

A close-up photograph of a person's hand holding a white pen, pointing at a bar chart displayed on a tablet screen. The chart features several horizontal bars in shades of green, brown, and red, set against a blue grid background. The person is wearing a blue suit jacket. The text is overlaid on the left side of the image.

West Sussex County
Council

Value for Money report

Year ended 31 March 2023

February 2024 - Draft

29 February 2024



Dear Governance Committee Members

2022/23 Value for Money Report

We are pleased to attach our interim Value for Money report for West Sussex County Council. The report summarises the findings from our 2022/23 value for money work and to date in 2023/24. The report sets out the risks identified and the findings from our detailed assessment including a commentary on the three reporting criteria and a summary of the arrangements in place.

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

We welcome the opportunity to discuss the contents of this report with you at the Regulation, Audit and Accounts Committee meeting on 11 March 2024.

Yours faithfully

Ben Lazarus

Partner

For and on behalf of Ernst & Young LLP

Encl

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

The “Terms of Appointment and further guidance (updated April 2018)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Regulation, Audit and Accounts Committee and management of West Sussex County Council in accordance with our engagement letter. Our work has been undertaken so that we might state to the Regulation, Audit and Accounts Committee and management of West Sussex County Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Regulation, Audit and Accounts Committee and management of West Sussex County Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Executive Summary



Executive Summary

Purpose

The purpose of the report is to set out the Value for Money (VFM) work undertaken for the 2022/23 financial year and to date in 2023/24. The report 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.

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03).

The report sets out the following areas which have been assessed up to the point of issuing this interim report to the Regulation, Audit and Accounts Committee:

- Risks of significant weakness and procedures planned to mitigate these
- Findings of our work against the three value for money reporting criteria and the sub-criteria
- Summary of arrangements in place over the period covered by this report.

We expect to issue our final 2022/23 audit report later in the calendar year. We do not expect our VFM narrative commentary, findings and proposed reporting to change from this interim findings report.

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



Executive Summary (continued)

Risks of Significant Weakness

Our value for money procedures are based on the judgements reached from a combination of:

- our cumulative audit knowledge and experience;
- our review of Council committee reports;
- meetings with the Director of Finance and Support Services and other finance officers; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

We identified a risk of significant weakness in relation to the Council's arrangements over the SmartCore programme for replacement of the Council's Finance, HR and Procurement systems as part of our risk assessment procedures. We consider that the risk did manifest a weakness which was evident across the Council's arrangements for governance and improving economy, efficiency and effectiveness. We consider this in more detail in Section 02 of this report.

Executive Summary (continued)

Reporting

Our commentary for 2022/23 and is set out over pages 9 to 16. The commentary on these pages summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see table below) throughout 2022/23 and 2023/24 to date.

We include within the VFM commentary below the associated recommendations we have agreed with the Council.

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

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 risk of significant weakness in arrangements identified in 2022/23 and 2023/24	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	Risk of significant weakness in arrangements identified in 2022/23 and 2023/24	Significant weakness identified for the 2022/23 year
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	Risk of significant weakness in arrangements identified in 2022/23 and 2023/24	Significant weakness identified for the 2022/23 year



Executive Summary (continued)

Independence

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

There are no relationships from 1 April 2022 to the date of this report which we consider may reasonably be thought to bear on our independence and objectivity.



02 Value for Money Commentary

Value for Money Commentary (continued)

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

No significant weakness identified

Financial Performance

Net revenue expenditure for 2022/23 on portfolio budgets was £648.9 million, representing a £10.5 million overspend. This was largely due to an overspend within the Children and Young People and Learning & Skills portfolios, offset by underspending within the Environment and Climate Change Portfolio. The overspend on portfolio budgets was partially offset by additional income from Investments as a result of in-year rises in interest rates and additional income from the Business Rates Levy. Additionally, funds were drawn from the Contingency Budget established at the start of the year to assist with unplanned in-year pressures. The residual overspend balance of £0.2 million was funded from the Inflation Contingency Reserve. Full year outturn capital spending for 2022/23 was £124.7 million which was £11.7 million greater than the revised budget of £113 million.

Financial Position

Total Usable Reserves decreased by £1.3 million due to a decrease in Schools Balances offset by increases in Earmarked Reserves, Capital Grants Unapplied and the Capital Receipts Reserve. The balance of the Council's General Fund remained unchanged at £20.3 million. Included in Earmarked Reserves is the creation of Social Care Pressures (Adults and Children) Reserve where £5 million was transferred from residual balances of 2022/23 Services and Social Care Support Grants which were not applied to finance commitments in the approved budget. This is important given the financial challenges faced by the Council in future years. The Dedicated Schools Grant (DSG) position remains a key concern for the County Council with an overspend of £16.9 million in 2022/23, increasing the reserve deficit balance to £41.9 million as at 31 March 2023. This is currently ring-fenced and has no direct impact on the General Fund balance. Increasing costs in related service areas such as home to school transport and managing Education Health and Care Plans, and the shortfall in related funding from DSG, is however reducing the level of available cash the Council is able to invest and make a return from. This does have an adverse impact on the Council's General Fund balance, with the related loss of investment income forecast to be £5.7 million by 2024/25.

Budgets and Medium-Term Financial Strategy (MTFS)

The budget for 2022/23 was approved in February 2022 by the County Council. The Council were able to produce a balanced budget for the financial year in-line with statutory duties, however the MTFS published alongside the budget identified a cumulative budget gap to 2025/26 of £63.4 million before any planned savings. An updated MTFS was presented to the Cabinet in January 2023 and County Council in March 2023. A balanced budget has been set for 2023/24 without planned use of reserves, however £9.6 million of proposed savings needed to be achieved to deliver this. From 2024/25 onwards the Council forecast significant deficit positions, with the total accumulated deficit over the medium term totalling £104.1 million, after proposed savings of £17.8 million. At the time the MTFS was produced pay and price inflation was a significant budgetary pressure and that has extended through into the 2023/24 financial year. Uncertainty over the future levels of funding from Government, the continued application of the DSG statutory override and adult social care reform are all recognised as risks to the Council's

Value for Money Commentary

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

No significant weakness identified

financial position over the medium term. The Council has been clear on these risks, which are common with financial pressures at a large number of upper-tier authorities, and associated measures to seek to mitigate them in both its internal financial reporting and external communications with relevant stakeholders where it has lobbied for changes in funding arrangements.

We set out our full narrative commentary on the Council's arrangements for financial sustainability in Section 03 of this report.

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

Value for Money Commentary (continued)

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

Significant weakness identified

The Council continues to maintain adequate arrangements to monitor 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 2022/23 that the Council's framework of governance, risk management and control is reasonable. It has also continued to make good progress in securing improvements to address weaknesses highlighted by service inspections of Children's Services and the Fire & Rescue Service in previous years. The Care Quality Commission were intending to perform a review of adult social care services across all local authorities from September 2023, however this has been pushed back into 2024. In preparation, the Council prepared a self-assessment using the CQC's draft assurance framework. The resulting assessment and associated adult social care improvement plan provide the Council with clear, specific areas for further improvements to be made to improve their overall services. There are well established governance arrangements, policies and procedures in place to ensure compliance with legislative and regulatory requirements and routine monitoring of adherence to those standards. We are also satisfied that reasonable progress is being made to address and rectify issues arising from the reported breach of Teachers' Pension Regulations that we have considered as part of our VFM responsibilities in previous years.

We set out our full narrative commentary on the Council's arrangements for governance in Section 03 of this report

Impact of SmartCore on our assessment of the Council's Governance arrangements

1. Background and timeline of issues and events

Up to 2021/22

The Council has used SAP as its Finance, HR and Procurement system since 2001. However, it determined that the system was no longer fit for purpose and in November 2019 a decision was taken to approve the commencement of a procurement system for services to deliver a replacement business management system from SAP to Oracle Fusion. This project was known as 'SmartCore', with the programme intended to provide the opportunity to take advantage of potential business benefits from the change. In June 2020 a contract was awarded to Entserv UK Limited (trading as DXC) to be the Council's contractor for the transition. In December 2020 an external consultancy firm, Socitm, performed a 'Health Check' of the project. This recommended a re-set of the programme was needed at that point in time, with an employee of Socitm hired to be the new Project Manager.

Following delays in programme delivery, internal audit performed an initial review of SmartCore programme governance which was reported in September 2021. The review identified the following issues:

- A fully resourced and costed plan to enable delivery of the programme was not in place.
- During the internal audit review the Senior Responsible Officer (SRO) stepped down from the role with responsibilities assumed by the Executive Co-Sponsors. As a result there was a risk of dilution in the governance of the project and potential conflict of interest if the Executive Co-Sponsors were simultaneously carrying out the SRO responsibilities.

Value for Money Commentary (continued)

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

Significant weakness identified

Impact of SmartCore on our assessment of the Council's Governance arrangements (cont'd)

- The Finance and Support Services risk register had a risk relating to the SmartCore programme that “there is a risk of the project not being completed by December 2021”. The risk was given a score of 15 and consequently was not escalated to the corporate risk register.
- The programme risk register had a number of risks that had not been reviewed and updated for a number of months.
- The audit trail of decisions taken and actions needed contained only one decision made by the Programme Board and no decisions made by the Delivery Board. In addition, there were numerous open actions that did not have an expected completion date.
- There was no evidence of formal escalation to the Council's Executive Leadership Team (ELT) and/or members alerting them to delays in the programme at that point in time and the actions proposed to address the delay.
- Budget forecasting was likely to be inaccurate.

Following this an update on progress of the programme was produced by senior management and presented to ELT. This confirmed risks around adherence to the programme timeline, resourcing of the project, the level of organisational change needed for successful implementation of Oracle and continuing cost pressures against budget.

2022/23

A number of business design and delivery requirements for the programme led to changes in the contractual position intended to ensure a successful implementation. This resulted in additional changes in the implementation plan and delays to the original timetable for the project. This was communicated to members in June 2022 and a variation to the contract with DXC was agreed in July 2022. A further ‘Health Check’ was commissioned by a new independent consultant in July 2022. Although the resulting report noted that the programme was “in its strongest position yet”, a number of key areas of recommended focus were identified to address similar weaknesses in programme management already identified by the 2021/22 Internal Audit Report.

Following discussions with DXC it was agreed that work would be paused in November 2022. In March 2023 a Suspension Agreement was approved by both WSCC and DXC so that a rectification plan could be put in place following the significant deviation from the original project timeline at this stage. This led to further and more intense work by the Council with DXC to test whether the programme could be brought back on track in terms of timing and budget. Internal audit was commissioned to undertake a further detailed review of SmartCore programme governance as part of its 2022/23 programme of work. This continued to identify a number of significant issues, specifically:

Value for Money Commentary (continued)

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

Significant weakness identified

Impact of SmartCore on our assessment of the Council's Governance arrangements (cont'd)

- Despite the further significant delay to the programme, with completion considered to be unlikely until 2024, there was no publicly available evidence of this delay being formally reported to members. The last formal report on progress to members was in September 2022 when they were advised that the programme was on course to meet the new delivery date of April 2023. There was no reporting of the delay to the subsequent Performance and Finance Scrutiny Committee meetings held in January and March 2023 despite the programme having been paused in November 2022. In raising this observation we note that ongoing discussions with DXC were commercially sensitive in nature making public updates to the Committee more difficult.
- As of April 2023, there remained no fully-costed and resourced plan in place to enable delivery of the programme to completion. Internal audit were advised that this was due to the pausing of the programme as a result of the commercial discussions with DXC and the data migration issues being experienced.
- Despite the corporate significance of the project, review of risk registers found that there is no risk relating to the SmartCore Programme recorded on the Corporate Risk Register and no open risks included on the Finance and Support Services risk register.
- There was a significant gap in formalised governance arrangements between the standing down of the governance boards in December 2022 and the approval of the Sponsors' meetings terms of reference in April 2023. In addition, despite the requirement for decisions made at the Sponsors' meetings to be recorded within the decision log and the log to be reviewed at each weekly meeting, no decisions had been documented since November 2022.
- Despite significant delays to the completion of the programme resultant implications had not been raised at the Performance and Finance Scrutiny Committee meetings held in January and March 2023 even though the programme had been paused in November 2022.

We do note, however, that there remained significant activity during this period to seek to address the issues experienced in transitioning to the new system, delays and breakdown in relationship with DXC. Specifically:

- Meetings in September 2022 of the Smartcore Commercial Board and Programme Board involving the Council, DXC and Oracle leading to the amendments of the budget for the Programme reported to the September meeting of the Performance and Finance Scrutiny Committee.
- Work to produce and consider the letter of rectification and rectification plan with DXC from October to December 2022. A summary of developments during this period were communicated to members by email in December 2022. Based on discussions with officers we also understand the Leader, Lead Member and Chief Executive were also regularly updated during this period.
- A meeting with DXC in January 2023 resulting in a short formal pause on work by DXC to enable both it and the Council to reflect on the current position and consider options.
- Further briefing meetings between senior officers and members in February 2023, a verbal update on progress to members of the Performance and Finance Scrutiny Committee and notification to Full Council that the Go Live date had been postponed.

Value for Money Commentary (continued)

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

Significant weakness identified

Impact of SmartCore on our assessment of the Council's Governance arrangements (cont'd)

- The appointment of a new Programme Director in March 2023 and issue of a Memorandum of Understanding to DXC to advise of a project standstill period.

2023/24

Following consideration of the continued issues identified by internal audit, the commercial discussions between the Council and DXC resulted in a mutual termination of the contract with DXC with resources and services provided being paid for. The relationship between the two parties officially ended on 1 September 2023, with this decision and the basis for it being promptly communicated to members. Updates on developments and proposals on options were provided on a regular basis throughout the year. Briefings were given to Cabinet in May, July and December 2023, the Performance and Finance Scrutiny Committee in June 2023, the Executive Leadership Team in August 2023 and all members in September 2023.

A 'Lessons Learned' workshop was held later in September to help identify areas of improvement prior to revision of the business case and procurement of a new contractor with key themes identified, including managing change, communication, governance and resourcing, and associated recommendations agreed to address these issues going forward. PwC were also subsequently engaged to determine whether Oracle remains the best option of delivering the Council's requirements. The resulting report from PwC concludes that overall there is a high-degree of 'fit' between the council's business requirements and the Oracle fusion product. The Council has established a 'Business Readiness Group' (BRG) for SmartCore, with the terms of reference and role of that group recently being reviewed. The Group has the primary objectives of:

- Ensuring all key identified stakeholders are being actively engaged in the programme and have a forum for raising issues.
- Informing on significant business readiness decisions impacting the implementation.
- Measuring and tracking progress against business readiness plans and checklists.
- Resolving business readiness questions as required.

2. Impact on the Council's governance arrangements for 2022/23

We have considered the impact of weaknesses in SmartCore programme management on the Council's arrangements for Governance and have concluded they are indicative weaknesses in arrangements for the following VFM reporting sub-criteria:

VFM 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

The Internal Audit governance review from August 2023 found that no risks related to SmartCore on the Corporate Risk Register, although this is a significant project and implementation that could potentially impact delivery and business continuity across the Council. The Finance and Support Services Risk Register did contain a risk relating to SmartCore, but this was closed in 2022 meaning there were no risks relating to the programme on the register as at the time of the internal audit review.

Value for Money Commentary (continued)

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

Significant weakness identified

Impact of SmartCore on our assessment of the Council's Governance arrangements (cont'd)

Internal Audit concluded these omissions created a risk that senior management and/or members would not be aware of the risks to the programme and the mitigations required in order for the programme to be successfully implemented. Given the current status of SmartCore with the contract termination in September 2023, and the operational and strategic significance of the project to the Council, this should have been considered of sufficient importance that a risk was included in the corporate risk register. Inclusion of a risk would have allowed for greater awareness of the issues across senior officers and members, the need to formulate mitigating actions and better governance.

We have concluded this is indicative of a significant weaknesses in the Council's risk management arrangements in the 2022/23 year.

VFM 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

Issues on SmartCore programme management were discussed at the following meetings during the 2022/23 year.

- Performance and Finance Scrutiny Committee in July 2022 – Plans for the variation of the contract with DXC were discussed and approved.
- Performance and Finance Scrutiny Committee in September 2022 – A report was presented to the committee. A summary of the responses to the committee members' questions and comments included the following:
 - The project was on course to meet the new delivery date of April 2023.
 - Updates to the system were planned in November 2022 and February 2023 and testing of these has been factored into the programme.
 - Checkpoints had been built into the programme to allow for data quality checks.
 - The contingency of budget £1.25 million was a realistic amount and costs would be monitored closely as the project progressed.

The Performance and Scrutiny Committee held further meetings in November 2022, January 2023 and March 2023 but SmartCore was not listed as a discussion point from the minutes. From November 2022 the project was paused, and therefore the planned system updates were not implemented. This was a known delay to the project timetable but was not formally communicated to the committee.

We have therefore concluded that limited nature of publicly available reporting to the Performance Finance Scrutiny committee did not allow for adequate, timely and transparent challenge of the issues arising in delivery of the SmartCore programme in the period. In raising this observation we note that ongoing discussions with DXC were commercially sensitive in nature making public updates to the Committee more difficult.

Value for Money Commentary (continued)

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

Significant weakness identified

Impact of SmartCore on our assessment of the Council's Governance arrangements (cont'd)

In raising these observations we also note the necessary work done by the Council in 2022/23 to seek to address the issues experienced in transitioning to the new system, delays and ongoing delivery challenges with DXC, and then the briefings with stakeholders, including Council members, that were given outside of the public domain in 2023/24. We also note the further work done into 2023/24 to learn lessons and devise stronger governance arrangements for the project going forward.

We set out our full narrative commentary on the Council's arrangements for governance in Section 03 of this report.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to ensure that it makes informed decisions and properly manages its risks except for the VFM sub-criteria set out above.

Recommendation 1

Build on the good work already done in 2023/24 to improve the governance arrangements for the re-launched project. Delivering against the objectives of the Business Readiness Group will be a key-part of this, but reporting of progress and risks should be clear and consistent across all relevant committees and the Council's established corporate risk management arrangements. This is important given both the significance of the project to the operations of the Council and the difficulties experienced in seeking to manage the transition to date. This will require clear direction, and challenge where necessary, from both senior officers and members. In addition to strengthening risk management, successful re-launch of the project will also need engagement with all services on business readiness and strengthening of the overall governance framework and decision making through the project Steering Group.

Value for Money Commentary (continued)

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

Significant weakness identified

Service performance against Council priorities is considered regularly throughout the year through its performance dashboard, which is made publicly available on the Council website, and forms part of quarterly Performance and Resources Report which show a complete picture of both business and financial performance. Actual performance in 2022/23 judged against the Council's priorities was positive overall and broadly consistent with the previous year. Good progress also continues to be made in improving service performance in Children's Services.

The joint arrangement with East Sussex County Council effective from January 2020 has bolstered leadership capacity and continues to bring more stability to the Council's senior leadership which, as highlighted by the results of previous external service inspections, had been lacking. Progress was also made on further developing and operationalising the Council's property development joint venture and bringing back in-house, or in limited situations re-procuring, a number of support service functions previously externally provided by Capita under contractual arrangements with the Council.

We set out our full narrative commentary on the Council's arrangements for improving economy, efficiency and effectiveness in Section 03 of this report.

Impact of SmartCore on our assessment of the Council's arrangements for improving economy, efficiency and effectiveness

A summary of the background and timeline of issue and events relating to the SmartCore programme has previously been set out as part of our consideration of the Council's governance arrangements in Section 02 of this report.

We have considered the impact of weaknesses in SmartCore programme management on the Council's arrangements for improving economy, efficiency and effectiveness and have concluded they are indicative weaknesses in arrangements for the following VFM reporting sub-criterion:

VFM 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

We consider the following points to be relevant to our 2022/23 reporting judgment:

- The Council took the decision to procure a new Finance, HR and Procurement system at the end of 2019. At the reporting date of 31/3/23 the system was not yet implemented with the Council still needing to gain assurance the Oracle system was capable of fully delivering the Council's business requirements.
- The contract with DXC, which commenced in December 2020, was terminated by mutual agreement in September 2023 and is now needing to be re-launched. Expenditure on the project at the end of October 2023 totalled approximately £13 million.

Value for Money Commentary (continued)

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

Significant weakness identified

Impact of SmartCore on our assessment of the Council's arrangements for improving economy, efficiency and effectiveness (cont'd)

Given the operational and strategic significance of the project to the Council we have concluded that this demonstrates a clear weakness in the Council's programme management arrangements. The Council did not have adequate arrangements in the 2022/23 year to provide assurance that both the system itself, and then the contractual arrangements with DXC to manage the transition, were delivering the expected benefits.

In reaching this conclusion we recognise that work has now been done in 2023/24 by the Council, as part of its work to revise the business case for the project, to determine the value derived from the expenditure incurred to date. It is clear that a number of deliverables including the purchase of software licences and development of strategy documents, configuration workbooks and associated designs, functional and technical specifications, arrangements for mapping and migrating data, governance structures and business planning will all continue to have some value as the project is re-launched. Hence, whilst we acknowledge there may not be a material "obsolescence" relating to the £13 million spent, we also have to acknowledge the level of senior staff engagement on this project to date which, if utilised more productively, could have then been directed to other important Council matters.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to use information about its costs and performance to improve the way it manages and delivers its services except for the VFM sub-criteria set out above.

Recommendation 2

Continue to build on the good work already done in 2023/24 to date and the learn lessons from the SmartCore project to date as part of the process to revise the business case and procure a new implementation partner or partners. In doing this also seek to maximise value from the expenditure incurred to date. Clearly establish revised programme and budget management arrangements for the project sufficient to gain comfort that both timetables and budgets for delivery are both realistic and adhered to.



03 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<p><i>Budget Setting</i></p> <p>The Council sets a balanced revenue budget annually. The budget supports delivery of the Council's key priorities, which for 2022/23 were 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.</p> <p>The annual budget is then linked to the medium-term aspirations of the Council through its medium-term financial strategy (MTFS), which considers a four year forward view, and its capital programme which extends forward for 5 years. An MTFS extending through to the 2026/27 financial year was approved by Cabinet in October 2022. 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. The wider financial environment has become increasingly challenging for local government in recent years and the Council has needed to operate against a backdrop of reduced funding from traditional sources and increased demand for services. This has meant that difficult choices have needed to be made and rises in council tax have been necessary. In making these choices the Council seeks to focus on the areas it believes will make the biggest difference to people in West Sussex. An annual programme of savings is needed to balance the budget, with decisions on significant savings proposals taken by the Cabinet.</p> <p><i>Financial Outturn</i></p> <p>The financial outturn position for the financial year is reported to the Cabinet through the Performance and Resources Report (PRR) in Quarter 4. Net revenue expenditure for 2022/23 on portfolio budgets was £648.9 million, representing a £10.5 million overspend. This was largely due to overspending within the Children and Young People and Learning & Skills portfolios, offset by underspending within the Environment and Climate Change Portfolio. The overspend on portfolio budgets was partially offset by additional income from Investments as a result of in-year rises in the Bank of England interest rates and additional income from the Business Rates Levy. Additionally, funds were drawn from the Contingency Budget established at the start of the year to assist with unplanned in-year pressures. The residual overspend balance of £0.2million was funded from the Inflation Contingency Reserve, also created during 2022/23 following a decision made from the presentation of the 2021/22 outturn report.</p>

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them (cont'd)	<p><i>Financial Outturn (cont'd)</i></p> <p>Full year outturn capital spending for 2022/23 was £124.7 million. This was £11.7 million greater than the revised budget of £113 million, which was largely due to additional spending in the Community Support, Fire and Rescue portfolio from acceleration of the Live Training Centre and Horsham Fire Station project where works continue to progress quicker than anticipated. Inflationary pressures impacted the Council's Capital Programme during the year, however the impact was mitigated through the inclusion of a contingency or inflation provision included within individual project budgets.</p> <p>Total Usable Reserves decreased by £1.3 million due to a decrease in Schools Balances offset by increases in Earmarked Reserves, Capital Grants Unapplied and the Capital Receipts Reserve. The balance of the General Fund remained unchanged at £20.3 million. Included in Earmarked Reserves was the creation of Social Care Pressures (Adults and Children) Reserve where £5 million was transferred from residual balances of 2022/23 Services and Social Care Support Grants which were not applied to finance commitments in the approved budget. In line with many other upper tier authorities the Dedicated Schools Grant (DSG) position remains a key concern for the County Council with an overspend of £16.9 million in 2022/23, increasing the reserve deficit balance to £41.9 million as at 31 March 2023. This is currently ring-fenced and has no impact on the General Fund balance. Increasing costs in related service areas such as home to school transport and managing Education Health and Care Plans, and the shortfall in related funding from DSG, is however reducing the level of available cash the Council is able to invest and make a return from. This does have an adverse impact on the Council's General Fund balance, with the related loss of investment income forecast to be £5.7 million by 2024/25.</p>
How the body plans to bridge its funding gaps and identifies achievable savings	<p>In preparation for the annual budget process the Council's Financial Strategy and the 5 year Financial Model, including the key financial principles are reviewed. This is in order to take account of financial pressures, saving plans and the key assumptions being used for future years' forecasts.</p> <p>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:</p> <ul style="list-style-type: none">• 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.

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body plans to bridge its funding gaps and identifies achievable savings (cont'd)	<p>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. The budget for 2022/23 was approved in February 2022 by the County Council. The Council were able to produce a balanced budget for the financial year in-line with their statutory duties, however the MTFs published alongside the budget identified a cumulative budget gap to 2025/26 of £63.4 million before any planned savings. We have reviewed the Council's outturn position against budget for 2022/23 in previous section of this report.</p> <p>An updated MTFs was presented to the Cabinet in January 2023 and County Council in March 2023. The Council produced a balanced budget for 2023/24 without planned use of reserves, however £9.6 million of proposed savings were required. From 2024/25 onwards the Council was forecasting significant deficit positions, with the total accumulated deficit over the medium term totalling £104.1 million, after proposed savings of £17.8 million. At the time the MTFs was produced pay and price inflation was a significant budgetary pressure that has extended through into the 2023/24 financial year. Uncertainty over the future levels of funding from Government, the continued application of the DSG statutory override and adult social care reform were set out as risks to the Council's financial position over the medium term.</p> <p>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 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.</p> <p>The Council's savings plans to balance the budget are presented alongside the MTFs. Total savings identified 2023/24 and 2024/25 were £17.8 million, with the balance for 2023/24 (£9.6 million) required to eliminate the net deficit for the year. The 2023/24 savings also include £8.5 million of savings approved as part of the 2022/23 budget were re-profiled and planned to be delivered in full in 2023/24.</p>

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body plans to bridge its funding gaps and identifies achievable savings (cont'd)	<p>The Council routinely reports the delivery of savings in its PRR, as part of its wider monitoring of financial and business performance. The 2022/23 savings target across all portfolios was £11 million. In addition to these planned savings, there remained £12.4 million of 2020/21 and 2021/22 savings which were not delivered on an on-going basis largely related to the Covid-19 pandemic. Therefore, the overall savings to be achieved in 2022/23 totalled £23.4 million. Of the total £23.4 million savings, £13.3 million, or 57%, was achieved as originally envisaged or delivered by other means or mitigated within the service leaving £10.1m or 43% of savings undelivered in the year. Those unachieved savings were included within the 2022/23 reported outturn position and were expected to be delivered in full in 2023/24.</p>
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The annual budget and MTFS sit alongside and facilitate the Council's Plan. 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 2023/24 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.</p> <p>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.</p> <p>The planning process also includes the redesign of business processes to transform services, reduce costs and manage demand. Part of the funding for the work to achieve these ongoing improvements may come from the Government's flexible use of capital receipts initiative which allows, if certain conditions are met, the Council to fund the revenue costs of transformation from ring fenced capital financing sources.</p>

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	<p>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.</p> <p>Under the umbrella of the Financial Strategy are other linked policies and strategies which assist with ensuring the robust financial management of the Council, including the Treasury Management and Investment Strategies and a Capital Strategy. The integration between the Council's business and financial planning has been described above, including the link to its investment and capital strategies.</p> <p>The Capital Strategy implemented by the Council provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local services and how associated risk is managed by the Council. The Council approves a capital programme on recommendation from Cabinet.</p> <p>The Treasury Management strategy is designed to keep sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing. Borrowing to fund a cash shortfall was not required in 2022/23 given the relatively high level of cash balances held.</p>

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>The Council'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 PRRs presented quarterly to the Cabinet 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.</p> <p>The Council seeks to maintain an adequate level of Usable Reserves. Total Usable Reserves decreased by only £1.25 million in 2022/23, compared to a decrease of £19 million in 2021/22. This was largely due to a reduction in balances attributable to locally managed schools budgets. Usable Revenue Reserves decreased by £1 million and the General Fund balance remained unchanged at £20.3 million. The total of Earmarked General Fund Reserves and the General Fund balance of £248.8 million provide contingency for unexpected changes and sustains financial resilience.</p> <p>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 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 2023/24 continue to represent a significant financial risk.</p>

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23

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 4.2 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 an update in 2022/23 taking place in July 2022. 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 2022/23 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. 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 and related Anti-Money Money Laundering Policy, that set out its overall policy in respect to fraud and corruption. The Anti-Fraud and Corruption Strategy is based on inter-related procedures designed to frustrate any attempted fraudulent or corrupt act. These cover culture, prevention, detection, investigation and training. Both the Anti-Fraud and Corruption Strategy and Anti-Money Laundering Policy were revisited, reviewed and agreed by the Regulation, Audit and Accounts Committee during the year.

We have considered risk management issues arising related to the Smartcore project in Section 02 of this report.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud (cont'd)	<p>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.</p>
How the body approaches and carries out its annual budget setting process	<p>The Council sets a balanced revenue budget annually. The budget is intended to support delivery of the Council's key priorities, which for 2022/23 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.</p> <p>Responsibilities and procedures for the annual budget process are set out in Part 3 of 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.</p> <p>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 2022/23 and to date in 2023/24.</p>

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 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.

No new assurance reviews were completed by Internal Audit during the year in relation to Budgetary Control ('Reasonable' assurance given in November 2021), however there was a review of Risk Management which took place in September 2023 (Q2 2023/24) which provided 'Reasonable' assurance. 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.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23

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

The Council has a number of arrangements in place to ensure that appropriate decisions are made. The decision-making process is detailed within Part 3 of the Council's Constitution. Each committee has clear terms of reference which emphasises the Committee's role in providing effective challenge and has an annual work plan to help ensure that it focuses on the relevant aspects of governance, internal control and financial reporting.

County Council Functions

The Full Council is responsible for specified major decisions, such as setting the budget, and debates topical issues. It also receives reports from the Cabinet, and members are able to question the Cabinet on their areas of business.

Executive Functions (Cabinet)

The Cabinet consists of 9 members of the County Council and each is responsible for a separate Council portfolio. The responsibilities of the Cabinet include:

- Deciding how services are planned to meet the needs of local residents
- Setting targets to be achieved by departments
- Deciding how the budget should be spent
- Taking the most important decisions about policy and services
- Monitoring how each department is performing

Scrutiny Functions

There are 5 Overview and Scrutiny Committees at the Council whose functions are to hold the executive members to account on the decisions they make both collectively as Cabinet and individually. They can assist the Cabinet and executive members to make effective decisions by examining issues beforehand and making recommendations. The Committees can also challenge decisions before they are implemented, review decisions after they have been implemented to see if they achieved what was intended and suggest new policy areas or review the effectiveness of existing policies.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23

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 (cont'd)

Findings

Regulation, Audit and Accounts Committee

The Regulation, Audit and Accounts Committee is independent of the Executive and scrutiny functions and is embedded as part of the authority's overall governance framework. The purpose of the committee is to provide oversight of the Council's systems of governance and risk management and its arrangements for financial control and compliance. Its role is to ensure there is sufficient assurance for governance, risk and control to provide confidence that the arrangements are effective. The terms of reference for this committee are aligned to CIPFA's best practice standards for audit committees.

The Regulation, Audit and Accounts Committee is supported by the Internal Audit Function (Southern Internal Audit Partnership). Quarterly reports are received from the internal auditors highlighting work carried, these reports are presented at Regulation, Audit and Accounts Committee where the results and procedures are discussed amongst those charged with governance. Our attendance at Regulation, Audit and Accounts Committees indicate that the process is carried out and that any reports brought to the attention of the Committee are appropriately challenged and scrutinised.

We have considered issues arising in respect of arrangements for informed decision making for the Smartcore project in Section 02 of this report.

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)

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.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23

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) (cont'd)

Findings

An updated County Council Code of Governance was approved in February 2022 by the Governance Committee. 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 Part 5.1 of the Council's Constitution with which all members are expected to comply. 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.

Officer Declaration of Interests

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.

Teachers' Pension Breach

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. While we did raise a recommendation for improvement as part of our Audit Results Report, we acknowledged that the Council's updated disclosures and procedures performed during the year satisfied the recommendation from the prior year. As such, we did not identify a weakness in VFM arrangements during 2021/22 in relation to Teachers' Pensions.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23

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) (cont'd)

Findings

Teachers' Pension Breach (cont'd)

We obtained a further update to the Teachers' Pension Breach from the Council during 2022/23. The report confirmed that all 401 individuals impacted by this issue were written to in March 2021 and March 2022. Of these, the potential cost has been calculated for 63, and the cost to the Council is around £75,000 if all individuals decided to opt into the TPS for the relevant period. This is in addition to the costs already incurred by the Council through the contract with TPS to investigate the issue, the additional reports produced by Hymans to calculate the impact per individual and the internal resource within the payroll team required to answer the queries and supply data.

The report confirms that the Council are taking all the necessary steps to rectify this issue. We acknowledge that there are complexities in determining the full financial impact of the issue, but a clear process has been established by both the Council and TPS. As such, we have not identified this as a weakness in VFM arrangements.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement	<p>The Council Plan includes Key Performance Indicators (KPIs) that will be used to monitor the performance of the Council in its identified key priority areas from 2021/22. For 2022/23 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.</p> <p>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.</p>
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>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 2022/23 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.</p> <p>For 2022/23 year-end KPIs, 78% were at Green (63%) or Amber (15%) levels, compared to 80% in 2021/22. There were also 6 (out of 46 total) measures with no data to update in June 2023, however 2 of these are likely to be green and the remaining 4 are likely to be amber. This is an improvement on data collection since the prior year.</p> <p><i>External Reviews</i></p> <p>We have consider recent external inspections covering Education Services (Ofsted), Care Services (CQC) and Fire & Rescue Services (HMICFRS). The results of these inspections are presented to the relevant committees so they are able to take effective action to address the weaknesses and secure improvements.</p> <p><i>Children's Services:</i> Children's services were previously judged as 'inadequate' from an Ofsted inspection in May 2019. As a result, regular monitoring visits have taken place to monitor improvements made to the service, with two children's services monitoring visits taking place during 2022/23 in May 2022 and October 2022.</p>

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body evaluates the services it provides to assess performance and identify areas for improvement (cont'd)	<p>Additionally, a full inspection of Children's Services took place in March 2023 with the report published in May 2023, where the Council's overall effectiveness had improved to 'Requires Improvement to be good', and two out of four criteria were marked as 'Good'. The report acknowledges the substantial improvement to Children's Services by the Council, though there are still several specific areas which require further work. Nonetheless, the results show that the Council has made steady progress, with the report specifically recognising benefits from the permanent senior leadership team and the strengthened approach to quality assurance.</p> <p><i>Care Services:</i> The Care Quality Commission were intending to perform a review of adult social care services across all local authorities from September 2023, however this has been pushed back into 2024. In preparation, the Council prepared a self-assessment using the CQC's draft assurance framework. The resulting assessment has provided the Council with clear, specific areas for further improvements to made to improve their overall services.</p> <p><i>Fire & Rescue Services:</i> No new reviews of the County's Fire and Rescue Services were performed by His Majesty's Inspectorate of Constabulary and Fire & Rescue Services. The most recent report was published based on financial year 2021/22.</p> <p>The results show that the authority has made steady progress, specifically recognising the permanent senior leadership team and the strengthened approach to quality assurance. The report notes that this has not yet had the desired impact of consistently approving the services, however the framework for this to happen is now in place.</p>
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	<p>The 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).</p>

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
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 (cont'd)	<p>Regular meetings with other partners, most notably the NHS Integrated Care Board (ICB), 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.</p> <p>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.</p> <p>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:</p> <ul style="list-style-type: none">• 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. <p>There have continued to be ad hoc arrangements for informal mutual support between the two council leadership teams.</p>

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
<p>How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits</p>	<p>The Council's Standing Orders on Procurement and Contracts and the Financial Regulations and related 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.</p> <p>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, with the intention that a new strategy would be published following the Council's transition to Oracle/Atamis under the Smartcore programme. Originally this was planned for 2022/23, but issues with the implementation of the new system have resulted in this planned update being delayed. We have considered VFM issues arising related to Smartcore in Section 02 of this report. The Council's Procurement Strategy, Social Value Framework and Sustainable Procurement Policy are all being reviewed in light of the revised requirements of the Procurement Act 2023, which was also contributory factor in the decision to roll-forward the pre-existing arrangements in 2022/23.</p> <p>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 identifying significant overspending on projects and budgets. The residual effects of Covid-19 have required the Council to adapt its arrangements in 2022/23.</p> <p>As set out in the Financial Sustainability section of this commentary the Council has created four new key priorities in line with the Council Plan 2021-2025 and this is underpinned by a focus on climate change. There is a strategic focus on meeting climate change responsibilities and legislation that may be enacted in the future.</p>

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23

Reporting Sub-Criteria

Findings

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits (cont'd)

Property Partnership - Kinsted Development LLP (formerly West Sussex Development LLP)

The Council has one wholly owned subsidiary, Ede's Estates Limited. Ede's Estates owns a joint venture (JV) with Lovell Partnerships, Kinsted Development LLP. The arrangement has been in place since May 2021 following a tendering process by the Council approved in July 2019. The JV was established on the basis that WSCC provides the land and Lovell provide the design and development costs. The resulting net profit after the deduction of the land value, development costs and any other financial input will be split 50:50 with various options for how WSCC receive the funds.

Previously, a governance structure had been established for the JV, with the JV Board comprising of three representative officer directors from the Council and three from Lovell Partnerships. Council officers have also been appointed as directors and company secretary for Ede's Estates. A separate Shareholder Group has also been established, formed of the Council Leader, Cabinet Member for Finance and Property and Senior Officer 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 Ede's Estates and the JV to the vision and direction of the Council.

During the year, internal audit performed a review of the Company Governance Framework to provide assurance over governance arrangements for the JV, with a report of findings presented to the Performance and Finance Scrutiny Committee in November 2022. The overall assurance opinion provided was 'Reasonable', with internal audit confirming there was generally a sound system of governance, risk management and controls in place.

There are 10 sites across the County which have been identified for the potential development of approx. 600 dwellings, with planning applications for three developments totalling 156 new homes submitted at the end of May 2022. Progress has been made since then, with development at one of the sites (Southwick) being approved by the Board and progressed to the shareholder group for further approvals and associated land transfers being made in 2023/24.

Capita

A number of support service functions previously provided by Capita under its contract with the Council have been brought back in-house, or in limited situations re-procured, during 2022/23. This 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 was undertaken to support ex-Capita staff to embed them 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.

Appendix B – Summary of recommendations

Recommendations

The table below sets out the recommendations arising from the value for money work in the year covered in this report.

All recommendations have been agreed by management.

VFM criterion / area	Recommendation	Management response
SmartCore – Arrangements for Governance	Build on the good work already done in 2023/24 to improve the governance arrangements for the re-launched project. Delivering against the objectives of the Business Readiness Group will be a key-part of this, but reporting of progress and risks should be clear and consistent across all relevant committees and the Council’s established corporate risk management arrangements. This is important given both the significance of the project to the operations of the Council and the difficulties experienced in seeking to manage the transition to date. This will require clear direction, and challenge where necessary, from both senior officers and members. In addition to strengthening risk management, successful re-launch of the project will also need engagement with all services on business readiness and strengthening of the overall governance framework and decision making through the project Steering Group.	As part of the recent review of the programme, the County Council undertook a review of the options for the programme’s delivery. A revised business case has been developed and will be considered as part of a key decision report by the Cabinet Member for Economic Development and Support Services. This revised business case and programme has taken account of the lessons learned from the programme to date and learning from other authorities implementing an ERP solution. The revised business case and key decision, including increased budget requirement will be considered by the Executive Leadership Team and Performance and Finance Scrutiny Committee in advance of the key decision being taken. Following approval of the business case, a robust procurement exercise will commence to select suppliers with the requisite experience to be able to deliver the programme. Regular monitoring and reporting of project progress, spend against budget and risk and issues management will be reported to senior officers and Members and will continue throughout this next phase of the programme. New governance arrangements are already in place and leadership through the Steering Group, business delivery groups and the Business Readiness Group. The recently developed Communications and Engagement Strategy will be implemented to ensure roles and responsibilities, new policies and processes and new ways of working are fully embedded across all services. The programme risk register is in place and given the complexity of the programme, its cross-cutting nature and the reliance on organisational readiness to adopt the new system, its policies and processes, the implementation of the programme will now be included on the corporate risk register.

Appendix B – Summary of recommendations

Recommendations

The table below sets out the recommendations arising from the value for money work in the year covered in this report.

All recommendations have been agreed by management.

VFM criterion / area	Recommendation	Management response
Smartcore – Arrangements for Improving economy, efficiency and effectiveness	Continue to build on the good work already done in 2023/24 to date and the learn lessons from the SmartCore project to date as part of the process to revise the business case and procure a new implementation partner or partners. In doing this also seek to maximise value from the expenditure incurred to date. Clearly establish revised programme and budget management arrangements for the project sufficient to gain comfort that both timetables and budgets for delivery are both realistic and adhered to.	Subject to the outcome of the key decision report and approval of the revised business case, a procurement process will commence for suppliers to support the delivery of the programme. Work has been undertaken to strengthen the County Council's requirements in line with adopting the Oracle solution. Soft market engagement activity will commence to test the market before formal procurement starts later in the summer. Discussions will take place with new suppliers on progress to date with the programme and will be used to determine the project plan for this next phase of implementation. New governance arrangements are in place and through the leadership of the monthly Steering Groups, progress against the project plan, budget and resource capacity will be monitored. Regular reporting will continue to Executive Leadership Team and Members through Cabinet and Performance and Finance Scrutiny Committee.

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