee Harris	Taryn Eves	Gavin Wright	Tony Kershaw

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

HR Policy Decision Making		
Audit Sponsor	**Assurance opinion**	**Management Actions**
Director of Human Resources and Organisational Development	Limited	Low 0 / Medium 8 / High 4

Summary of key observations:

The scope of this review focused on the processes in place for the authorisation and calculation of one-off payments such as settlement agreements, resettlement/removal expenses, mutual termination agreements, retention payments and loans to employees.

Signed requests for approval for three of the four settlement agreements tested and two of the signed settlement agreements were not available for review during the audit.

The employee loans scheme requires loans to be approved by the Director of HR&OD and the relevant service director, however all five loans in the sample tested had been approved by the Head of Business Support, CYPL.

A letter offering re location expenses is issued at the time of appointment, and includes terms and conditions associated with the payment. The employee is also required to sign a declaration included in the letter that they accept the terms and conditions. We were not provided with the letter offering the relocation expenses to the employee and could not confirm that two of these had accepted the terms and conditions. Additionally, the Recruitment and Relocation Support Scheme requires receipts to be provided for the payment, and we were not provided with receipts for four of the six payments tested.

One payment of relocation expenses (not liable for deductions) had been erroneously made using the wage code for retention payments, and these are subject to tax and NI so the employee has been disadvantaged by this error. Also, HMRC has a ceiling of £8,000 for tax free relocation expense payments, with any over this being subject to deductions for tax and National Insurance. One of the payments selected was for £8,444.81 which had been paid gross.

Review of the policies and procedures for mutual termination/settlement agreements, payment of relocation expenses and retention payments highlighted that document owner, date of review, next date of review and version number is not always included on the document.

Adults Advocacy Service Contract Management		
Audit Sponsor	**Assurance opinion**	**Management Actions**
Director of Adult Services and Health	Limited	Low 3 / Medium 7 / High 3

Summary of key observations:

The Adults Advocacy Service is supported by a contract to provide Independent Care Act Advocacy (ICAA) services, Independent Mental Care Advocacy (IMCA) and Paid Representatives (RPPR). The contract was procured in collaboration with four other commissioning bodies. Brighton & Hove City Council acts as the Contract Administration Manager and is the main contact between the Service Provider and the Commissioners. A Service Level Agreement (SLA) is in place between the four Commissioners to establish a framework of collaboration and help ensure the delivery of the contract arrangement.

The contract contains performance measures which outline the performance measures for each advocacy type. The contract also outlines the performance monitoring arrangements, however, performance reports received from the Provider were not compared against the requirements in the contract. Internal audits review of the reports for Q3 and Q4 (2021) found them to be incomplete and did not comprehensively report performance in line with the targets stipulated in the contracts. Additionally, there was no internal reporting, within WSCC, in respect of the Advocacy contract.

There was no guidance to assist the contract manager with regard the minimum contract documentation that should be retained for reference purposes to enable effective contract management. A copy of a contract agreement with the Provider was held, however was incomplete. A copy of the Service Level Agreement (SLA) between WSCC and the other commissioners was held although there was a discrepancy in the dates between the contract and the SLA.

The payment paid by WSCC was increased across the contract categories by approx. £17k p/a. Assurance was sought that this received appropriate approval, however, it was advised that the officer who approved the increase has since left WSCC and there is no documented audit trail available in support of the change

There was no risk log in place when the interim contract manager commenced in the role. Consequently, there has been no continued risk management process, i.e., no re-assessment of the potential risks to the successful achievement of WSCC contract outcomes.

No assurance is currently sought that the Provider remains financially capable of fulfilling the service provision, that they continue to hold the requisite insurance indemnity levels, and that they continue to perform robust employment checks on advocates.

Although the contract arrangement exceeds the Local Government Transparency threshold of £5k, the contract is not currently included in WSCC's published contracts register.

6. Planning & Resourcing

To ensure internal audit focus remains timely and relevant to the changing needs and requirements of the organisation that SIAP have adopted an approach of quarterly planning. The quarter 1, 2 and 3 plans were approved by the County Council's Executive Leadership Team and the Regulation, Audit & Accounts Committee in March, July and September 2022 respectively.

SIAP will 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 2021/22 and 2022/23 (Q1, Q2 & Q3).

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
2021/22								
Adults Income	DA&H /DF&SS	✓	✓	✓	May 22	Jul 22	Limited	
Capital Project Delivery (Education)	DCYP&L / DPS	✓	✓	✓	Jun 22	Aug 22	Limited	
Accounts Receivable	DF&SS	✓	✓	✓	Jun 22	Aug 22	Reasonable	
Payments to Providers	DA&H	✓	✓	✓	Jul 22	Oct 22	Reasonable	
Assurance Mapping-Adult Services	DA&H	✓	✓	✓	May 22	Jul 22	Limited	
HR Policy Decision Making	DHR&OD	✓	✓	✓	Jul 22	Nov 22	Limited	
SEND Follow Up	DCYP&L	✓	✓	✓	Jul 22	Dec 22	N/A	
Contract Management Advocacy Services	DA&H	✓	✓	✓	Aug 22	Sep 22	Limited	
Local Energy Communities - 2 Seas Region	DPS	✓	✓	✓	May 22	Jul 22	Reasonable	
2022/23								
Company Governance Framework	DL&A	✓	✓	✓	Aug 22	Oct 22	Reasonable	
Capita Contract	DF&SS	✓	✓	✓	Aug 22	Aug 22	Substantial	
Children's Care Placements	DCYP&L	✓	✓	✓	Jan 23			
Grenfell Tower – Action Plan	CFO	✓	✓	✓	Jun 22	Jun 22	Reasonable	

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Schools –Building Upkeep / Maintenance	DCYP&L	✓	✓	✓				
SFVS	ADE&S	n/a	n/a	n/a	n/a	Jun 22	N/A	
Shaw Homes – Contract Management	DA&H	✓	✓	✓				Paused to Q4
Assurance Mapping – Adult Services	DA&H	✓	✓	✓	Aug 22	Sep 22	Reasonable	
Direct Payments	DA&H / DFS&S	✓	✓	✓	Nov 22			
Workforce Planning	DHR/OD	✓	✓	✓	Jan 23			
SmartCore (Oracle Fusion)	DF&SS	✓	✓	✓				
Procurement (Sub £100k)	DF&SS	✓	✓	✓	Sep 22			
Contract Management	Corporate	✓						
Use of Agency Staff	DHROD	✓	✓	✓	Aug 22	Sep 22	Reasonable	
XMA Contract Delivery	DF&SS	✓	✓	✓	Nov 22	Jan 23	Substantial	
WSFRS Overtime and TOIL	CFO	✓	✓					Paused to Q4
Accounts Payable	DF&SS	✓	✓	✓	Jan 23			
Care and Support Planning - CQC	DA&H	✓	✓	✓	Jan 23			
Information and Advice - CQC	DA&H	✓	✓	✓				
Promoting Wellbeing - CQC	DA&H	✓	✓	✓	Dec 22	Jan 23	Reasonable	
SEND Strategy	DCYP&L	✓	✓	✓				
Homes for Ukraine	DPS	✓						
Adult Thematic – Medicine Control	DA&H	✓	✓	✓	Dec 22	Jan 23	Reasonable	
Payroll	DHROD	✓	✓	✓	Jan 23			
Schools– Related Party Transactions	DCYP&L	✓	✓	✓				
Advocacy - CQC	DA&H	✓	✓	✓				
Children's Transitions	DA&H	✓	✓					
CQC Action / Improvement Plan	DA&H	✓	✓	✓				
Data Quality – Analytics Feasibility	Corporate	✓	n/a					
Programme & Project Management	DPS	✓						
RIPA	DL&A	✓	✓					
SFVS - 21/22 Analysis and follow up	DCYP&L	✓	✓	✓				
Transitions - CQC	DA&H	✓	✓					

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Grants 2022/23								
Contracted Public Bus Services	ADHTP	n/a	n/a	n/a	n/a	n/a	n/a	Complete
Supporting Families Q1 claim	DCYP&L	n/a	n/a	n/a	n/a	n/a	n/a	Complete
Supporting Families Q2 claim	DCYP&L	n/a	n/a	n/a	n/a	n/a	n/a	Complete
Supporting Families Q3 claim	DCYP&L	n/a	n/a	n/a	n/a	n/a	n/a	Complete
COMF Grant declaration	DF&SS	n/a	n/a	n/a	n/a	n/a	n/a	Complete
BSOG	ADHTP	n/a	n/a	n/a	n/a	n/a	n/a	Complete
Highways DFT Funding Grant Declaration	ADHTP	n/a	n/a	n/a	n/a	n/a	n/a	Complete

Annexe 1

Overdue 'High Priority' Management Actions

School Traded Services - Reasonable
Observation: Strategy There is no agreed strategy in place on how to grow School Traded Services income and reach the £500,000 income target within 3 years.
Risk: School traded services income will not meet the assigned income targets

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Strategy to be formed & communicated	30.07.21	*30.09.22* **31.01.23**	The Education and Skills strategy will be in effect from Jan 23 and the Service Plan drawn up by Head of Service – Commercial and Contracting and the associated Development Plan from the Traded Services for Schools Manager.

IT Assurance Mapping - Reasonable
Observation: Microsoft Azure Security Configuration Assessment The results of the Microsoft Azure Security Configuration assessment are documented in the "WSCC Review PowerON CA MFA" report. To address some of the issues in this report we were provided with an email discussion on the results and evidence of the implementation of geographic conditional access and enforcement of the use of multi factor authentication. However, there is no evidence of governance over the management of all the results of this assessment such as a risk or strategic fit assessment, the assignment of resources and time bounding of actions.
Risk: Security configuration weaknesses are not addressed. Value is not obtained from the commissioned work.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Modification of TDA (Technical Design Authority) ToR to reflect widened formal governance scope as the decision-making body within IT Services.	29.04.22	30.06.22 **31.03.23**	This action will be considered and addressed as part of the Council's IT and Digital Strategies that will be developed over the next 6 months. These action relates to the proposed twin track governance framework within IT - TDA (inc. VMG feeding in – Vulnerability Management Group) and Digital Design Authority.

Page 343

Agenda Item 9
Appendix A

Working Time Directive - No assurance

Observation: Opt out status

The WSFRS Working Time Policy states: *'If the employee agrees to work in excess of 48 hours per week, for whatever reason, they must sign an Opt-Out Form without coercion or enforcement. This should be done as a matter of course for those on more than one contract of employment, whether for WSFRS or another employer.'*

We found in our testing that signed opt out forms were not consistently held on employee files or, where held, forms were out of date; we also found that opt out recording in FireWatch was inaccurate.

Risk: If Employees working over 48 hours a week on average have not signed an opt-out agreement, then WTR are breached.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Opt out status Workstream to address this through contacting all staff to confirm opt out status.	30.10.22	**28.02.23**	A gap analysis of opt out status has been undertaken, and a large proportion of data cleansing has been undertaken as a priority before contacting staff to confirm opt out. Contact with all staff will be made by the end of February 2023.

Observation: Secondary Employment

The Working Hours SOP states: *'Pay & Employment Services (PES) - 3.1 Keep records of Night Workers, any workers who work nights and workers with multiple employments, whether with WSF&RS or not.'* Payroll Services (Capita) advised that they do not keep records as stated in the Working Hours SOP.

The Working Hours SOP also states: *'Employees will advise their line Manager of all external employment, all hours worked and any substantial changes.'* 'Other Employer' details are recorded in Firewatch. From testing, some records within FireWatch were found to be incomplete and inaccurate.

Risk: WSFRS does not have accurate information of employees with more than one job and may be in breach of the Working Time Regulations.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Secondary Employment workstream to address this through contacting all staff to confirm secondary employment status.	30.10.22	**28.02.23**	A gap analysis of secondary employment has also been undertaken. Due to the above data cleanse, the planned communication to staff has been delayed. Contact with all staff will be made by the end of February 2023.

Grenfell Action Plan - Reasonable
Observation: Lack of communication regarding actions dependent on other forces The control room for West Sussex Fire and Rescue Service is part of a joint control room with East Sussex Fire and Rescue Service and Surrey Fire and Rescue Service. The control room is based in and led by Surrey Fire and Rescue Service (SFRS), and as such there are four actions that relate to control room command and require input and updates from SFRS. As part of audit testing, we noted that these four actions had not been updated on the tracker and were showing as red rated. No updates have been provided by SFRS and this issue has been escalated to WSFRS management who sit on the JFC.
Risk: Inaccurate reporting to the NFCC and Home Office. Actions are not actively monitored and deadlines for completion are not met.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
This will be picked up through the JFC Tactical Governance group lead by Area Manager Protection. A process will be developed within this group to allow for information to be made available in line with WSFRS Grenfell Assurance Board and the SFRS GTI project plan.	31.08.22	31.01.23 **31.03.23**	WSFRS has been given verbal assurance by Surrey Fire & Rescue Service that these four actions have been completed by Joint Fire Control. A follow up meeting has been arranged with SFRS to get assurance from the appropriate level that these actions have now been fully completed. WSFRS has an ongoing exercising and operational assurance (OA) process which monitors how each of these actions have been embedded into the service. The adoption of each action will continue to be monitored through ongoing operational assurance processes and recorded in the OA Change Group.

Climate Change Strategy - Reasonable
Observation: Departmental Lead Manager There is commitment from the Executive Leadership Team regarding the achievement of the Climate Change Strategy aims, there are no designated officers in each department with responsibility for promoting and ensuring their directorate considers and embeds climate in day-to-day activity.
Risk: Climate change not fully embedded and targets not achieved

Management Action	Original Due Date	Revised Due Date	Latest Service Update
ELT to consider allocating senior responsible officers in each directorate to lead ensuring that departmental business plans include specific CCS delivery plans, ensure cross WSCC collaboration and report progress and any issues preventing delivery to the Climate Change Board	30.09.22	**31.01.23**	We are due to go to cabinet briefing again in January 2023 (the timing being driven by a number of things but primarily by the anticipated results of an external funding bid for a major delivery activity which is expected in January '23), this will involve going to ELT prior and to Climate Change Board at which time we will raise this issue; highlighting where there is no identified SRO &/or barriers to delivery.

Agenda Item 9
Appendix A

Annexe 2

Overdue 'Low & Medium Priority' Management Actions (December 2022)

Audit Review	Report Date	Opinion	Priority		Due Date	Revised Due Date
			Low	Medium		
S75 Governance	Apr 2021	Limited		1	30.06.21	*31.03.22* **31.03.23**
				1	31.03.22	**31.03.23**
Cyber Security (Risk Treatment)	Jul 2021	Reasonable		1	31.12.21	*30.09.22* **31.03.23**
Home to School Transport	Nov 2021	Reasonable		1	31.12.21	**30.09.22**
Annual Governance Statement	Nov 2021	Reasonable		1	30.09.22	**28.04.23**
WSFRS Fleet Management	Nov 2021	Reasonable		1	31.03.22	**31.03.23**
Special Schools Funding Thematic	Nov 2021	Reasonable		1	31.03.22	**31.03.23**
				1	31.03.22	**31.03.23**
			1		31.03.22	**31.03.23**
			1		31.03.22	**31.03.23**
WSFRS Operational Training	Jan 22	Limited		1	28.02.22	30.09.22 **28.04.23**
Firewatch	Jan 22	Limited		1	31.03.22	**01.04.23**
WSFRS Risk and Business Continuity	Mar 22	Reasonable		1	01.11.22	**28.02.22**
				1	01.11.22	**28.02.22**
				1	01.11.22	**28.02.22**
				1	01.11.22	**28.02.22**
IT Assurance Mapping	Apr 22	Reasonable		1	30.06.22	**30.06.23**
Information Governance – GDPR	May 22	Limited		1	30.09.22	**31.01.23**
				1	30.09.22	**31.01.23**
				1	30.09.22	**31.01.23**

Audit Review	Report Date	Opinion	Priority		Due Date	Revised Due Date
			Low	Medium		
Equality Impact Assessments	May 22	Limited		1	31.07.22	**28.02.22**
				1	30.09.22	**28.02.22**
				1	30.09.22	**28.02.22**
				1	30.09.22	**28.02.22**
Climate Change Strategy	Jun 22	Reasonable		1	30.09.22	**31.12.22**
Working Time Directive	May 22	No		1	31.08.22	**28.02.22**
Adults Advocacy Service Contract Management	Sep 22	Limited		1	31.10.22	30.11.22 **31.12.22**
Company Governance Framework	Oct 22	Reasonable	1		30.11.22	**31.12.22**
HR Policy / Decision Making	Nov 22	Limited		1	30.11.22	**28.02.23**
				1	30.11.22	**28.02.23**
				1	30.11.22	**28.02.23**
				1	30.11.22	**28.02.23**
				1	30.11.22	**28.02.23**
Total			**3**	**30**		

This page is intentionally left blank

Regulation Audit & Accounts Committee

1 February 2023

Internal Audit Plan 2022-23 (Quarter 4)

Report by Head of Southern Internal Audit Partnership

Summary
The purpose
of this paper is to provide the Regulation Audit & Accounts Committee with an overview of the Internal Audit Plan 2022 – 2023 (Quarter 4) (Appendix A).

Recommendations

(1) That the Committee approve the Internal Audit Plan 2022-23 (Quarter 4) 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 As previously reported, the Southern Internal Audit Partnership has adapted its processes to approach planning on a quarterly basis to ensure internal audit focus remains aligned to the rapidly changing risks and priorities of the organisation.

1.4 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.

1.5 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 (Public Sector Internal Audit Standards)	The proposed Internal Audit Plan is approved by the Executive Leadership Team (ELT) and the Regulation Audit & Accounts Committee (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 Certified Internal Auditor will notify ELT and RAAC if in its opinion it is in any way inhibited in carrying out assurance work.

Taryn Eves, **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 2022-23 (Q4)

Background papers
None

Southern Internal Audit Partnership

Assurance through excellence and innovation

WEST SUSSEX COUNTY COUNCIL
INTERNAL AUDIT PLAN 2022-23 (Q4)

Prepared by: **Neil Pitman, Head of Partnership**

December 2022

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 2020 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:

> *'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.*

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.

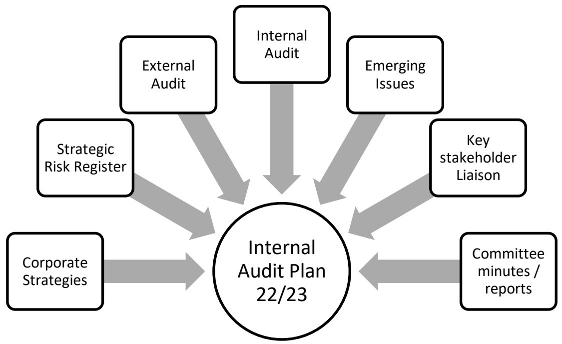
- **Keeping people safe from vulnerable situations**
- **A sustainable and prosperous economy**
- **Helping people and communities to fulfil their potential**
- **Making the best use of resources**

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 2022/23

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.

To ensure internal audit focus remains timely and relevant to the changing needs and requirements of the organisation, the Southern Internal Audit Partnership has moved to a quarterly planning process. This report details proposed internal audit coverage during quarter 4.

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.

Internal Audit Plan 2022-23 (Q3)

Audit Review	Directorate Sponsor	Potential Scope	Risk	Proposed Timing
Governance				
Company Governance Framework	DL&A	Governance arrangement to support LA trading company(s) considering recent highly publicised failings (Nottingham, Croydon etc)		Q1
Capita Contract	DF&SS	Assurance on the implementation of the CCEFSS Programme to delivering a smooth transition of staff and services from the SSO contract into the agreed delivery model solutions for support services.		Q1
Regulation of Investigatory Powers Act	DL&A	Review of the management function and oversight of the use of Covert Human Intelligent Sources (CHIS) powers.		Q3
Programme & Project Management (Smarter Working)	DPS	To review approach and application of programme and project management across Council directorates.		Q3-Q4
Data Quality	DLA	To determine key data requirements and provide assurance over the quality and completeness using data analytics to optimize coverage.		Q3-Q4
Health and Safety in Depots	DPS	Assurance over the responsibility, accountability, and delivery of Health and Safety at Highways depots		Q4
Keeping people safe from vulnerable situations				
Children's Care Placements	DCYP&L	Assurance over mitigations in place to address stipulations that children in care under 16 will not be allowed to be accommodated in unregulated placements.	CR72	Q1
Grenfell Tower – Action Plan	CFO	Governance, monitoring and progress against the action plan		Q1
SEND Strategy	DCYP&L	To review progress and embeddedness of revised SEND strategy.		Q2
Homes for Ukraine	DPS	Compliance with guidance in the administration of the scheme, including governance, due diligence, process etc.		Q3
WSFRS – Overtime & TOIL	CFO	To review the process, recording, authorisation and accuracy of overtime and TOIL		Q3

Audit Review	Directorate Sponsor	Potential Scope	Risk	Proposed Timing
Children's Transitions	DA&H	Assurance over the transition of children' to adults in the care of the authority.		Q3
WSFRS – Safe & Well – Follow Up	CFO	Follow up of the 21/22 audit review of safe and well visits		Q4
Joint Fire Control (WSFRS)	CFO	New contract in place 4/11/21. To review governance arrangements within WSFRS that ensure the service is monitored and delivered in accordance with the S16 collaboration agreement. To review the arrangement for third party assurances from Surrey as lead partner.		Q4
WSFRS Health and Safety	CFO	To review health and safety reporting and compliance with policies and procedures – risk assessments etc. Annual review required – focus for scope to be agreed		Q4
PREVENT	DPS	Review to ensure WSCC meets its duty under Section 26 of the Counter-Terrorism and Security Act 2015.		Q4
Helping people and communities to fulfil their potential				
School Thematic – School buildings upkeep / maintenance	DCYP&L	Select a sample of school to obtain assurance that they are meeting obligations on the upkeep and maintenance of the school building(s)		Q1
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
SFVS	DE&S	Analysis and follow up of 2021/22 returns		Q3
Assurance Mapping-Adult Services	DA&H	To map service assurances across the three lines to determine duplication / gaps in the assurance to support pending CQC inspection(s).	CR58	Q1
Direct Payments	DA&H / DFS&S	To provide assurance over Direct Payments processes and compliance with the Care Act requirements		Q1

Audit Review	Directorate Sponsor	Potential Scope	Risk	Proposed Timing
Adults – Advocacy - CQC	DA&H	Review areas to be determine following completion of assurance mapping to support pending CQC inspection(s).	CR58	Q3
Adults – Transitions - CQC	DA&H	Review areas to be determine following completion of assurance mapping to support pending CQC inspection(s).	CR58	Q3
Adults – Care & Support Planning – CQC	DA&H	Review areas to be determine following completion of assurance mapping to support pending CQC inspection(s).		Q3
Adults – Information & Advice – CQC	DA&H	Review areas to be determine following completion of assurance mapping to support pending CQC inspection(s).		Q3
Adults – Promoting Wellbeing - CQC	DA&H	Review areas to be determine following completion of assurance mapping to support pending CQC inspection(s).		Q3
Adults – Improvement Plan - CQC	DA&H	Review areas to be determine following completion of assurance mapping to support pending CQC inspection(s).	CR58	Q3
Adult Thematic – Medicine Control	DA&H	Medicine control in WSCC establishments - Res homes and potentially Day Care Centres. To include authorisation, qualification, accuracy, data quality.		Q2
School Thematic - Related Party Transactions	DCYP&L	Select a sample of school to obtain assurance that they appropriate arrangements are in place to attain and record RPT		Q2
Shaw Homes – Contract Management	DA&H	The contract is effectively managed and expected levels of service / outcomes are received.	CR58	Q4
Foster Care Payments	DCYP&L	End to End process review	CR61, CFS010	Q4
Unaccompanied Asylum Seeking Children	DCYP&L	To review the effectiveness of processes in place from assessment through to placement.	CR61	Q4
SVFS	DE&S /DF&SS	Collate returns and initial analysis providing info for S151 return		Q4

Audit Review	Directorate Sponsor	Potential Scope	Risk	Proposed Timing
Making the best use of resources				
Workforce Planning	DHR/OD	Assurance over effective workforce planning (capacity, recruitment, retention, succession)	CR11 CR70	Q1
Fraud Framework	DF&SS	Review of Anti Fraud & Corruption Strategy (and associated policies) to ensure complete and aligned to best practice.		Q2
Procurement	DF&SS	Sub £100k spend – data analytical review.		Q1
Use of Agency Staff	DHROD	Effective use and commissioning of agency staff to support service requirements.	CR11	Q1
XMA Contract Delivery	DF&SS	Assurance over contract management and monitoring to ensure delivery against milestones and service performance KPIs.		Q2
Vulnerability Management	DF&SS	Assurance over the governance and approach to vulnerability management across the organisations IT infrastructure.	CR39a/b	Q3
Smartcore	DF&SS	Assurance over the governance and delivery of the Smartcore project.		Q3
Payroll	HR&OD	Core system (include travel, overtime and enhancements)		Q2
Accounts Payable	DF&SS	Core System (plus reestablishment of in-house function)		Q3
Contract Management	DF&SS	Assurance on the deliverables of a selection of key contracts and the effectiveness of contract management arrangements. To include assurance over duties under S52 of the Modern Slavery Act 2015		Q3-Q4
Fraud (Proactive / Reactive)	DF&SS	Range of proactive and reactive initiatives to help identify and mitigate the risk of fraud (see Fraud Plan).	-	Q1-Q4
Financial Assessments	DF&SS	Full review of the financial assessment process.		Q4
Network Strategy and Implementation	DF&SS	Assurance over the effective governance, maintenance and delivery of the organisations IT Network Strategy.		Q4

Audit Review	Directorate Sponsor	Potential Scope	Risk	Proposed Timing
Software Development and Management	DF&SS	Assurance that software development and management practice for applications are well managed, timely and meet stakeholders needs.		Q4
Pension Fund Processes	DF&SS	Assurance over the residual administrative tasks that sit outside of the administrative agreement with Hampshire County Council		Q4
Pension Fund – Assurance Mapping	DF&SS	Assessment of sources of assurance to support the framework of governance, risk and control for the WSCC Pension Fund.		Q4
Grants & Other				
Contracted Public Bus Services	ADHTP	Grant certification		Q1
Supporting Families Q1 claim	DCYP&L	Grant certification		Q1
Supporting Families Q2 claim	DCYP&L	Grant certification		Q2
Supporting Families Q3 claim	DCYP&L	Grant certification		Q3
COMF Grant	DF&SS	Grant certification		Q3
BSOG	ADHTP	Grant certification		Q3
Highways DFT Funding Grant	ADHTP	Grant certification		Q3
Supporting Families Q4 claim	DCYP&L	Grant certification		Q4
Grants contingency	-	Contingency for grant certification requests		Q4
Chichester Harbour	DF&SS	Internal audit provision for CHC through WSCC SLA		Q4
General contingency	-	To accommodate resource for internal audit work on any new or emerging risks		Q4
Management and review				Q4

Audit Sponsor						
Chief Executive Becky Shaw						
Chief Fire Officer (CFO) Sabrina Cohen- Hatton	Director of Adults & Health (DA&H) Alan Sinclair	Director of Children, Young People & Learning (DCYP&L) Lucy Butler	Director of Place Services (DPS) Lee Harris	Director of Finance & Support Services (DF&SS) Taryn Eves	Director of HR/OD (DHR/OD) Gavin Wright	Director of Law & Assurance (DL&A) Tony Kershaw

Page 361

Agenda Item 10
Appendix A

This page is intentionally left blank

Regulation, Audit and Accounts Committee

1 February 2023

Treasury Management Compliance Report – Third Quarter 2022/23

Report by Director of Finance and Support Services

Summary

In accordance with treasury management governance arrangements, this report details compliance against planned parameters as approved within the annual Treasury Management Strategy Statement (TMSS).

During the third quarter of 2022/23 the County Council complied with all of the relevant statutory and regulatory requirements related to its treasury management activities. The Director of Finance and Support Services confirms that there were no breaches of the approved TMSS (including the Annual Investment Strategy) during the period.

Recommendation

The Committee is asked to review and comment on the Treasury Management Compliance Report.

Proposal

1. Introduction

1.1 The County Council has substantial amounts of investments and borrowings and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management recommends that Members are regularly updated on treasury management activity. This report therefore ensures the County Council is implementing best practice in accordance with the Code.

2. Compliance Report

2.1 Throughout the third quarter of 2022/23 the County Council complied with the relevant statutory and regulatory requirements which require officers to identify and where possible quantify the levels of risk associated with its treasury management activities. No counterparty that the County Council held investments with during the quarter was negatively impacted by credit rating updates as published by Fitch, Moody's and Standard & Poor's, credit default swap/equity price trends and general media alerts.

2.2 **Borrowing**: On 31 December 2022 the County Council's Public Works Loan Board (PWLB) long-term borrowing for capital purposes totalled £461.3m (unchanged from 30 September 2022). During the third quarter of 2022/23:

(a) No new external borrowing (including forward borrowing) for capital purposes was undertaken during the period.

(b) No external debt rescheduling was undertaken during the period.

(c) Excluding money held on behalf of the Chichester Harbour Conservancy (and its associated charities) and overdraft facilities with the County Council's main provider of banking services (Lloyds), no short-term borrowing was undertaken for cash flow purposes. The County Council's policy of funding daily cash flow shortages from balances held in short-term Money Market Funds was maintained throughout the period.

2.3 **Investment**: The average level of County Council funds available for treasury investment during 2022/23 (to 31 December) was £455.8m (£428.1m average throughout 2021/22). Total levels of investments, including cash balances held in the County Council's main Lloyds business bank accounts, amounted to £401.3m on 31 December 2022 (£448.3m as of 30 September 2022) as shown in Table 1 (paragraph 2.4). Whilst falling during the third quarter, cash balances available for investment remain at elevated levels, a consequence of Capital and Revenue funding received ahead of planned spend and levels of usable reserves that the County Council continues to hold.

2.4 UK banking legislation places the burden of rescuing failing banks disproportionately onto unsecured creditors (including local authority investors) through the potential bail-in of unsecured bank deposits. The use of short-term investments (including unsecured bank deposits and Money Market Funds) however remains an integral part of the County Council's treasury management strategy in maintaining adequate cash-flow liquidity. During the third quarter of 2022/23 this included the arrangement of short-term investments (up to one year) in UK Government deposits (via the Debt Management Office), financial institution deposits and local authority loans; with liquidity to meet all financial obligations as they arose being maintained in Money Market Funds. As a consequence, the disposition of bank unsecured/other investments on 31 December 2022 as compared with 30 September 2022, is detailed below:

Table 1 – Disposition of Investments by Counterparty Type

Counterparty Type	Sep-22 £m	Sep-22 %	Dec-22 £m	Dec-22 %
Banks Unsecured (Deposits)	134.1	29.9	148.3	37.0
Short-Term Money Market Funds	104.5	23.3	82.2	20.5
Total Bank Unsecured	**238.6**	**53.2**	**230.5**	**57.5**
Bank Secured (Deposits)	0.0	0.0	0.0	0.0
UK Government	90.0	20.1	35.0	8.7
UK Local Authority	70.0	15.6	90.0	22.4
Internal Investments	**398.6**	**88.9**	**355.5**	**88.6**
Externally Managed - Multi Asset	23.0	5.1	23.4	5.8
Externally Managed – Property	26.7	6.0	22.4	5.6
TOTAL INVESTMENTS	**448.3**	**100.0**	**401.3**	**100.0**

2.5 The full breakdown of the County Council's investment portfolio on 31 December 2022 is shown in **Appendix A**.

2.6 In demonstrating compliance with the County Council's creditworthiness policy (as contained within the approved 2022/23 "Annual Investment Strategy") the movement in the investment portfolio (actual cash position) by the credit rating of the financial institution, or the credit rating of the specific investment (for example covered bonds) if higher than the individual counterparty rating, is shown below:

Table 2 – Disposition of Investments by Credit Rating

Institution / Investment Credit Rating	Mar-22 £'m	Jun-22 £'m	Sep-22 £'m	Dec-22 £'m
AAA *(i)*	134.0	123.6	104.5	82.2
AA-	77.4	119.9	129.8	84.8
A+	44.3	49.8	49.8	54.0
A	44.5	44.5	44.5	54.5
A- (or lower)	0.0	0.0	0.0	0.0
Local Authority (No Rating)	90.0	55.0	70.0	80.0
Internally Managed	**390.2**	**392.8**	**398.6**	**355.5**
Externally Managed	52.6	52.2	49.7	45.8
Total Investments	**442.8**	**445.0**	**448.3**	**401.3**

(i) Includes short-term Money Market Funds and Covered Bonds.

2.7 The Director of Finance and Support Services also confirms that during the third quarter there were no breaches of the following additional exposure limits as approved within the 2022/23 Annual Investment Strategy, including:

(a) Up to a maximum of £90m (£30m per individual sovereign) may be invested in non-UK organisations (excluding investments held in short-term Money Market Funds and externally managed pooled funds).

Table 3 – Disposition of Investments by Sovereign (Non-UK)

Deposits by Sovereign	Sep-22 £'m	Dec-22 £'m
Australia	24.7	24.7
Canada	14.9	14.9
Finland	9.9	9.9
Netherlands	10.0	14.3
Total Investments on 31 December 2022	**59.5**	**63.8**

Total non-UK investments on 31 December 2022 (£63.8m) represents the highpoint of such invested amounts during the third quarter of 2022/23.

(b) Up to a maximum of £100m may be invested in negotiable instruments (bonds, certificate of deposits etc.) held in a nominated custody account. **Actual**: £88.3m on 31 December 2022 – see Appendix A/Memorandum *(£88.3m represents the highpoint during the quarter)*.

(c) Up to a maximum of £200m may be invested in short-term Money Market Funds (excluding externally managed pooled funds). **Actual**: £82.2m on 31 December 2022 *(£164.3m highpoint during the quarter)*.

(d) Up to a maximum of £100m may be invested in externally managed pooled funds; of which £60m may be invested in such funds not holding a AAA credit rating. **Actual**: £45.8m total investment on 31 December 2022; all of which is invested in unrated multi-asset income and property funds *(change in fund market valuations being the only movements during the quarter)*.

(e) Up to a maximum of £100m to be made available for long-term strategic investment based on forecast levels of PFI/MRMC reserves (as reported in the County Council's Treasury Indicators). **Actual**: £45.8m on 31 December 2022 being investments in externally managed pooled funds *(no new long-term investments arranged during the quarter)*.

3. Risk implications and mitigations

3.1 Covered in main body of report.

Taryn Eves
Director of Finance and Support Services

Contact Officers
Vicky Chuter, Financial Reporting Manager, 033 022 23414
Jon Clear, Treasury Management Officer, 033 022 23378

Appendices
Appendix A – The County Council's investment portfolio on 31 December 2022.

Background Papers
None

The County Council's investment portfolio on 31 December 2022

Investments held with counterparty's approved within the County Council's 2022/23 Treasury Management Strategy (together with prevailing credit ratings and maximum monetary and duration limits) on 31 December 2022, are set out below:

Total Investments for period = £401.3m

Table 1: UK Banks (Unsecured) – Total £84.5m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Goldman Sachs International Bank	A+	£15m	1 Year *(i)*	04/08/22	06/02/23	186	37	2.285%	£15.0m
Handelsbanken Plc: 35-Day Notice Account	AA-	£15m	1 Year	n/a	n/a	n/a	n/a	2.700%	£15.0m
Lloyds Bank Plc: Business Accounts	A+	£15m	1 Year	n/a	n/a	n/a	n/a	0.000%	£0.0m
Lloyds Bank Corporate Markets Plc	A	£15m	6 Months	01/12/22	01/06/23	182	152	4.235%	£14.5m
National Westminster Bank Plc	A	£15m	1 Year *(ii)*	04/02/22	03/02/23	364	34	1.000%	£10.0m
National Westminster Bank Plc	A	£15m	1 Year *(ii)*	03/08/22	03/08/23	365	215	2.620%	£5.0m
Nationwide Building Society	A	£15m	6 Months	24/10/22	24/01/23	92	24	2.830%	£10.0m
Santander UK Plc	A	£15m	6 Months	06/12/22	06/03/23	90	65	3.595%	£15.0m

(i) *The 2022/23 Treasury Management Strategy approves investment durations up to a maximum of one year for unsecured deposits in UK Banks holding an A+ long-term credit rating. However, given Goldman Sachs International Bank's elevated CDS price (in comparison with other approved UK banks) the County Council currently only considers deposits up to a maximum six month duration; in line with recommended exposure limits received from Link Group (Link Treasury Services).*

(ii) *The 2022/23 Treasury Management Strategy approves investment durations up to a maximum of one year for unsecured deposits in NatWest Bank Plc (Ring-Fenced Bank) given the continued part nationalised status of the bank (UK Government shareholding was circa 48% in March 2022); in line with recommended exposure limits received from Link Group.*

Table 2: Non-UK Banks (Unsecured) – Total £63.8m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Australia and New Zealand Bank (Australia)	A+	£15m	1 Year	21/01/22	20/01/23	364	20	0.970%	£5.0m
Australia and New Zealand Bank (Australia)	A+	£15m	1 Year	22/04/22	21/04/23	364	111	2.120%	£5.0m
Australia and New Zealand Bank (Australia)	A+	£15m	1 Year	22/07/22	21/07/23	364	202	2.840%	£5.0m
Commonwealth Bank of Australia (Australia)	A+	£15m	1 Year	30/06/22	30/06/23	365	181	2.825%	£9.7m
Cooperatieve Rabobank (Netherlands)	A+	£15m	1 Year	03/11/22	03/11/23	365	307	4.693%	£14.3m
Nordea Bank (Finland)	AA-	£15m	1 Year	21/09/22	21/09/23	365	264	4.065%	£9.9m
Toronto-Dominion Bank (Canada)	AA-	£15m	1 Year	12/08/22	11/08/23	364	223	3.125%	£10.0m
Toronto-Dominion Bank (Canada)	AA-	£15m	1 Year	13/09/22	13/09/23	365	256	3.935%	£4.9m

Table 3: Short-Term Money Market Funds – Total £82.2m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Aberdeen Standard Sterling Liquidity Fund	AAA	£25m	*Note (iii)*	n/a	n/a	n/a	n/a	3.282%	£25.0m
Blackrock Sterling Liquidity Fund	AAA	£25m	*Note (iii)*	n/a	n/a	n/a	n/a	3.211%	£14.6m
Deutsche Sterling Liquidity Fund	AAA	£25m	*Note (iii)*	n/a	n/a	n/a	n/a	3.143%	£25.0m
Federated (UK) Sterling Liquidity Fund	AAA	£21.4m	*Note (iii)*	n/a	n/a	n/a	n/a	3.260%	£17.6m

(iii) No defined maturity periods for short-term Money Market Funds; withdrawals based on cash flow liquidity requirements.

Table 4: UK Government Backed Securities – Total £35.0m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Debt Management Account Deposit Facility	AA-	Unlimited	50 Years	05/12/22	24/01/23	50	24	3.075%	£35.0m

Table 5: UK Local Authorities – Total £90.0m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Birmingham City Council	n/a	£25m	20 Years	30/11/22	30/11/23	365	334	4.050%	£10.0m
Cornwall Council	AA-	£25m	20 Years	30/11/22	29/11/23	364	333	3.800%	£10.0m
Enfield Council	n/a	£25m	20 Years	28/02/22	27/02/23	364	58	1.300%	£10.0m
Haringey Council	n/a	£25m	20 Years	12/09/22	11/09/23	364	254	3.200%	£10.0m
Haringey Council	n/a	£25m	20 Years	27/09/22	26/09/23	364	269	3.200%	£5.0m
Hull City Council	n/a	£25m	20 Years	07/11/22	07/11/23	365	311	3.800%	£10.0m
Kirklees Council	n/a	£25m	20 Years	28/11/22	28/11/23	365	332	4.050%	£5.0m
Plymouth City Council	n/a	£25m	20 Years	14/04/22	13/04/23	364	103	1.030%	£10.0m
Suffolk County Council	n/a	£25m	20 Years	30/12/22	24/03/23	84	83	3.500%	£10.0m
Thurrock Council	n/a	£25m	20 Years	04/08/22	04/08/23	365	216	2.500%	£10.0m

Table 6: Pooled Funds (Externally Managed) – Total £45.8m

Counterparty	Monetary Limits	Duration Limits	Start Date	No. of Days	Invested Amount	Income (Total)	Income (2022/23)	2022/23 EIR *(iv)*	Market Value
Fidelity Multi-Asset Income Fund	£15m	*Note (v)*	11/12/18	1,482	£13.5m	£1.8m	£0.45m	4.584%	£11.4m
Ninety-One Diversified Income Fund	£15m	*Note (v)*	05/12/18	1,488	£13.5m	£1.6m	£0.39m	3.851%	£12.0m
CCLA (Local Authorities' Property Fund)	£15m	*Note (v)*	28/02/17	2,133	£10.0m	£2.4m	£0.30m	3.982%	£9.4m
Hermes Property Unit Trust (HPUT)	£15m	*Note (v)*	28/08/18	1,587	£10.0m	£1.4m	£0.22m	2.973%	£9.0m
Lothbury Property Trust (LPT)	£15m	*Note (v)*	03/09/18	1,581	£5.0m	£0.6m	£0.10m	2.758%	£4.0m

(iv) Actual income relating to 2022/23 (Q3) confirmed by Lothbury and Ninety-One only (as at 05/01/23); income from the other funds estimated based on indicative information received during the quarter from the respective fund managers.

(v) Minimum five year investment horizon for externally managed multi-asset income and property pooled funds.

Memorandum (included within above tables)

Total investments in negotiable (tradable) instruments held in the Council Council's HSBC custody account on 31 December 2022 (£88.3m):

Counterparty	Instrument	Start Date	Maturity Date	Amount
Commonwealth Bank of Australia (Australia)	Certificate of Deposit	30/06/22	30/06/23	£9.7m
Cooperatieve Rabobank (Netherlands)	Certificate of Deposit	03/11/22	03/11/23	£14.3m
Lloyds Bank Corporate Markets Plc	Certificate of Deposit	01/12/22	01/06/23	£14.5m
Nationwide Building Society	Certificate of Deposit	24/10/22	24/01/23	£10.0m
Nordea Bank (Finland)	Certificate of Deposit	21/09/22	21/09/23	£9.9m
Santander UK Plc	Certificate of Deposit	06/12/22	06/03/23	£15.0m
Toronto-Dominion Bank (Canada)	Certificate of Deposit	12/08/22	11/08/23	£10.0m
Toronto-Dominion Bank (Canada)	Certificate of Deposit	13/09/22	13/09/23	£4.9m