



CABINET

TUESDAY, 24 APRIL 2018

10.00 AM COUNCIL CHAMBER - COUNTY HALL, LEWES

MEMBERSHIP - Councillor Keith Glazier (Chair)
Councillors Nick Bennett, Bill Bentley, David Elkin (Vice Chair), Carl Maynard,
Rupert Simmons, Bob Standley and Sylvia Tidy

A G E N D A

- 1 Minutes of the meeting held on 6 March 2018 (*Pages 3 - 6*)
- 2 Apologies for absence
- 3 Disclosures of interests
Disclosures by all members present of personal interests in matters on the agenda, the nature of any interest and whether the member regards the interest as prejudicial under the terms of the Code of Conduct.
- 4 Urgent items
Notification of items which the Chair considers to be urgent and proposes to take at the appropriate part of the agenda. Any members who wish to raise urgent items are asked, wherever possible, to notify the Chair before the start of the meeting. In so doing, they must state the special circumstances which they consider justify the matter being considered urgent.
- 5 Care Quality Commission Local Area Review (*Pages 7 - 24*)
Report by the Director of Adult Social Care and Health
- 6 Property Asset Disposal and Investment Strategy (*Pages 25 - 44*)
Report by Chief Operating Officer
- 7 External Audit Plan 2017/18 (*Pages 45 - 62*)
Report by Chief Operating Officer
- 8 Internal Audit Strategy and Annual Plan 2018/19 (*Pages 63 - 82*)
Report by Chief Operating Officer
- 9 Any other items considered urgent by the Chair
- 10 To agree which items are to be reported to the County Council

PHILIP BAKER
Assistant Chief Executive
County Hall, St Anne's Crescent
LEWES BN7 1UE

16 April 2018

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CABINET

MINUTES of a meeting of the Cabinet held on 6 March 2018 at Council Chamber - County Hall, Lewes

PRESENT Councillors Keith Glazier (Chair)
Councillors Nick Bennett, Bill Bentley, David Elkin (Vice Chair),
Carl Maynard, Rupert Simmons, Bob Standley and Sylvia Tidy

Members spoke on the items indicated

Councillor Barnes	- items 5 and 7 (minutes 50 and 52)
Councillor Bennett	- item 8 (minute 53)
Councillor Bentley	- item 5 (minute 50)
Councillor Godfrey Daniel	- items 5 and 8 (minutes 50 and 53)
Councillor Philip Daniel	- items 5, 6 and 7 (minutes 50, 51 and 52)
Councillor Elkin	- items 6 and 7 (minutes 51 and 52)
Councillor Galley	- items 5 and 6 (minute 50 and 51)
Councillor Liddiard	- item 5 (minute 50)
Councillor Loe	- item 5 (minute 50)
Councillor Maynard	- item 5 (minute 50)
Councillor Osborne	- item 5 (minute 50)
Councillor Pragnell	- item 5 (minute 50)
Councillor Scott	- items 5 and 8 (minute 50 and 53)
Councillor Daniel Shing	- item 5 (minute 50)
Councillor Stephen Shing	- item 5 (minute 50)
Councillor Shuttleworth	- item 5 (minute 50)
Councillor Simmons	- items 5 and 8 (minutes 50 and 53)
Councillor Standley	- items 5 and 6 (minutes 50 and 51)
Councillor Stogdon	- item 5 (minute 50)
Councillor Swansborough	- item 5 (minute 50)
Councillor Tutt	- item 5 (minute 50)
Councillor Ungar	- items 5, 6 and 7 (minutes 50, 51 and 52)
Councillor Webb	- items 5, 6 and 7 (minutes 50, 51 and 52)

48 MINUTES OF THE MEETING HELD ON 23 JANUARY 2018

48.1 The minutes of the Cabinet meeting held on 23 January 2018 were agreed as a correct record.

49 REPORTS

49.1 Copies of the reports referred to below are included in the minute book.

50 LIBRARIES TRANSFORMATION PROGRAMME - REVISED LIBRARIES STRATEGIC COMMISSIONING STRATEGY

50.1 The Cabinet considered a report by the Director of Communities, Economy and Transport, together with the comments of the Libraries Scrutiny Review Board and representations submitted from the lead petitioner in relation to Hollington Library. The following people addressed the Cabinet on behalf of petitioners: Miss Boniface (Polegate Library), Ms Budden (Polegate Library), Mr Lloyd MP (Langney Library), Ms Owen (Ringmer Library) and Councillor Pritchett (Willingdon Library)

50.2 It was RESOLVED to:

- (1) note the findings of the public consultation on the draft Libraries Strategic Commissioning Strategy, which took place between 21 September and 14 December 2017, and the resulting changes made to the Strategy which are described in the report (at paragraph 2.12);
- (2) agree the new library services that, in response to the consultation, the revised Strategy would implement, including an enhanced modern eLibrary with greater investment, a new children and young people's offer to support literacy and numeracy, increased outreach work in our most disadvantaged communities, and new Community Library Membership and Teachers Library Membership;
- (3) agree the revised Libraries Strategic Commissioning Strategy and its implementation, which will create a modern, sustainable library service that reflects the changing ways people access the service and which prioritises resources, including allocation of the Stock Fund, more closely towards specific groups and communities where we have identified highest need;
- (4) agree that, as part of the overall Strategy, Langney, Mayfield, Ore, Pevensey Bay, Polegate, Ringmer and Willingdon libraries and the Mobile Library close on 5 May 2018, and support to Northiam Village Library also ceases from this date; and
- (5) agree to give delegated authority to the Director of Communities, Economy and Transport, in consultation with the Assistant Chief Executive, to consider any viable community proposals to take over the running of the seven libraries or the Mobile Library, and to enter into appropriate agreements on behalf of ESCC.

Reason

50.3 The revised Libraries Strategic Commissioning Strategy (LSCS) will enable the Council to create a modern, sustainable library service for East Sussex, which prioritises the needs of the county and is able to adapt to future needs, and which would enable the Council to meet its statutory duty to provide a 'comprehensive and efficient' library service that can be accessed using reasonable means. The revised LSCS would secure £653k of savings, comprising the final part of a Libraries Transformation Programme which would deliver a total saving of £1.9m.

50.4 In addition to providing a core library offer that would retain a very high level of accessibility to all those who live, work and study in East Sussex, by re-prioritising and developing new, more targeted services the revised LSCS presents a key opportunity for us to support and empower those with the greatest needs to make potentially transformational changes to their life chances. The implementation of a needs-based library service would enable resources to be targeted to communities where we have identified the highest needs.

50.5 Having carefully considered all of the consultation feedback, we do not consider that new information has been presented which means that the evidence base for the draft LSCS was incorrect or had been wrongly interpreted. In light of this, and taking into account the Vision and Strategic Outcomes for the East Sussex Library and Information Service and the financial and wider context in which it needs to operate, the revised LSCS was agreed. This will result in a smaller network of library buildings, with 17 libraries in appropriate locations across the county according to need. 92% of members of the current 24 libraries would be unaffected. Over 86% of East Sussex residents would be within a 20 minute journey time to a library by public transport and over 99% within a 20 minute journey by car.

51 COUNCIL MONITORING: QUARTER 3 2017/18

51.1 The Cabinet considered a report by the Chief Executive

51.2 It was RESOLVED to:

- 1) note the latest monitoring position for the Council; and
- 2) approve the proposed amendments to the performance measures and targets as set out in paragraph 2.1 of the report

Reason

51.3 The report sets out the Council's position and year end projections for the Council Plan targets, Revenue Budget, Capital Programme, Savings Plan together with Risks for 2017/18 quarter 3.

52 FAIR FUNDING REVIEW: REVIEW OF RELATIVE NEEDS AND RESOURCES CONSULTATION

52.1 The Cabinet considered a report by the Chief Operating Officer.

52.2 It was RESOLVED to:

- 1) endorse the Council's response to the consultation, as set out at Appendix 1, and the Council's lobbying position that will be reaffirmed in Section 2 of this report; and
- 2) delegate authority to the Chief Executive, in consultation with the Chief Finance Officer, to agree the final consultation response for submission by 12 March 2018.

Reason

52.3 The Fair Funding Review will establish the base position and methodology for future national funding allocations based on need. It is therefore important that the Council engages in the process and responds to consultations in relation to the review.

53 PROPOSALS FOR THE CREATION OF A MAJOR ROAD NETWORK - CONSULTATION RESPONSE

53.1 The Cabinet considered a report by the Director of Communities, Economy and Transport.

53.2 It was RESOLVED to approve the consultation response attached as Appendix 1 to the report and delegate authority to the Director of Communities, Economy and Transport to take all other necessary actions in respect of the recommendation.

Reason

53.3 The proposal to create the Major Road Network is overwhelmingly positive and if the Government go ahead will provide funding opportunities to improve parts of the road network serving East Sussex. The Council's response to the consultation includes a number of areas where it is believed the proposals could be improved as set out in the report.

54 ITEMS TO BE REPORTED TO THE COUNTY COUNCIL

54.1 The Cabinet agreed that item 6 be reported to the County Council.

(Note: The item being reported refers to minutes number 51)

Report to: Cabinet
Date of meeting: 24 April 2018
By: Director of Adult Social Care & Health
Title: Care Quality Commission Local Area Review
Purpose: To present the final report and system action plan, and confirm governance arrangements overseeing delivery of the plan

Recommendations:

Cabinet is recommended to note the outcome of the Care Quality Commission Local Area Review report, final system action plan and governance arrangements overseeing delivery of the plan

1. Background

1.1 East Sussex participated in the first round of Care Quality Commission (CQC) local system reviews that took place during 2017/18. The focus of the review was the interface between health and social care and the outcomes for older people moving through the system. There was an assessment of the governance in place for the management of resources and of commissioning across the interface; specialist commissioning and mental health services were out of scope.

1.2 CQC reviewers visited East Sussex twice during the course of the review to meet with system leaders; hold workshops with people who use services, carers, and independent and voluntary sector providers; visit acute and community hospital sites, intermediate care sites, walk-in centres, a residential home and St Wilfrid's Hospice; and hold focus groups with staff from across the system. The draft report was received at the beginning of January, with an opportunity for the system to provide comments on factual accuracy.

1.3 The final report was subsequently received by the system on 24 January¹. The report acknowledges the strength of our shared vision and purpose, maturity of relationships, and focus on prevention and support for people to maintain their wellbeing. Areas for further work include implementation of the High Impact Change Model, enhanced market capacity and improved discharge processes (further information on areas for improvement in 2.1 below).

2. Supporting information

2.1 Ten areas for improvement were identified in the report, as follows:

- Work is required to develop a wider system vision for the STP footprint and develop a common framework for prioritising actions and for specifying accountabilities and shared governance arrangements across ESBT and C4Y
- The Health and Wellbeing Board (HWB) would benefit from increased vigour in calling system leaders to account to ensure that the agreed plans and service improvements are delivered, and to ensure whole system integration
- Work is required to ensure that there is a JSNA for older people which is fit for purpose and can be used to inform strategic commissioning of services across East Sussex
- There needs to be a system-wide response to effectively managing and shaping an affordable nursing home market and increasing domiciliary care
- Work is required to improve access to step-down, reablement and intermediate care facilities across East Sussex through the review of admission criteria

¹ <http://www.cqc.org.uk/publications/themes-care/our-reviews-local-health-social-care-systems>

- A review of IT interconnectivity should be completed to ensure appropriate information sharing and a more joined up approach to IT communication is established across health and social care services
- Work towards fully incorporating principles of the High Impact Change model, particularly discharge to assess and the trusted assessor model, needs to be prioritised across the system
- Seven-day working and referral pathways should be aligned across the system to make the systems and process consistent across the East Sussex footprint
- Work should be undertaken to share learning between staff across the system rather than at an organisational level
- Discharge processes need to be reviewed to ensure information is communicated with all involved partners across the system, including families and carers

2.2 A Local Improvement Summit was convened on 30 January with system leaders from across health and social care, CQC, Local Government Association, NHS England, NHS Improvement, and the Department of Health (attendance list attached at Appendix 1 for information). The Summit provided an opportunity for partners to collaborate on developing the action plan in response to the recommendations from the review. The final plan (attached at Appendix 2) was subsequently virtually signed off by the Health & Wellbeing Board on 23 February and further discussed at its meeting on 13 March. The report and action plan have also been considered by the Corporate Management Team (28 February); East Sussex Better Together (ESBT) Scrutiny Board (7 March); ESBT Commissioning Board (9 March); and the Adult Social Care and Community Safety Scrutiny Committee (15 March).

2.3 Keith Hinkley, Director of Adult Social Care and Health, East Sussex County Council is the Senior Responsible Officer for the action plan, and delivery will be governed through the East Sussex Health and Wellbeing Board. Nationally, oversight is maintained by the Department for Health and the Social Care Institute for Excellence (SCIE).

3. Conclusions and recommendations

3.1 Cabinet is asked to note the outcome of the CQC Local Area Review report, final system action plan and governance arrangements overseeing delivery of the plan.

Keith Hinkley
Director of Adult Social Care & Health
East Sussex County Council

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BACKGROUND DOCUMENTS

None

30th January
East Sussex CQC Local Area Review Summit

Name	Organisation	Attending
Abigail Turner	East Sussex Healthcare NHS Trust	Apologies
Amanda Philpott	Hastings and Rother CCG Eastbourne, Hailsham and Seaford CCG	✓
Ashley Scarff	High Weald Lewes Havens CCG	✓
Becky Shaw	East Sussex County Council	✓
Bianca Byrne	East Sussex County Council	✓
Bob Alexander	Sussex and East Surrey STP	✓
Catherine Ashton	East Sussex Healthcare NHS Trust	✓
Councillor Keith Glazier	East Sussex County Council	✓
Cynthia Lyons	East Sussex County Council	✓
David Clayton-Smith	East Sussex Healthcare NHS Trust	Apologies
Debbie Lennard	East Sussex Healthcare NHS Trust	✓
Jane Purkiss	East Sussex Healthcare NHS Trust	✓
Dr Adrian Bull	East Sussex Healthcare NHS Trust	✓
Dr David Walker	East Sussex Healthcare NHS Trust	✓
Dr Martin Writer	Eastbourne, Hailsham and Seaford CCG Hastings and Rother CCG	✓
Dr Robert McNeilly	Hastings and Rother CCG	Apologies
Elizabeth Mackie	Healthwatch East Sussex	✓
Evelyn Barker	Brighton Sussex University Hospital	Apologies
Garry East	Hastings and Rother CCG Eastbourne, Hailsham and Seaford CCG	✓

Name	Organisation	Attending
Hugo Luck	High Weald Lewes Havens CCG	✓
Kate Davies	East Sussex Seniors Association	✓
Jessica Britton	Hastings and Rother CCG Eastbourne, Hailsham and Seaford CCG	✓
Joe Chadwick-Bell	East Sussex Healthcare NHS Trust	✓
John Child	Sussex Partnership Foundation Trust	✓
John Routledge	Healthwatch East Sussex	✓
Kalvert Wells	South Central Ambulance Service	✓
Kate Pilcher	Sussex Community NHS Foundation Trust	✓
Kay Holden	East Sussex County Council	Apologies
Keith Hinkley	East Sussex County Council	✓
Mark Angus	East Sussex Better Together Alliance	Apologies
Mark Stainton	East Sussex County Council	✓
Martin Hayles	East Sussex County Council	✓
Pauline Butterworth	East Sussex Healthcare NHS Trust	✓
Sam Williams	East Sussex County Council	✓
Steve Hare	Age UK East Sussex	✓
Ann Ford	CQC	✓
David Sargent	LGA	✓
Kate Davies	ESSA	✓
Richard Jones	SCIE	✓
Sally Allum	NHS England	✓
Sarah Gravenstede	Department of Health	✓

Wendy Dixon	CQC	✓
James Pavey	SECAMB	✓
Gill Reid	CQC	✓
Alan Thorne	NHS-Improvement	Apologies
Cherise Gyimah	CQC	✓

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February 2018

This action plan is the East Sussex Health and Social Care system response to the areas for improvement identified in the CQC Local Area Review undertaken in October/November 2017.

Keith Hinkley, Director of Adult Social Care and Health, East Sussex County Council is the Senior Responsible Officer for the Action Plan. The action plan has been developed by health and social care partners.

The system representatives listed below have been part of the East Sussex Local Area Review Board, Project Group and / or Summit and have played a core role in developing the action plan. They will retain oversight of Action Plan delivery to ensure whole system response. Ownership and delivery of specific actions will be managed through existing partnership arrangements as specified in the plan below.

Delivery of the action plan will be governed through the East Sussex Health and Wellbeing Board.

The timescales for delivering specific actions within the plan have been set to ensure they are realistic and deliverable. There are many partner organisations across the East Sussex system and it will take time to co-ordinate and deliver actions across the system, ensuring all relevant partners are involved. In addition, delivery of the plan will require additional resource. For example, the organisation of workshops; project and service evaluations; process and practice reviews require organisation, facilitation and general administration which action owners do not have the capacity to deliver. Additional resource to support delivery of the plan and support progress reporting arrangements will be in place initially for six months to support implementation.

Sam Allen, Chief Executive, Sussex Partnership Foundation Trust
Mark Angus, Urgent Care System Improvement Director, Hastings and Rother CCG and Eastbourne, Hailsham and Seaford CCG
Chris Ashcroft, Chief Operating Officer, Brighton Sussex University Hospital
Evelyn Barker, Managing Director, Brighton Sussex University Hospital
Jessica Britton, Chief Operating Officer, NHS Hastings and Rother CCG, NHS Eastbourne, Hailsham and Seaford CCG
Adrian Bull, Chief Executive, East Sussex Healthcare Trust
Pauline Butterworth, Deputy Chief Operating Officer, East Sussex Healthcare Trust
Allison Cannon, Chief Nurse of Eastbourne, Hailsham and Seaford CCG and Hastings and Rother CCG
Garry East, Director of Performance and Delivery, Hastings and Rother CCG and Eastbourne, Hailsham and Seaford CCG
Martin Hayles, Assistant Director Strategy, Commissioning and Supply Management, Adult Social Care and Health, East Sussex County Council
Hugo Luck, Associate Director of Operations, High Weald Lewes Havens CCG
Cynthia Lyons, Acting Director of Public Health
Liz Mackie, Volunteer & Community Liaison Manager, Healthwatch
Amanda Philpott, Chief Executive, NHS Hastings and Rother CCG, NHS Eastbourne, Hailsham and Seaford CCG
Kate Pilcher, Director of Operations, Sussex Community NHS Foundation Trust
John Routledge, Chief Executive, Healthwatch
Becky Shaw, Chief Executive, East Sussex County Council
Mark Stainton, Assistant Director Operations, Adult Social Care and Health, East Sussex County Council
Ian Thompson, Business Manager Sussex, South Central Ambulance Service
Samantha Williams, Assistant Director Planning, Performance and Engagement, Adult Social Care and Health, East Sussex County Council
Helen Wilshaw-Roberts, Customer Account Manager (Sussex), South East Coast Ambulance Service

Area for improvement 1: Work is required to develop a wider system vision for the STP footprint and develop a common framework for prioritising actions and for specifying accountabilities and shared governance arrangements across ESBT and C4Y

Action		Outcome	Action Owner	Timescale	Assurance
1.1	<p>Review of Health and Wellbeing Board (see Area for improvement 2) to provide a robust whole system approach to transformation, improved health and wellbeing outcomes for local people.</p> <p>Facilitated workshop to commence review. Scope to include system wide :</p> <ul style="list-style-type: none"> • Planning, performance and commissioning arrangements • Review, confirm and strengthen relationship with the STP 	<ul style="list-style-type: none"> • System vision which aligns the two East Sussex transformation programmes • Streamline and rationalise governance arrangements • Clearer system vision across STP footprint 	Becky Shaw, Chief Exec ESCC	July 2018	Arrangements agreed by all relevant Governing Bodies and Councils
1.2	Review system representation and associated accountabilities on STP Board and workstreams	<ul style="list-style-type: none"> • STP and East Sussex system developments are aligned 	ESBT Alliance Executive and C4Y Board	July 2018	STP has effective oversight of all services within the East Sussex footprint

Area for Improvement 2: The Health and Wellbeing Board (HWB) would benefit from increased vigour in calling system leaders to account to ensure that the agreed plans and service improvements are delivered, and to ensure whole system integration

Action		Outcome	Action Owner	Timescale	Assurance
2.1	<p>Review the role and purpose of the HWB to:</p> <ul style="list-style-type: none"> • streamline and rationalise whole system governance arrangements • Establish the system leadership role of the Board 	<ul style="list-style-type: none"> • Clarity of purpose and decision making function • Whole System leadership and accountability 	Becky Shaw, Chief Exec ESCC	July 2018	Arrangements agreed by all relevant Governing Bodies and Councils
2.2	Review the role and purpose of the HWB to provide a robust whole system view of planning, performance and Commissioning	<ul style="list-style-type: none"> • Clarity of purpose and decision making function • Whole System accountability 	Becky Shaw, Chief Exec ESCC	July 2018	Reconstituted Board convened with revised terms of reference and membership
2.3	Review membership of the HWB and clarify roles of Board members	<ul style="list-style-type: none"> • HWB becomes a more effective decision making Board • Clarity of whole-system accountability arrangements 	Becky Shaw, Chief Exec ESCC	July 2018	

Area for Improvement 3: Work is required to ensure that there is a JSNA for older people which is fit for purpose and can be used to inform strategic commissioning of services across East Sussex					
Action		Outcome	Action owner	Timescale	Assurance
3.1	Produce an on-line Older People's briefing to signpost people to all the relevant JSNA products	<ul style="list-style-type: none"> Facilitate ease of access to Older People's JSNA products 	Director of Public Health	June 2018	Older Peoples JSNA products are used to inform strategic commissioning of services across East Sussex Older People's Briefing signposts to all the relevant products to facilitate ease of access
3.2	Review the structure of the East Sussex JSNA website to ensure Older Peoples products are clearly referenced within the Needs Assessment section of the website Ensure the Older Peoples needs assessment information links to Mental Health and Dementia JSNA	<ul style="list-style-type: none"> Facilitate ease of access to Older People's JSNA products 	Director of Public Health	June 2018	
3.3	Identify and respond to commissioning requirements for additional / different older peoples JSNA products to inform strategic commissioning	<ul style="list-style-type: none"> Ensure JSNA products are designed to meet strategic commissioning needs for older peoples services across East Sussex 	Director of Public Health	June 2018	

Area for Improvement 4: There needs to be a system-wide response to effectively managing and shaping an affordable nursing home market and increasing domiciliary care					
Action		Outcome	Action owner	Timescale	Assurance
4.1	System review of market provision of beds to ensure bed profile and capacity better reflects demand Scope of review to include access; waiting times; assessments; need (including ABI, Mental Health, stroke) and costs Provider forums and planning and partnerships stakeholder group to be directly involved in the review	<ul style="list-style-type: none"> Improved bed capacity to meet complex needs Improved bed capacity to meet short term / complex needs Improved commissioning arrangements to meet changing demand and complexity 	Martin Hayles, Assistant Director Strategy, Commissioning and Supply Management	Sept 2018	Support to improve CQC ratings of Adult Social Care Services provided by the Market Support Team Maintain the rate of A&E attendances from care homes per 100,000 population (65+) below the national average
4.2	Improve patient / family / staff information relating to choice (Ref actions 7.4 and 10.4)	<ul style="list-style-type: none"> Improved understanding of the system for patients, carers and families. 	ESBT and C4Y communications and	July 2018	

		<ul style="list-style-type: none"> Staff are better equipped to manage patient / family / carer expectations 	engagement leads		Delivery of bedded care strategy to maximise capacity across the system
4.3	Evaluate the IC24 roving GP model and assess whether this approach can be rolled out more broadly across the system	<ul style="list-style-type: none"> Maintain lower rates / further reduce A&E attendances from care homes Reduction in emergency admissions 	Garry East, Paula Gorvett, Sally Smith	July 2018	
4.4	Continue to develop the new Adult Social Care Market Support Team to support independent sector residential and community services to improve their CQC rating	<ul style="list-style-type: none"> Higher quality care provision Improved market sustainability 	Head of Supply Management, ASC&H, ESCC	Ongoing	
4.5	<p>Develop the Commissioning Intentions and Market Position Statement to include the whole East Sussex Health and Social Care system</p> <p>Develop the Commissioning Intentions and Market Position Statement to reflect Strategic Transformation Partnership commissioning intentions</p> <p>Mental Health and dementia wo being within scope of the position statement</p>	<ul style="list-style-type: none"> Service providers are clear about the system commissioning intentions, Market is better placed to contribute and respond to emerging need, required service developments and pathway reconfiguration. System-wide approach to developing a sustainable service offer and continue to deliver quality outcomes for the local population. 	Head of Policy & Strategic Development, ASC&H, ESCC	June 2018	

Area for Improvement 5: Work is required to improve access to step-down, reablement and intermediate care facilities across East Sussex through the review of admission criteria

	Action	Outcome	Action owner	Timescale	Assurance
5.1	Review admission criteria across the system to ensure clarity regarding entry requirements and access across the county	<ul style="list-style-type: none"> Improved access to services Greater clarity on appropriate pathways for staff across the system 	Sally Reed, ASC&H, ESCC	Review complete by June 2018	Achieve local target of 90% of people 65+ who are still at home three months after a period of rehabilitation / intermediate care (Jan 18 91.3%)

Area for Improvement 6: A review of IT interconnectivity should be completed to ensure appropriate information sharing and a more joined up approach to IT communication is established across health and social care services

Action		Outcome	Action owner	Timescale	Assurance
6.1	Review East Sussex Better Together Digital Strategy 'Tactical Work' workstream to ensure opportunities to support operational staff through improved IT interconnectivity are prioritised: <i>(Tactical Work - Exploiting Existing Technologies – exploiting what we already have to deliver benefit and capability to operational services until strategic systems are in place)</i>	<ul style="list-style-type: none"> Improved efficiency for staff Improved multi-agency working 	Simon Jones, ESBT Informatics Programme Lead	July 2018	Integrated teams experiencing improved interconnectivity and associated efficiencies The ESBT Digital Governance model aligns with that of the STP. There are strong working relationships between Digital leads across the STP.
6.2	Review IT requirements to address barriers to interconnectivity across integrated teams, e.g. HSCC and JCR	<ul style="list-style-type: none"> Improved efficiency for staff Improved multi-agency working 	Simon Jones, ESBT Informatics Programme Lead	July 2018	
6.3	Reduce manual inputting of multi-agency assessments by HSCC	<ul style="list-style-type: none"> Improved efficiency for staff Improved multi-agency working 	Simon Jones, ESBT Informatics Programme Lead	July 2018	
6.4	Primary Care access to E-Searcher and ESHT access to EMIS to share patient medical records (To support delivery of Area for Improvement 10)	<ul style="list-style-type: none"> Improved information sharing to inform discharge 	Simon Jones, ESBT Informatics Programme Lead	Sept 2018	

Area for Improvement 7: Work towards fully incorporating principles of the High Impact Change model, particularly discharge to assess and the trusted assessor model, needs to be prioritised across the system

Action		Outcome	Action owner	Timescale	Assurance
7.1	Continuing Health Care (community and	<ul style="list-style-type: none"> Improved patient experience from 	Garry East,	Sept 2018	Maintain improved performance

	<p>acute)</p> <ul style="list-style-type: none"> • Process improvement: develop system wide local agreement to reduce waiting times for assessment • Short term intensive project to reduce assessment backlog • Culture: Work with CHC team and referring teams to develop a whole system approach to CHC provision • Performance and outcomes: develop CHC measures for inclusion on Health and Social Care Outcomes Framework • Sustainable Transformation Partnership: Link local CHC development with STP review to maximise opportunities for improved service provision 	<p>reduced waiting times; whole system approach</p> <ul style="list-style-type: none"> • Improved outcome and performance management arrangements • Improved multi-agency working through development of whole system approach to CHC provision 	<p>Hastings and Rother CCG, Eastbourne, Hailsham and Seaford CCG</p> <p>A&E Delivery Board</p>		<p>in delays due to awaiting nursing home and domiciliary care packages: (Locally collected data through weekly SITREP's (snapshot count on a Thursday))</p> <p>An average 3.8 people delayed per week awaiting nursing home (this has improved from 10.5 per week in July)</p> <p>An average 5.5 people delayed per week awaiting domiciliary care packages (this has improved from 18.8 per week in July).</p>
7.2	<p>Full Implementation of Discharge to Assess community pathway (community home first principle) to support long stay admission avoidance and to reduce unnecessary assessment in hospital and address stranded patients across all wards.</p>	<ul style="list-style-type: none"> • Enables patients who could receive therapy input in their own home environment to be discharged earlier in the pathway 	<p>A&E Delivery Board</p>	<p>Sept 2018</p>	<p>365 Day access to Service Placement Team to reduce delays in sourcing and brokerage for discharges.</p>
7.3	<p>Evaluate Enhanced Discharge Control arrangements currently in place within ESHT: Twice weekly multi agency meetings including ward staff; focus on patients approaching being medically fit for discharge. Information links directly into daily system-wide operational discharge calls</p>	<ul style="list-style-type: none"> • Improved system-wide understanding of patients approaching discharge, enabling early discharge planning • Reduction in Stranded patient numbers 	<p>A&E Delivery Board</p>	<p>Sept 2018</p>	<p>Full implementation of Stranded Patient Review (over 7 days) Process</p> <p>System wide implementation of a significantly strengthened choice (no choice in acute) policy.</p>
7.4	<p>Patient Choice Embed System wide Choice Policy – 'Let's Get You Home'</p> <ul style="list-style-type: none"> • Ongoing involvement of key clinicians to support potentially difficult conversations with patients and 	<ul style="list-style-type: none"> • Improved patient experience • More consistent approach to patient choice across the system 	<p>A&E Delivery Board</p>	<p>August 2018</p>	

	<p>families.</p> <ul style="list-style-type: none"> Focus on embedding at front door to help manage patient, carer and family expectations Develop communications and engagement plan to support front line staff (and communications and engagement teams) with core messages and other content to promote the Lets Get You Home objectives in getting patients home quickly and safely. 				
7.5	<p>Trusted Assessor</p> <ul style="list-style-type: none"> Professional 'trusted assessor' arrangements in place in key services such as crisis response. Continued implementation of trusted social care + equipment assessor training for NHS staff. Trusted Assessor for Care Homes to be trialled with a number of Care Homes. 11 care homes are currently involved in shaping the pilot. Scope options for introducing Trusted Assessor model for CHC 	<ul style="list-style-type: none"> Improved patient, family, carer experience resulting from a consistent system wide approach and more timely assessments 	A&E Delivery Board	Sept 2018	
7.6	Seven day working – please see Area for Improvement 8: 8.3 and 8.5	N/A	N/A	N/A	

Area for Improvement 8: Seven-day working and referral pathways should be aligned across the system to make the systems and process consistent across the East Sussex footprint

	Action	Outcome	Action owner	Timescale	Assurance
8.1	<p>Creation of 24 hour crisis response service (ESBT):</p> <ul style="list-style-type: none"> Optimise crisis response capacity Merger of Integrated Night Service 	<ul style="list-style-type: none"> Improved access to services Improved outcomes for patient, family, carers 	Integrated Community Operations Management	June 2018	Maintain rate of emergency admissions per 100,000 population (65+) (DH measure), below the national average.

	(INS) and Crisis Response to ensure 24/7 access for admission avoidance <ul style="list-style-type: none"> Mental Health to be in scope of the work 		Meeting		<p>Maintain % of emergency admissions within 30 days of discharge (65+) below the national average</p> <p>Well established voluntary sector services including Home from Hospital. Community sector embedded in discharge planning.</p> <p>Extended access and bookable appointments included in the planning of primary care streaming services</p>
8.2	Implementation of Rapid Response service (HWLH)	<ul style="list-style-type: none"> Improved access to services Improved outcomes for patient, family, carers 	Hugo Luck, High Weald Lewes Havens CCG	July 2018	
8.3	Review medical model based commissioning arrangements for weekend Intermediate Care admissions (ref also Area for Improvement 5)	<ul style="list-style-type: none"> Increased capacity for weekend discharges from acute to community / intermediate care beds Improved discharge planning and patient experience 	Hugo Luck, High Weald Lewes Havens CCG	Sept 2018	
8.4	Engagement with the market to explore sustainable service models to enhance OOH capacity (in addition to Trusted Assessor pilot)	<ul style="list-style-type: none"> Improved access to services Improved outcomes for patient, family, carers 	Head of Policy & Strategic Development, ASC&H, ESCC	July 2018	
8.5	Produce a staff and public narrative to explain out of hour's service availability.	<ul style="list-style-type: none"> Clarity about what is available and when 	ESBT and C4Y communications and engagement leads	Sept 2018	

Area for Improvement 9: Work should be undertaken to share learning between staff across the system rather than at an organisational level

	Action	Outcome	Action owner	Timescale	Assurance
9.1	<p>Develop and implement system-wide mechanisms for evaluating pilot schemes / joint initiatives</p> <p>Develop communications plans aligned to activity</p>	<ul style="list-style-type: none"> Shared learning outcomes System-wide perspectives inform evaluations and future commissioning / service developments 	PMO and ESBT Strategic Workforce Group; HWLH workforce lead	July 2018	<p>Staff feedback mechanisms</p> <p>Training and development activity is evaluated across organisations</p>
9.2	Continue to embed our approach to joint training and development opportunities	<ul style="list-style-type: none"> multi-agency training supports the workforce to deal with the complexity 	ESBT Strategic Workforce	July 2018	System wide communications in place

	including: <ul style="list-style-type: none"> • Safeguarding and domestic abuse, Self -neglect • softer skills such as coaching to improve performance 	of cases they manage <ul style="list-style-type: none"> • improved service delivery and integrated working • Improved outcomes for patient, family, carers 	Group; HWLH workforce lead		
9.3	Continue to develop reflective practice approaches in integrated locality teams	<ul style="list-style-type: none"> • Multi-disciplinary approach to learning and development • Improved service delivery resulting from practice developments 	ESBT Strategic Workforce Group; HWLH workforce lead	July 2018	

Area for Improvement 10: Discharge processes need to be reviewed to ensure information is communicated with all involved partners across the system, including families and carers

	Action	Outcome	Action owner	Timescale	Assurance
10.1	Ward focussed Discharge Pathway workshop to include Professionals; Patients (and Healthwatch); Providers (including patient transport)	<ul style="list-style-type: none"> • Improved patient / family / staff information and communications • One version of the truth for professionals • Lead professional for each complex discharge • Discharge checklist 	Jo Chadwick-Bell, Chief Operating Officer ESHT Chris Ashcroft , Chief Operating Officer BSUH	July 2018	Patient / user / carer feedback mechanisms Maintain performance of 'the proportion of people who use Adult Social Care services who find it easy to find information about support' above the national average (East Sussex: 79.8%; England 75.4%)
10.2	Mental Health inpatient workshop to mirror workshop in 10.1 above	<ul style="list-style-type: none"> • Improved patient / family / staff information and communications • One version of the truth for professionals • Lead professional for each complex discharge • Discharge checklist 	John Childs, SPFT	July 2018	Maintain performance of 'the proportion of carers who report that they have been included or consulted in discussion about the person they care for' above the national average (East Sussex: 71.3%; England 68.6)
10.3	ESHT Community Services workshop	<ul style="list-style-type: none"> • Improved patient / family / carer / staff information and communications • One version of the truth for professionals • Lead professional for each complex discharge • Discharge checklist 	Abi Turner, ESHT Chris Ashcroft , Chief Operating Officer BSUH	July 2018	Reduce length of hospital stay (aged 65+) for emergency admissions to meet or exceed the England average
10.4	Develop patient / family / staff communications to support outcomes of workshops	<ul style="list-style-type: none"> • Improved patient / family / carer / staff information and communications 	ESBT and C4Y Comms and Engagement	July 2018	

	(10.1,10.2,10.3) to include: <ul style="list-style-type: none"> • Pathway information • Lets Get you Home / Choice • SAFER 		Leads		
10.5	Review Hospital Transport booking process to reduce the number of bookings made with less than 24 hours' notice Review access for Mental health patients	<ul style="list-style-type: none"> • Improved service delivery resulting in better patient experience 	Pauline Butterworth, ESHT; Kalvert Wells; South Central Ambulance Service	July 2018	

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Report to: Cabinet

Date of meeting: 24 April 2018

By: Chief Operating Officer

Title: Property Asset Disposal and Investment Strategy

Purpose: To present Cabinet with a draft Investment Strategy for approval that supports the Council's four priority outcomes.

RECOMMENDATIONS: Cabinet is recommended to:

- 1) approve the draft Property Asset Disposal & Investment Strategy set out in Appendix 1 of the report;**
 - 2) note the governance and resource arrangements required to deliver the Strategy;**
 - 3) note that any initial revenue costs of funding initiatives that will deliver enhanced income and capital receipts in the longer term will be considered as investment proposals against the Council's Transformation reserve which is delegated to the Chief Executive to approve; and**
 - 4) note that any capital investment into assets will be subject to Cabinet approval of business cases developed to support the investment consideration.**
-

1. Background

- 1.1 Given reductions in grant funding, many local authorities have adopted income generation strategies as a means of securing alternative sustainable funding sources. East Sussex County Council (ESCC) has a well-established Income Generation Group and the intention is, during 2018/19, to broaden its focus into wider 'commercialisation', to support the County Council to operate successfully in a largely self-financing local government finance environment. This will also be informed by the combined Peer Review undertaken through the Local Government Association (LGA) to consider commercialisation across the whole County.
- 1.2 Previous discussions through Cabinet and the Audit, Best Value and Community Services Scrutiny Committee regarding property investment indicated that members were generally supportive of investing in development and building up a portfolio of new income producing assets within East Sussex where it could meet the objectives of providing an investment return and support delivery of the Councils four priority outcomes.
- 1.3 Cabinet and the Audit, Best Value and Community Services Scrutiny Committee gave a strong direction to officers that, at this stage, borrowing to invest in specific property assets in the property market purely for financial return was not a priority for the Council. The Council's Treasury Management strategy has been developed to incorporate investment into pooled property and mixed asset funds utilising the cash the Council has available for investment in the context of the Treasury Management Strategy priorities around balancing security, liquidity and return.
- 1.4 In response to such comments and feedback, the accompanying strategy outlines a framework that intends to support the delivery of the Council's priority outcomes, noting the likely risks and returns to be achieved from such a strategy. It is

acknowledged that there is an inherent risk in property development and ownership and that property values (and the income derived from such properties) will fluctuate over time.

- 1.5 In December 2017, the Chartered Institute of Public Finance and Accountancy (CIPFA) published revised Prudential Code for Capital Finance and Treasury Management Codes of Practice. Following this, in February 2018, the Ministry of Housing, Communities and Local Government (MHCLG) updated its statutory guidance on local government investments and minimum revenue provision. The updates reflect the changing nature of the public sector and seek to improve the understanding and transparency of the risks and rewards associated with a wider range of investments, commercialism and financial support to other bodies and the impact on long term financial sustainability. Any investments under the new Property Investment Strategy will need to adhere to these codes and guidance.

2. Investment Strategy

- 2.1 To position an investment strategy that meets ESCC priorities, the recommendation is to adopt an approach that looks at a combination of direct property investment and development opportunities, with the Council making these investments alone or in partnership, predominantly within the local administrative area. There may also be opportunities for the Council to provide development loans to partner or third party organisations where this contributes to the achievement of improved economic outcomes in the County, in line with its corporate objectives.

3. Legal Framework

- 3.1 The Strategy considers the framework under which Councils can acquire property assets and the General Power of Competence introduced in the Localism Act in 2011, which other Councils have in particular relied upon to support their investment strategies.

4. Financial Framework

- 4.1 The Council may fund its investments through using its reserves, capital receipts and prudential borrowing. The Strategy considers the latter two sources in particular, noting that the Council's reserves are managed under a separate Treasury Management Policy and supporting strategy
- 4.2 The Strategy considers the level of risk and associated return for the various strands of property investment and development and seeks to ensure an appropriate balance between direct/indirect investment/development is maintained to mitigate such risks, whilst maintaining a meaningful positive net return to the Council. It should be noted that a strategy that focusses more heavily on direct development to enhance economic growth will involve greater risk, and more up-front expenditure but potentially higher returns.
- 4.3 As local authorities are increasingly investing in non-financial yield bearing investments, the MHCLG recognises that a one size fits all approach is not suitable given the increasing variation in the objectives and nature of local authority investment activity. At the same time, the Government recognises that local authorities have a key role in local economic regeneration, and this may mean that councils choose to take on projects that the private sector would not consider.

5. Existing Assets & Improving Service outcomes

- 5.1 The County Council's Corporate Property Asset Management Plan (CPAMP) sets out objectives and targets applied in managing the property portfolio and is part of the suite of documents that align to the Corporate Plan priority outcomes. The CPAMP seeks to ensure that assets are managed efficiently and sustainably noting the emphasis over recent years has been on factors relating to cost minimisation of the "operational" estate.
- 5.2 Through service planning activity work, surplus or potentially surplus assets are identified enabling the property team to review opportunities for the future. There is an established protocol that circulates potentially surplus asset information to all services ahead of investigating potential alternative options.
- 5.3 Alternative options will always seek to consider best value outcomes which may include a range of options along the spectrum from "dispose to hold" (i.e. immediate sale, to added value activities ahead of sale work, to retention for alternate use, collaborative or community uses etc.). Options around collaborative projects may involve our SPACES or East Sussex Better Together (ESBT) partners and co-investment opportunities can form part of wider regeneration, place making and/or whole system led service improvements.
- 5.4 The Asset Disposal element of the Investment Strategy seeks to optimise the capital (as a result of a disposal) or revenue (as a result of the asset being held as an investment) return to the Council through a robust Options Analysis exercise of each surplus asset. This is to ensure the most appropriate option is pursued taking into account the size of the asset, scale of the receipt/revenue, resource required to deliver it and the risks associated.

6. Governance

- 6.1 Appropriate Governance arrangements are detailed in the Strategy, with differentiation recognising the existing delegated powers held by the Chief Operating Officer and Chief Property Officer, and the proposal to establish an Asset Investment Board (AIB) to provide appropriate due diligence evaluation to any proposals for investment or disposal.
- 6.2 Officers in Property and Finance will provide advice on each proposal coming forward to the relevant decision making party. This advice will include how each investment proposal could be taken forward, including a consideration of the risks, how the opportunity is structured and financed. All investments will require a robust business case to ensure that the investment is affordable, sustainable and provides value for money. The governance process will be subject to periodic review to ensure that it is fit for purpose and supports the achievement of the desired outcomes for the strategy.
- 6.3 All decisions (by Chief Operating Officer, Chief Property Officer or by the Asset Investment Board), and the performance of investments will be subject to monitoring by the Audit Committee.

7. Resource Implications

- 7.1 The Property Asset Disposal and Investment Strategy would be delivered and supported by key officers in Property, Finance and Legal Services. It should be recognised though that a key constraint is the availability of specialist resource and therefore it will be important to assess required capacity for both Operational and Investment activities, whether held directly by the Council or through a subsidiary company.
- 7.2 Resource modelling options have been considered and a model that allows for a control over decisions to be maintained by the Council, whilst having an ability to bolster existing internal resource with the services of a trusted advisor providing scalable resource dependant on the skills and capacity required, is the favoured option.

8. Risks & Risk Mitigation

- 8.1 There are inherent risks in property ownership and property values will increase and decrease in line with the market. Investment is subject to inherent economic and market risks which will require a balanced portfolio of investments to be built up over time. Vacant property attracts additional risks and liabilities, in the form of council tax, security, utility costs and management which will continue to be borne by the Council until a property is let/sold or demolished.
- 8.2 Carrying out direct development activities (design, build and management), or providing debt or equity finance involves risks that are not necessarily present in the current policy of selective disposals within the operational estate. Whilst it is anticipated that each business case would be subject to clear evidence, advice and programme management to support targeted outcomes, these proposed activities carry specific and non-specific risks that are not always easy to predict or model which can reflect on the overall financial outcome.
- 8.3 Retaining a property for the revenue return and granting a lease interest to a third party, thereby creating an investment product, exposes the Council to the additional risks of retaining property ownership and ensuring the resource and mechanisms are in place to manage the property effectively. This will include rent collection, facilities management, service help desk and ongoing estate/ asset management and valuation processes.
- 8.4 To aid in the mitigation of such risks, the internal team will require the appointment and the assistance of external advisors to help support the team in implementing the strategy and scaling the resource necessary as the strategy develops.
- 8.5 The Asset Investment Board will consider robust business cases which will consider appropriate mechanisms (Scoring Matrix and Option Appraisals) for evaluating and approving projects, supported by senior officers in Property, Finance and Legal services, before being recommended to Cabinet. The decisions of the Asset Investment Board will be subject to monitoring by the Audit Committee, and the performance of the Property Asset Disposal and Investment Strategy will be reported to Cabinet on an annual basis.
- 8.6 From 2018/19, a new accounting standard, International Financial Reporting Standard (IFRS) 9 – Financial Instruments will be adopted. The aim is to ensure that the fair value of gains and losses of financial assets are reported transparently, fairly and consistently. The rule changes mean that for some types of investment, the statement of accounts would have to show the impact of unrealised losses on

general balances. The MHCLG are currently considering whether to allow a statutory override to remove this impact. In addition, the standard requires that the impairment of financial assets must be recognised at inception rather than wait until an actual loss occurs. For example, loans to other entities will need to be assessed for the likelihood of default at the start of the loan and throughout the life of the loan. Loss allowances will then be charged to revenue and updated annually. Any investments under the new Property Investment Strategy will need to take account of the potential impact of IFRS9 on council tax and balances.

9. Conclusion and reasons for recommendations

- 9.1 The development of a Property Asset Disposal and Investment Strategy, covering investment in assets already producing an income and investment in development opportunities that support the Council's ability to enhance its financial resilience in the longer term, will act as a catalyst for improved economic outcomes for the County. The financial returns delivered from the strategy will support the Council in continuing to deliver its essential services to residents. The proposed approach is based upon the following key principles:
- Invest in schemes that align with and support the Council's four priority outcomes.
 - Invest in income producing assets within the County, creating a diversified portfolio to manage risks and secure an annual return.
 - Retaining assets where appropriate and undertaking effective property and asset management initiatives and investment to enhance income or capital receipts.
- 9.2 The Council will manage these investments by establishing an Asset Investment Board. The Board will oversee property asset disposal and investment decisions that are delegated to officers to manage and recommend business cases to Cabinet for Cabinet approval where capital investment is sought.
- 9.3 Cabinet is recommended to approve the draft Property Asset Disposal and Investment Strategy set out in Appendix 1 of the report, and note the governance and resource arrangements required to deliver the Strategy. Cabinet is also asked to note recommendations 3 and 4 of this report.

KEVIN FOSTER Chief Operating Officer

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LOCAL MEMBERS

All

BACKGROUND DOCUMENTS

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PROPERTY ASSET DISPOSAL AND INVESTMENT STRATEGY 2018/19



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1. INTRODUCTION

- 1.1 This strategy explores and positions the role that Property can play in shaping and influencing the Council's wider corporate priorities as well as being a means to generate capital receipts or revenue or a combination of both through an Asset & Investment Strategy.
- 1.2 It provides a framework by which East Sussex County Council (ESCC) can consider the means by which the existing asset base can deliver capital receipts and/or revenue returns and the ability to facilitate current and future service and locality needs. As a second phase, the strategy could seek to invest in property solely for the purposes of achieving an investment return which provides additional income to contribute to the funding of Council priorities.
- 1.3 The strategy recommends robust governance arrangements that would be appropriate for such a strategy, ensuring an open and transparent approach to property decisions recognising and taking into account alternative options that may be available to the Council.

2. THE ROLE OF PROPERTY

- 2.1 The Property service, and in particular the Asset Strategy and the Investment & Disposal teams, acts as an internal partner to ESCC services, assisting frontline services in the provision of suitably specified and sustainable buildings within a location that can deliver an optimal service to the identified user groups.
- 2.2 By identifying opportunities that can deliver effective property solutions, the Property service can ensure services are securing value for money in the constrained financial environment within which the public sector now operates, whilst at the same time exploring, where possible commercial opportunities that may also exist providing the Council with the opportunity to generate capital and/or revenue following investment or redevelopment of the asset.
- 2.3 The County Council's Corporate Property Asset Management Plan (CPAMP) sets out objectives and targets applied in managing the property portfolio and are part of the suite of documents that align to the Corporate Plan priorities. The CPAMP seeks to ensure that assets are managed efficiently and sustainably noting the emphasis over recent years has been on factors relating to cost minimisation of the operational estate.
- 2.4 Service planning is fundamental to the development of asset strategies at both a portfolio and asset level, and by working with services to identify, and support, their current and evolving models of delivery, assets can be better matched with need, giving the potential to both improve service outcomes and reduce cost (both capital and revenue).
- 2.5 Through a wider engagement with other public sector bodies such as the NHS, Police and Fire Service and in particular as a result of the SPACES (Strategic Property Asset Collaboration in East Sussex) group, the Property Service can identify the supply and demand for service use of the wider public estate. Property Services can facilitate the transition of particular service groups to sites and locations that are suited to the needs of the community, permitting potential economies of scale to be realised and a co-location approach to be fostered between services, focused on delivering a locally based need.

3. PROPERTY ASSET DISPOSAL & INVESTMENT STRATEGY

- 3.1 This strategy seeks to position a Property Asset Disposal & Investment Strategy that addresses the joint priorities of:
- providing support and to be an enabler to services in the delivery of their property strategy,
 - exploring income generation from property,
 - optimising capital receipts and
 - promoting economic growth across the county.
- 3.2 Further, the strategy looks at a combination of investment and development opportunities across the county, with the Council making such investments alone or in partnership with other authorities in the local administrative area or with a third party. There will be an emphasis on the optimisation of ESCC's existing asset base and a cautious approach to direct property investment for commercial return, as a distinct and separate second phase.
- 3.3 This is outlined in the Four Quadrant approach that has been developed, as shown in the table below, noting that some property activities are common or available to each quadrant:

	Activity	Activity
Operational Assets	Optimise Receipt / Revenue from Disposal Section 5	Development for Corporate Priorities / Service Need Section 6
Investment Assets	Phase 2 Direct acquisitions of up and let investments Section 7	Direct development or provision of Equity or Debt finance Section 8

- 3.4 Changes in the way in which services are delivered across the County may release surplus assets for disposal. In the past there has been a piecemeal approach, with the sale process adopted for an individual site being in accordance with the market circumstances prevailing at the time. This has led primarily to sales conditional on planning, where the purchaser secures planning consent and then completes on the asset purchase (or not if planning is unforthcoming), or sales on an unconditional basis but possibly with top up arrangements in the event planning is secured for alternative use.

- 3.5 An alternative approach is to link activities to the Council's corporate strategy and consider various options, in particular promoting economic growth within the county, of which the availability and supply of housing is a key factor. This strategy may still seek to optimise capital receipts from surplus property assets, where it is appropriate to do so.
- 3.6 Previous discussions through Cabinet and Audit Best Value and Community Services Scrutiny Committee regarding property investment indicated that members were generally supportive of building up a portfolio of new income producing assets, but with a preference that such development and investment be focussed within East Sussex where it could meet such joint objectives of income generation and supporting the Councils 4 priority outcomes, utilising, in the main, the existing council owned asset base.
- 3.7 In response to such comments and feedback, the strategy intends to meet both of these objectives, noting the higher level of risk and returns that may be prevalent in this approach and acknowledging that there is an inherent risk in property ownership and that property values (and the income and capital receipts derived from such properties) will fluctuate over time.
- 3.8 The proposed governance structure will consider the business case proposals for such development and as a distinct and separate second phase would also consider and support direct acquisitions of existing let investments (purely for commercial return).

4. OPERATIONAL ASSETS

- 4.1 The core focus of the strategy will be on the optimisation of the Council's existing asset base to deliver capital receipts and/or revenue from the sale of surplus properties or the development of those assets for service use and/or to meet the council's corporate priorities, including housing as a means of delivering economic growth.
- 4.2 Through service planning activity work linked to SPACES, surplus or potentially surplus, assets are identified enabling the property team to review opportunities for the future. There is an established protocol whereby Property circulates potentially surplus asset information to all services ahead of investigating potential alternative options.
- 4.3 Alternative options will always seek to consider best value outcomes which may include a range of options along the spectrum from immediate sale, to added value activities ahead of sale (securing planning consent for an alternative use), to retention for alternate use, collaborative or community uses etc. Options around co-location and collaborative projects may involve our SPACES or East Sussex Better Together (ESBT) partners and co-investment opportunities can form part of wider regeneration, place making and/or whole system led service improvements.
- 4.4 At the point an asset becomes surplus, an Options Analysis report on a site (or basket of sites) will be undertaken which will include a recommendation as to whether to:
- Appraise the site for an identified service need (on a whole/part of the site)
 - Review of any legal constraints on the site that may affect its value or development potential (eg restrictive covenants)
 - Sell a site on an unconditional/conditional on planning basis
 - Sell the site upon grant of planning, for which a revenue budget will be required for the cost of planning.
 - Secure planning (as above), develop and sell completed units
 - Secure planning (as above), develop and sell/retain part or the whole for revenue return purposes.

5. OPTIMISE RECEIPT / REVENUE FROM DISPOSALS

- 5.1 In some instances an immediate sale (say by auction) may be recommended, particularly where the asset is of low value or where there is limited prospect of development, alternative use development.
- 5.2 Where however added value activities can be secured ahead of marketing, such as securing a higher value planning consent for the land, then this can be pursued either by the County (in effect to minimise risk for the purchaser and thereby enhance the land receipt) or by the County selling the site but conditional upon the purchaser pursuing planning for a new consent. Any such transfer may still be subject to certain claw back or overage restrictions that seek to secure further payments in the event of excess profits being secured, but the ability to secure such overage provisions will be dependent upon the quality of the site and prevailing market conditions at the time of sale.
- 5.3 With regard to freehold disposal of assets, particularly where future redevelopment is likely, there could be an opportunity to market a site on the basis of an arrangement whereby the County would commit the value of their land to a project and a third party (as development partner) pursues planning and full development, with the County receiving a share of the development proceeds and profits. However, the development partner would need to be convinced that there was the scope of opportunities coming forward that would merit this approach and that the risk/reward profile was appropriate. Where a development partner is chosen (as opposed to a land disposal) the Council may need to comply with the regulated procurement regime. Given additional contract arrangements required, offering only a limited number, or a limited scale, of development opportunities may not encourage a development partner to participate in such a venture.
- 5.4 A further extension of this principle could see the County Council retaining some of the completed units (i.e. convert its land value and share of development profits into completed fixed assets to retain for generation of rental income).

This process would require new arm's length corporate structures to be set up for the management of retained housing assets (as opposed to commercial), to avoid the potential for Right to Buy legislation impacting on the created asset portfolio, and be subject to further Member input and Business case reviews. As such, this element should form part of any second phase of implementation, along with any investment activity outside the county, for which a further Cabinet approval will be sought.

- 5.5 This latter model mirrors the basis of the Surrey County Council's proposed 15 year joint venture with Places for People that has recently been approved and to which the County Council will have full access subject to the County Councils' approvals process.
- 5.6 An example is the County Council owned site at Hindslands Polegate, which is a 2 hectare site with potential for 50+ housing units.

Does the Council wish to i) sell the site now ii) secure planning to leverage value before sale, or iii) move into development activity either directly or through a joint venture arrangement. Each activity has an increasing risk reward, timing and resource profile.

6. DEVELOPMENT FOR CORPORATE PRIORITIES /SERVICE NEED

- 6.1 The County Council has acquired property assets in the past for its own operational service needs (such as education sites) or for statutory reasons (via compulsory purchase) and has an adopted Property Acquisition Policy. Much of this activity has remained focussed on a specific service, but there is an increasing awareness, arising from collaborative working across services and with partners, for the need for assets that support wider project outcomes, as well as regeneration noted elsewhere.
- 6.2 In essence property is held and, if necessary, will continue to be acquired in accordance with the key priorities of the Council noted as
1. Driving Economic Growth
 2. Keeping vulnerable people safe and free from harm
 3. Helping people help themselves
 4. Making best use of resource
- 6.3 Whilst the Property Acquisitions Policy outlines key principles and processes, it does not cover in any depth wider delivery opportunities and mechanisms available for services, such as direct or joint venture development or investment arrangements with service or other public/private partner providers
- 6.4 Where market intervention may be required to ensure against market failure, timing of delivery, or even where the County may be able to leverage an existing land ownership, the County should maintain a proactive position where the risk reward of direct investment, development or joint ventures can be part of an approved business case.

Examples include:

Asset or land purchases – to support development of locality facilities - such as securing land for a care or medical facility – enabling the County to not only secure the land interest but also give further consideration to any wider investment or development opportunity that supports local communities, or new and evolving models of delivery.

Sackville House Lewes – an existing office asset owned by the County Council which could be sold for a capital receipt or, alternatively, retained to establish small business and employment units in support of economic development subject to appropriate building and facilities management.

Hailsham - Acquisition of a third party interest to secure a 100% interest in a site where identified for wider service delivery or where a party seeking to extract their capital and not obligated to the longer term plans of the Council

- 6.5 Approval for all acquisitions would continue to be based on the “five case” model covering Strategic, Economic, Commercial, Financial and Management parameters and thus include core topics such as:
- demonstrating how the spending proposal fits in relation to policies, strategies and plans and furthers the required outcomes
 - demonstrating that the spending proposal optimises value to the public purse and outlines both cash and non-cashable benefits or outcomes

- setting out how the “preferred option” will be procured competitively, in accordance with current regulations for public sector procurement
- setting out the capital and revenue requirement for the spending proposal over the expected life span of the asset or service, together with an assessment of any wider impact upon the balance sheet or income and expenditure accounts of the County Council
- demonstrating that the spending proposal is being implemented , where appropriate, in accordance with recognised Programme and Project Management methodologies, and that there are robust arrangements in place for change and contract, the delivery of benefits and the management and mitigation of risk

6.6 In demonstrating this process each business case will also highlight the consultation process undertaken and include an Equalities Impact Assessment, where required.

7. DIRECT DEVELOPMENT OR PROVISION OF EQUITY OR DEBT FINANCE

7.1 Direct Development

The Council can undertake direct development opportunities to create new assets and enhance economic and employment opportunities. Investment in development opportunities will have higher risks than purchasing an asset that is already income producing but could also provide a greater rate of return if successful. Wider benefits can also be achieved such as additional housing development, health solutions or new business premises which will in turn generate additional economic growth and accord with one of the key corporate objectives of the Council.

7.2 Such development can be undertaken solely by the Council or with a development partner. A shared development would result in the Council receiving a proportionate share of the assets created, and the risks and rewards in accordance with the share of development funding provided.

7.3 Development loans

There may be opportunities for the Council to undertake an indirect approach to property investment through the provision of development loans to public partners or third party organisations (subject to state aid legislation) where this contributes to the achievement of improved economic outcomes in the county.

7.4 The Council, as debt provider, receives a fixed rate of return determined by the interest rate on the loan and the amount invested. The loan is typically secured against the property being developed. Development loans are typically made over short periods of time, linked particularly to the construction period of an asset, allowing the capital and interest earned to be repaid and reallocated to a further project.

7.5 Third parties proposing schemes in county that meet the Council’s corporate objectives could be interested in such arrangements, in the absence of the traditional sources of bank finance. Borough and District councils have equal access to the Public Works Loan Board (PWLB) as the County Council and therefore may be only interested in joint funding arrangements.

7.6 Development projects could be undertaken in partnership with others, for example the Council is a shareholder in Sea Change Sussex, a not for profit organisation with 19.9%

equity ownership held by ESCC, Rother District Council and Hastings Borough Council, a 30.1% holding by the University of Brighton and the balance held by a number of local business and local voluntary sector. This strategy should not compete nor conflict with the projects that this organisation is currently delivering.

8. DIRECT ACQUISITIONS OF EXISTING LET INVESTMENTS (Phase 2)

- 8.1 Given reductions in grant funding, many local authorities have adopted income generation strategies. East Sussex County Council has a well-established Income Generation Group and the intention is, during 2018/19, to broaden its focus into wider 'commercialisation', to help enable the County Council to operate successfully in a largely self-financing local government finance environment.
- 8.2 An increasing number of councils have developed property investment strategies as a means of securing sustainable long term revenue streams, but with differing attitudes towards risk, return, geographies and methodology. Typically the net income returns from property investment are higher than long term PWLB lending rates, and as such, direct property investment has the potential to generate a positive net income return.
- 8.3 Costs will also be incurred – in terms of staff costs, investment and other specialist advisors - and there may be occasions when there is a tenant void meaning that the council will pick up the cost of business rates and service charges, or additional capital expenditure is required to refurbish the property. The forecast returns will therefore need to be sufficient to cover the associated cost of finance for any additional borrowing required. A shared investment with another party would mean a proportionate share of the risks and rewards in accordance with the share of the asset.
- 8.4 An example of such a strategy would be the purchase of Caburn House in Lewes, an office investment building that adjoins Sackville House (an ESCC owned property with lettings to third party tenants). The property was on the market recently at a guide price of £2.5m, and currently produces c£200,000 of rental income, at a gross yield of c7.45% (after deducting costs of purchase).
- 8.5 Following a high level review of the East Sussex investment market in 2016, property consultants CBRE concluded that there was limited scope to acquire institutional quality commercial properties in county. The scope to increase the quantum of opportunities might be improved if one included areas within the immediate hinterland of the county e.g. Brighton, Crawley, Haywards Heath and Worthing. To include areas outside the County would in all likelihood require the formation of a property company, as permitted by the Localism Act 2011, which permits councils to undertake activities for a commercial purpose, such as making property investments. However, if such an activity is to form a minor part of the overarching strategy, the costs associated with establishing such a vehicle and the internal and external resource/cost of running an effective company might limit the net returns to the portfolio as a whole.
- 8.6 The provision of appropriate resource to any company established will need to be considered, along with the level of income that is to be generated. Such revenue could be derived from either commercial investments or investments in residential units developed out as part of the adopted first phase of the investment strategy. This will be considered as a second and separate phase to the investment strategy and will be the topic of a separate Cabinet report after a period of reflection on the performance of phases one.
- 8.7 In comparison to an investment strategy of acquiring investments across geographies and across commercial sectors, an investment/development approach within the County will

inherently attract a higher degree of risk, but such an approach should be compensated with an appropriate level of return. The blended return of lower risk direct investment in assets already producing an income and higher risk development investment would need to be managed appropriately to ensure that the risk profile is within acceptable limits.

9. LEGAL FRAMEWORK

- 9.1 The Council can acquire property under s.120 of the Local Government Act 1972, provided the acquisition is supported by a rationale which is in line with the function of the Council, which includes purchases that are for the benefit, improvement and development of the County.
- 9.2 Section 1 of the Localism Act 2011 introduced a new General Power of Competence. Under the provision, a local authority has the power to do anything that individuals generally of full legal capacity may do. The Act is drawn very widely and includes reference to commercial activities and does not have to be in benefit of the local authority's area however an activity that is undertaken purely on commercial grounds has to be delivered through a company. The General Power of Competence is subject to (and does not override) any statutory restrictions imposed before the Localism Act. Therefore, there are certain legal constraints that still apply to what local authorities can do and a careful check is needed in each case.
- 9.3 On the understanding that the primary focus of any adopted investment strategy is within county, this report does not provide in any detail the mechanisms and governance processes for establishing a property investment or holding company. This would be kept under review in line with any progression to phase two or any further adaptation of the adopted strategy.

10. FINANCIAL FRAMEWORK

- 10.1 The Council may fund its investments through using its reserves, capital receipts and prudential borrowing. Any borrowing would need to be made in accordance with the conditions of the Prudential Code, which requires borrowing to be affordable, sustainable and provide value for money. The return on any investment will therefore need to be in excess of the capital financing costs of the borrowing, which consist of the interest payable and the Minimum Revenue Provision that sets aside funds for the repayment of the borrowing. As the Council does not hypothecate (match) funding sources against individual projects or acquisitions the capital financing cost will be based upon the council's weighted average cost of capital and informed by the Treasury Management Strategy. All investments will require a robust business case and will be assessed against the Council's identified and current corporate priorities.
- 10.2 Where the Council acquires or develops an investment asset, it will ensure that the net income from the asset exceeds the costs – both the capital financing costs payable and all associated management costs.
- 10.3 Adoption of phase two of the strategy, the purchase of institutional grade investment property purely for its commercial return, could generate an annual return of between 1-2% pa (net of costs). It is important therefore to be realistic about the scale of contribution that this phase can make to the Council's medium-term financial plan, but it is an important means by which risk can be diversified across the activities proposed in phase one.

- 10.4 With a phase one concentrated on the development of investment assets, revenue returns will take longer to achieve and so in the early stages there will be a net cost to the council. This will be need to considered as part of the Council's financial planning process.
- 10.5 Additional resources will be required to deliver the strategy, particularly within the Property and Finance teams, which will require funding to the extent to which it is not offset by the income being generated.

11. GOVERNANCE

- 11.1 At the point property assets are released by services, Cabinet or Cabinet Member approval is secured declaring them surplus to operational need and they are released for sale with the sale delegated to the Chief Operating Officer.
- 11.2 Under the existing Scheme of Authorisation, the Chief Operating Officer has delegated authority to the Chief Property Officer disposals of up to £250,000 or the grant of a lease up to £25,000 per annum. In the case of an acquisition of land, authority is delegated up to a limit of £100,000 or in the case of a lease, £25,000 per annum, to the Chief Property Officer following consultation with the Chief Operating Officer.
- 11.3 To further promote the transparency of property decisions made, it is proposed that decisions on the disposal of any asset over and above the threshold set under the existing Scheme of Authorisation will first undergo a thorough options analysis that will be reported to, and agreed by, a newly formed Asset Investment Board.(AIB)

Similarly all investment and development decisions will be taken by AIB. The Board will be chaired by the Chief Operating Officer and will comprise:

Assistant Chief Executive (Council Monitoring Officer)

Chief Finance Officer (S. 151 Officer)

Chief Property Officer

Assistant Director, Economy

Officer support will be provided and drawn from :

Head of Strategic Finance (Business Development & Investment) and
Property Investment and Disposal Manager.

Appropriate Assistant Director of Service for area of service need

- 11.4 The Asset Investment Board will consider all proposals that contribute to the delivery of the strategy and will be responsible for;
- Ensuring that direct and indirect investment opportunities, outside the approved Capital Programme, are thoroughly evaluated, ensuring that there is an acceptable balance between risk and reward and that the participation/acquisition contributes to the achievement of the strategy.
 - Recommending to Cabinet, property development projects, investment acquisitions and disposals, as well as property investment management activities and expenditure.
 - Monitoring the progress made in respect of achieving the aims of the strategy and the financial performance of the portfolio created.
- 11.5 Prior to being presented to the Asset Investment Board, each business case for a service and/or development opportunity will be reviewed by the Officer led Capital and Strategic

Asset Board and will be supported by CMT and hence will follow existing governance process.

- 11.6 For direct and indirect property investments, opportunities that have met the Investment priorities will be presented direct to the Asset Investment Board for recommendation to Cabinet. The process will be subject to periodic review to ensure decision timeframes meet the vendor's aspirations and is market compliant.
- 11.7 The Asset Investment Board, its decisions and the performance of the investments and developments will be subject to monitoring by the Audit Committee, supported by key officers as outlined above.

12. RESOURCE IMPLICATIONS

12.1 The Property Asset Disposal and Investment Strategy will be delivered and supported by key officers in Orbis Property, Finance and Legal Services. There are a number of aspects to the resources required, split broadly between;

- Sourcing, evaluating and completing activities (including the financing arrangements), and
- Managing the portfolio of activities undertaken on an ongoing basis, for example project management of any development, partner, tenant or agency management, financial monitoring and forecasting (and running a separate trading company if such is required as a result of a subsequent Cabinet decision).

12.2 A key constraint to delivering growth is the availability of specialist resource and therefore it will be important to assess required capacity for both an Operational and Investment portfolio of activities as outlined in the four quadrant diagram.

12.3 Resource modelling options (in house, outsourced or a joint approach) will be considered by officers in Property, Legal and Finance and evaluated against the following criteria –

- Extent of control & strategic oversight
- Access to consistent expert advice
- Access to investment opportunities
- Cost / value for money
- Scalability
- Risk management & access to market intelligence.

12.4 Returns to the Council will be impacted by the level of resource required and the particular option adopted. Options will be reported to the Asset Investment Board during the first half of 2018-19.

12.5 With regard to finance and legal resources, key activities will be delivered in house in order to provide reassurance to the Council ensuring that there are appropriate checks and balances in place. Where appropriate, specialist external suppliers and advisors will be utilised – for example for more complex legal transactions and the provision of specialist tax advice.

12.6 The cost of resources required, whether internal or external, will need to be recognised in the expected performance of the portfolio and where work is undertaken for any subsidiary company the cost must be charged to the company ensuring that there is no subsidy.

13. RISKS AND RISK MITIGATION

- 13.1 There are inherent risks in property ownership and capital receipts/revenue derived from property and their capital value will increase and decrease in line with the market and their location and specification attributes (and in respect of existing let investments, the length of the lease and the covenant strength of the tenant).
- 13.2 The Options Analysis undertaken on all surplus assets will consider the risks of the ongoing property ownership whilst such a strategy is pursued, weighed up against the potential level of returns expected, taking into account the point in the market cycle.
- 13.3 In the event that development (either for onward sale or let) or for a service use is pursued, additional risks relating to the construction and management of any build contract and letting/sale risk will need to be factored into the business case and articulated to the Asset Investment Board to aid in the decision making process.
- 13.4 Retaining a property for the revenue return and granting a lease interest to a third party, thereby creating an investment product, exposes the Council to the additional risks of retaining property ownership and ensuring the resource and mechanisms are in place to manage the property effectively to include rent collection, facilities management, service help desk and ongoing estate/ asset management and valuation processes.
- 13.5 By adopting this strategy, ESCC will be undertaking a new level of asset management activity for which it has limited experience, in both the decision making and implementation aspects.
- 13.6 The Asset Investment Board will be supported by external advisors, where required, and together with officer support drawn from Property, Legal and Finance will report on the performance of the Strategy and provide forecasts on the level of future receipts and returns, and thus provide insight into the future direction that the Council should take in ensuring a diversified and balanced level of activity occurs across the four identified quadrants.
- 13.7 By seeking to support economic growth within the county, the Council is potentially stepping in to the market either to become a lender of last resort (in the case of indirect development) or possibly through any direct development/investment. The Council will equally be exposing itself to reputational risks in the event of any business failure where the Council is landlord. This is particularly acute in the case of any public health, care home and the charity sector where local authorities would be expected to support ongoing services directly in the event of any market failure. This will be key criteria for the Investment Board to consider in the making of any development/investment decisions.

14. CONCLUSION AND RECOMMENDATIONS

- 14.1 The financial returns delivered from the strategy will support the Council in its delivery of essential services to residents. The proposed approach is based upon the following key principles;
- Retaining assets where appropriate and undertaking effective property and asset management and the promotion of the asset through the planning process to enhance income or capital receipts.
 - Participate in schemes that have the potential to support the County Councils priority outcomes through securing either equity and/or debt stakes.
 - To promote uses that are identified in the corporate strategy and other services on appropriate County owned surplus assets where appropriate to do so.

- A longer term aim to invest in income producing assets within the County, creating a diversified commercial and residential portfolio to manage risks and secure an annual return.
- 14.2 The development of a portfolio of assets covering investment in surplus assets, assets already producing an income and in development opportunities that supports the Council's ability to enhance its financial resilience in the longer term and act as a catalyst for improved economic outcomes for the County will form the first phase of the adopted strategy.
- 14.3 The Council will manage these investments by establishing an Asset Investment Board (AIB), the Membership of which is referenced in section 11 of this strategy.

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Report to: **Cabinet**

Date: **24 April 2018**

By: **Chief Operating Officer**

Title of report: **External Audit Plan 2017/18**

Purpose of report: **To inform the Cabinet of the content of the Council's External Audit plan for 2017/18**

RECOMMENDATION

The Cabinet is recommended to approve the External Audit Plan for 2017/18.

1. Background

1.1 The Plan confirms the 2017/18 core external audit fee as £83,572. This is unchanged from the 2016/17 fee. The fee is based on a number of assumptions, including the Council providing the auditors with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes.

2. Supporting Information

2.1 The East Sussex County Council External Audit Plan (attached as Appendix 1 to this report) sets out in more detail the work the external auditors will conduct in order to audit the Council's 2017/18 accounts. The Plan reflects relevant issues that have arisen as a result of the 2016/17 account audit and other work carried out by KPMG e.g. the Value for Money assessment.

2.2 KPMG initial risk assessment has not identified any significant risks that are specific to the Council. Areas of audit focus either due to their size, level of judgement or their influence on other balances within the financial statements are:

- Valuation of land and buildings
- Pension liabilities, the valuation of the Authority's pension liability, as calculated by the Actuary.

3. Conclusion and reasons for recommendations

3.1 KPMG overall audit approach remains similar to last year with no fundamental changes. Officers will continue to liaise with KPMG to ensure that their work is delivered as efficiently and effectively as possible and that internal and external audit plans are complementary and make best use of audit resources. The Plan was considered by Audit, Best Value and Community Services Scrutiny Committee at its meeting on 22 March 2018.

KEVIN FOSTER
Chief Operating Officer

Contact Officer: Ola Owolabi, Head of Pensions
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Local Member(s): All
Background Documents
None

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External Audit Plan 2017/18

East Sussex County Council

February 2018

Financial Statement Audit

There are no significant changes to the Code of Practice on Local Authority Accounting (“the Code”) in 2017/18, which provides stability. Deadlines for producing and signing the accounts have advanced. The Authority successfully advanced its accounts production previously and as such we do not feel that this represents a significant risk, although it is still critically important. To meet the revised deadlines it is essential that the draft financial statements and all ‘prepared by client’ documentation is available in line with agreed timetables. Where this is not achieved there is a significant likelihood that the audit report will not be issued by 31 July 2018.

Authority significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- **Valuation of land and buildings:** Whilst the Authority operates a cyclical revaluation approach, the Code requires that all land and buildings be held at fair value. We will consider the way in which the Authority ensures that assets not subject to in-year revaluation are not materially misstated;
- **Pension liabilities:** The valuation of the Authority’s pension liability, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We will review the processes to ensure accuracy of data provided to the Actuary and consider the assumptions used in determining the valuation; and

Value for Money Audit

Our risk assessment regarding your arrangements to secure value for money has not identified any significant risks.

Other information

Logistics and team

Our team is led by Joanne Lees, Director and Charlotte Goodrich, Senior Manager.

Our work will be completed in four phases from February to July and our key deliverables are this Audit Plan, and a Report to Those Charged With Governance.

Fees

Our fee for the 2017/18 audit is £85,372 (£85,372 2016/2017). This is in line with the scale fees published by PSAA.

Acknowledgement

We thank officers and Members for their continuing help and cooperation throughout our audit.

The contacts at KPMG in connection with this report are:

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Director

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Senior Manager

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Headlines

1. Introduction
2. Financial statements audit planning
3. Value for money arrangements work
4. Other matters

Appendices

- 1: Key elements of our financial statements audit approach
- 2: Independence and objectivity requirements
- 3: Quality framework

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This report is addressed to East Sussex County Council (the Authority) and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. PSAA issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on PSAA's website (www.psaa.co.uk).

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

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Joanne Lees, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (0207 694 8981, andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

1. Introduction

Background and statutory responsibilities

This plan supplements our 2017/18 audit fee letter 2017/18 dated April 2017, which set out details of our appointment by PSAA.

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014, the NAO's Code of Audit Practice and the PSAA Statement of Responsibilities.

Our audit has two key objectives, requiring us to audit / review and report on your:

- **Authority and Pension Fund Financial statements:** Providing an opinion on your accounts. We also review the Annual Governance Statement and Narrative Report and report by exception on these; and
- **Use of resources:** Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary. Any change to our identified risks will be reporting to the Scrutiny Committee for Audit, Best Value and Community Services.

Financial statements audit

Our financial statements audit follows a four stage process:

- Financial statements audit planning
- Control evaluation
- Substantive procedures
- Completion

Appendix 1 provides more detail on these stages. This plan concentrates on the Financial Statements Audit Planning stage.

Value for Money

Our Value for Money (VFM) arrangements workflow follows a five stage process:

- Risk assessment
- Links with other audit work
- Identification of significant VFM risks
- Review work (by ourselves and other bodies)
- Conclude
- Report

Page 7 provides more detail on these stages. This plan concentrates on explaining the VFM approach for 2017/18.

2. Financial statements audit planning

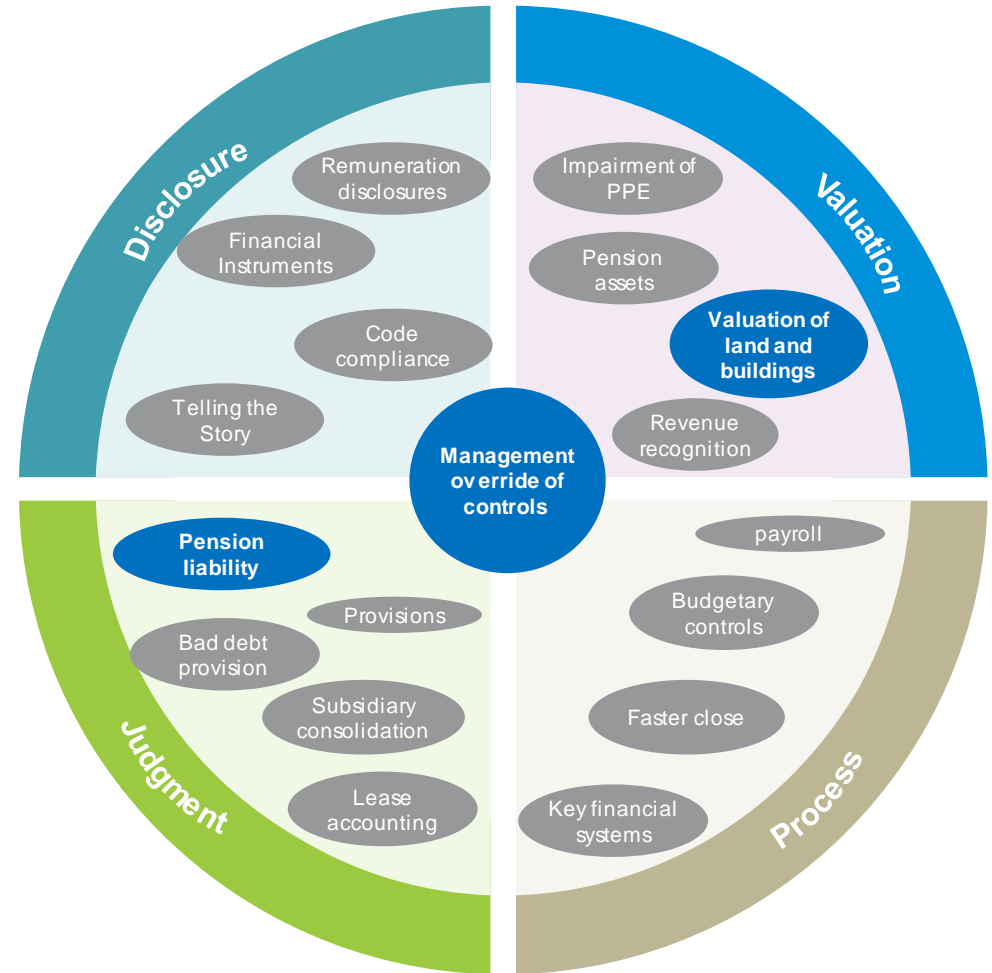
Financial statements audit planning

Our planning work takes place December to January 2018 and involves: determining materiality; risk assessment; identification of significant risks; consideration of potential fraud risks; identification of key account balances and related assertions, estimates and disclosures; consideration of Management's use or experts; and issuing this plan to communicate our audit strategy.

Authority risk assessment

Professional standards require us to consider two standard risks. We are not elaborating on these standard risks in this plan but consider them as a matter of course and will include any findings arising from our work in our ISA 260 Report.

- **Management override of controls:** Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit incorporates the risk of Management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- **Fraudulent revenue recognition:** We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.



2. Financial statements audit planning

Authority significant audit risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

Valuation of land and buildings

Risk: The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees land and buildings revalued over a three year cycle. As a result individual assets may not be revalued for two years. This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value.

Approach: We will review the approach that the Authority has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. We will assess the risk of the valuation changing materially in year. We will consider movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.

In relation to those assets which have been revalued during the year we will assess the valuer's qualifications, objectivity and independence to carry out such valuations and review the methodology used (including testing the underlying data and assumptions).

Pension liabilities

Risk: The net pension liability represents a material element of the Authority's balance sheet. The Authority is the Administering Authority of the East Sussex County Council Pension Fund, which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018. Valuation of the Local Government Pension Scheme relies on assumptions, most notably actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation.

There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates, mortality rates etc. Assumptions should reflect the profile of the Authority's employees and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes. There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.

Approach: We will review controls that the Authority has in place over the information sent directly to the Scheme Actuary. We are also the auditors of the Pension Fund and will gain an understanding of the effectiveness of controls operated by the Pension Fund. This will include consideration of the process and controls with respect to the assumptions used in the valuation. We will evaluate the competency, objectivity and independence of the Actuary.

We will review the appropriateness of key assumptions in the valuation, compare them to expected ranges, and consider the need to make use of a KPMG actuary. We will review the methodology applied in the valuation by the Actuary. In addition, we will review the overall Actuarial valuation and consider the disclosure implications in the financial statements.

2. Financial statements audit planning

Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements. Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

For the Authority materiality for planning purposes has been set at £9.9M which equates to 1% of 2016/17 Authority expenditure.

Reporting to Scrutiny Committee for Audit, Best Value and Community Services

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority we propose that an individual difference could normally be considered to be clearly trivial if it is less than £495K.

If Management has corrected material misstatements identified during the audit, we will consider whether those corrections should be communicated to Scrutiny Committee for Audit, Best Value and Community Services to assist it in fulfilling its governance responsibilities.

3. Value for money arrangements work

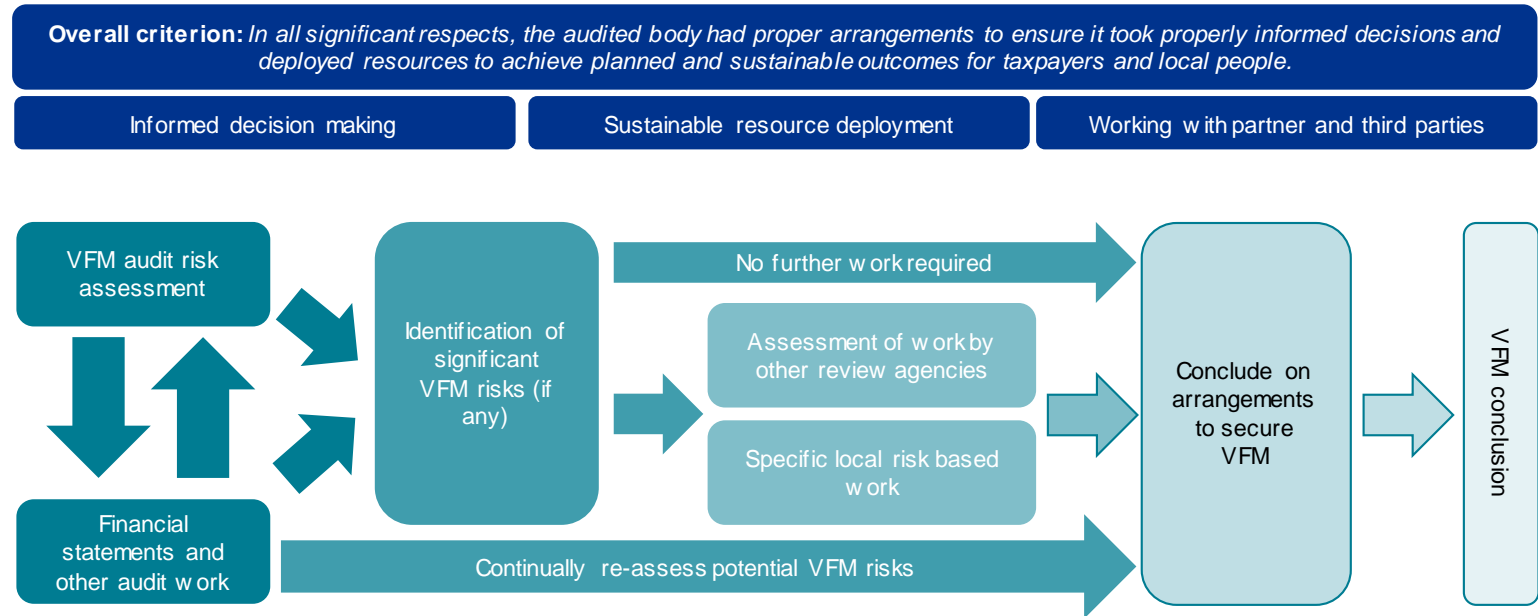
For our value for money conclusion we are required to work to the NAO Code of Audit Practice (issued in 2015 after the enactment of the Local Audit and Accountability Act 2014).

Our approach to VFM work follows the NAO's new guidance that was first introduced in 2015-16, is risk based and targets audit effort on the areas of greatest audit risk.

We have planned our audit to draw on our past experience of delivering this conclusion and have updated our approach as necessary. We will also consider reports from your regulators and review agencies.

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the organisation "has made proper arrangements for securing economy, efficiency and effectiveness in its Value for Money". This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to "take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements."

The VFM process is shown in the diagram below:



We have completed our initial VFM risk assessment and have not identified any significant risks for the VFM conclusion. We will keep this under review during our audit and notify The Scrutiny Committee for Audit, Best Value and Community Services of any change.

4. Other matters

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2017/18 have not yet been confirmed

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are: the right to inspect the accounts; the right to ask the auditor questions about the accounts; and the right to object to the accounts. As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece where we interview an officer and review evidence to form our decision to a more detailed piece where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised. Costs incurred responding to questions or objections raised by electors is not part of the fee. This work will be charged in accordance with PSAA's fee scales.

Our audit team

Your audit team has been drawn from our specialist public sector assurance department and is led by two key members of staff:

- **Jo Lees:** your Director has overall responsibility for the quality of the KPMG audit work and is the contact point within KPMG for the Scrutiny Committee for Audit, Best Value and Community Services, the Chief Executive and Finance Director.
- **Charlotte Goodrich:** your Senior Manager is responsible for delivery of all our audit work. She will manage the completion of the different elements of our work, ensuring that they are coordinated and delivered in an effective manner.

The core audit team will be assisted by other KPMG staff, such as risk, tax, clinical or information specialists as necessary to deliver the plan.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but in ensuring that the audit team is accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the Finance team. Our communication outputs are included in Appendix 1.

Independence and Objectivity

Auditors are required to be independent and objective. Appendix 2 provides more details of our confirmation of independence and objectivity.

4. Other matters

Audit fee

Our Audit Fee Letter 2017/2018 presented to you in April 2017 first set out our fees for the 2017/2018 audit. This letter also set out our assumptions. We have not considered it necessary to seek approval for any changes to the agreed fees at this stage.

Should there be a need to charge additional audit fees then this will be agreed with the S151 Officer and PSAA. If such a variation is agreed, we will report that to you in due course.

The planned audit fee for 2017/18 is £83,572 for the Authority (2016/17: £83,572).

Grants and claims work

We undertake other grants and claims work for the Authority that does not fall under the PSAA arrangements:

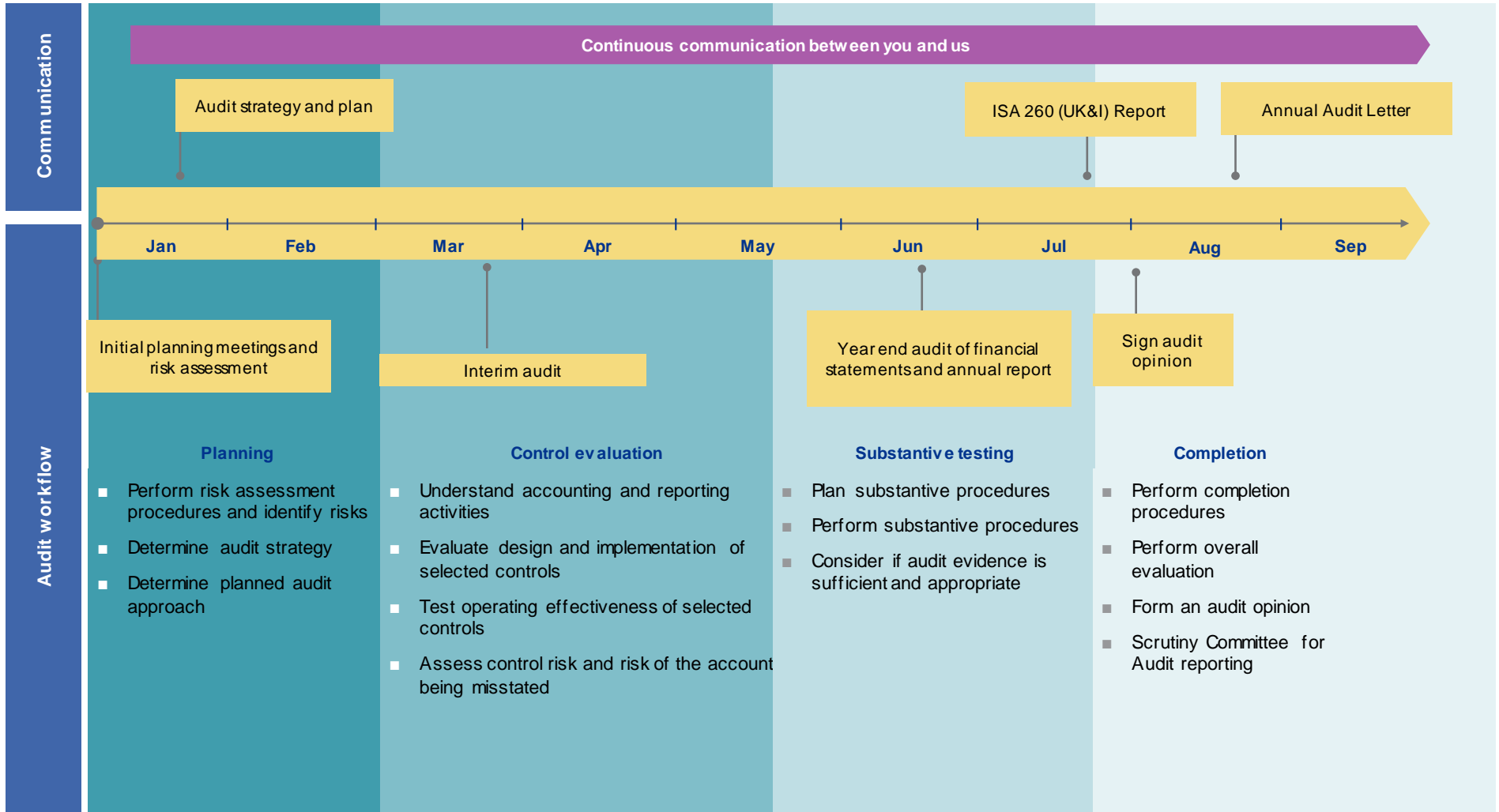
- Teachers pension contribution return: This audit is planned for September 2018. Our fee for this work is £4,000; and
- NCTL return: This audit is planned for November 2018. Our fee for this work is £2,000

Public interest reporting

In auditing the accounts as your auditor we must consider whether, in the public interest, we should make a report on any matters coming to our notice in the course of our audit, in order for it to be considered by Members or brought to the attention of the public; and whether the public interest requires any such matter to be made the subject of an immediate report rather than at completion of the audit.

At this stage there are no matters that we wish to report.

Appendix 1: Key elements of our financial statements audit approach



Appendix 2: Independence and objectivity requirements

ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF EAST SUSSEX COUNTY COUNCIL

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Ltd's ('PSAA's') Terms of Appointment relating to independence and the requirements of the FRC Ethical Standard and General Guidance Supporting Local Audit (Auditor General Guidance 1 – AGN01) issued by the National Audit Office ('NAO').

This Appendix is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses: General procedures to safeguard independence and objectivity; Breaches of applicable ethical standards; Independence and objectivity considerations relating to the provision of non-audit services; and Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values; Communications; Internal accountability; Risk management; and Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to the authority and its affiliates for professional services provided by us during the reporting period. Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out in the following.

Analysis of Non-audit services for the year ended 31 March 2018

Description of scope of services	Principal threats to independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2018	Value of Services Committed but not yet delivered
				£000	£000
Audit of TeachersPensions and NCTL returns	Self Review; assumption of management responsibility	KPMG audit staff will be used for performing the engagement, however the staff have not been involved in the preparation of the TPS/NCTL returns for the client, nor will the statutory audit of the Council financial statements concluded on the grant workal ready	Fixed fee as agreed in engagement letter	£0	£6,000

Appendix 2: Independence and objectivity requirements

Appropriate approvals have been obtained from PSAA for all non-audit services above the relevant thresholds provided by us during the reporting period. In addition, we monitor our fees to ensure that we comply with the 70% non-audit fee cap set by the NAO.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

Confirmation of audit independence

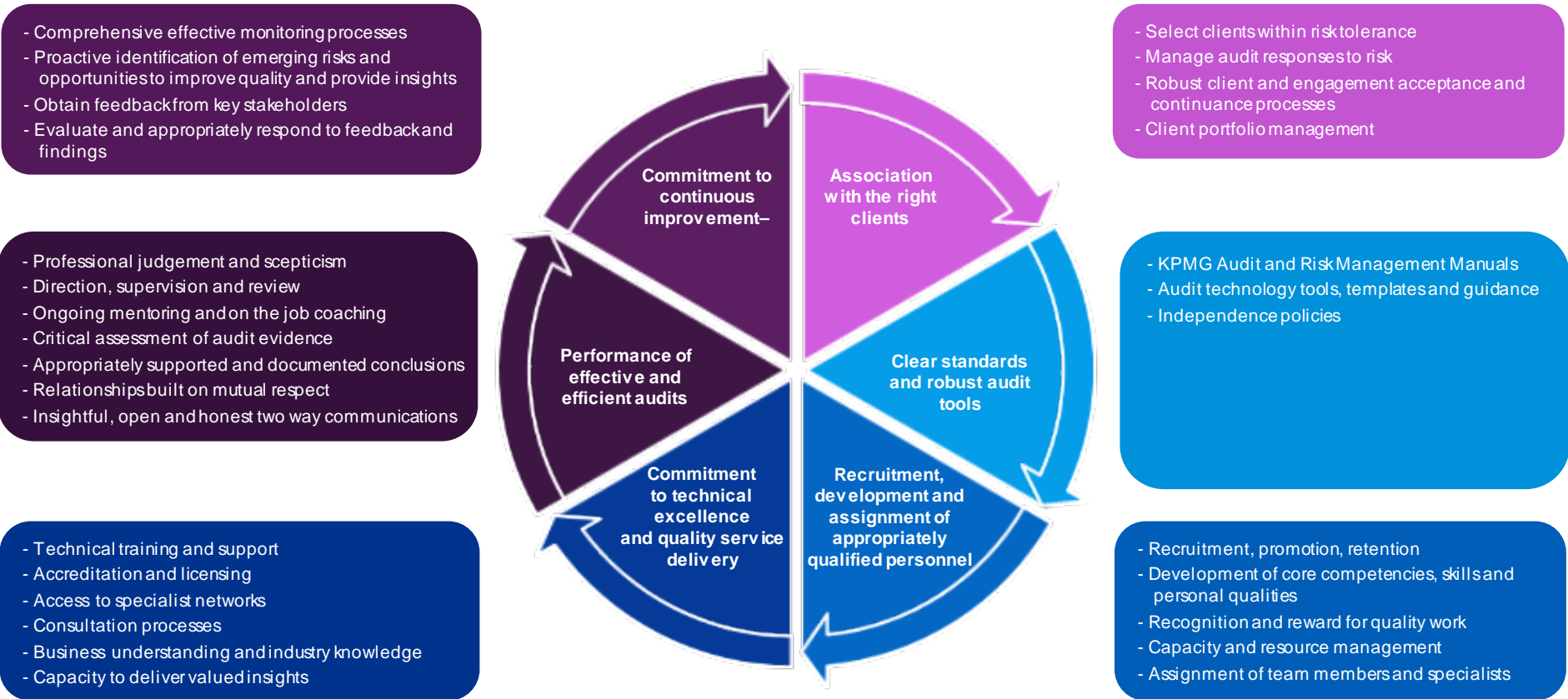
We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This report is intended solely for the information of the Scrutiny Committee for Audit, Best Value and Community Services of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Appendix 3: Quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework





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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment’s website (www.psa.co.uk).

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

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG’s work, in the first instance you should contact Joanne Lees the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG’s work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA’s complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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Report to: **Cabinet**

Date: **24 April 2018**

By: **Chief Operating Officer**

Title of report: **Internal Audit Strategy and Annual Plan 2018/19**

Purpose of report: **To present the Council's Internal Audit Strategy and Annual Plan 2018/19**

RECOMMENDATIONS

Cabinet is recommended to review and endorse the Council's Internal Audit Strategy and Plan 2018/19

1. Background

1.1 The Council's Internal Audit Strategy and Annual Plan 2018/19 (Annex A) sets out how the Council will meet its statutory requirements for internal audit, as defined within the Accounts and Audit Regulations 2015. The Strategy proposes an approach based on focussing audit resources in those areas where the highest risk to the achievement of the Council's objectives lies. These areas have been identified and prioritised based on the Council's own risk assessment processes (including the Strategic Risk Register) and following extensive consultation with officers, Members and other stakeholders.

1.2 A workshop was held with Members of the Audit, Best Value and Community Services Scrutiny Committee on 23 January 2018 and comments made have been fed into the planning process.

Supporting Information

2.1 As with the previous year, we have sought to focus our audit and assurance activity on supporting the delivery of the Council's four overarching priority outcomes, namely:

- Driving economic growth;
- Keeping vulnerable people safe;
- Helping people help themselves;
- Making best use of resources.

2.2 The Strategy and Plan will be delivered in line with proper internal audit practices as set out within Public Sector Internal Audit Standards (PSIAS).

2.3 The Internal Audit Charter, a revised version of which was approved by the Audit, Best Value and Community Services Scrutiny Committee on 22 March 2018, sets out the scope and responsibility of internal audit.

3. Conclusions and Reasons for Recommendations

3.1 Cabinet is asked to review and endorse the Internal Audit Strategy and Plan 2018/19 which was previously endorsed by the Audit Best Value and Community Services Scrutiny Committee at its meeting on 22 March 2018.

Kevin Foster, Chief Operating Officer
Contact Officers: Russell Banks

Tel No. 01273 481447

BACKGROUND DOCUMENTS

Internal Audit Strategy and Annual Audit Plan 2018/19

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Internal Audit Strategy and Annual Audit Plan 2018-2019

1. Role of Internal Audit

1.1 The full role and scope of the Council’s Internal Audit Service is set out within the Internal Audit Charter and Terms of Reference, the latest version of which is attached to this Strategy as Appendix B.

1.2 The mission of Internal Audit, as defined by the Chartered Institute of Internal Auditors (CIIA), is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. Internal Audit is defined as *“an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”*

2. Risk Assessment and Audit Planning

2.1 East Sussex County Council’s Internal Audit Strategy and Annual Audit Plan is updated annually and is based on a number of factors, especially management’s assessment of risk (including that set out within the strategic and departmental risk registers) and our own risk assessment of the Council’s major systems and other auditable areas. This allows us to prioritise those areas to be included within the audit plan on the basis of risk.

2.2 The update of the annual plan for 2018/19 has involved extensive consultation with a range of stakeholders, to ensure that their views on risks and current issues, within individual directorates and corporately, are identified and considered. In order to ensure that the most effective use is made of available resources, to avoid duplication and to minimise service disruption, every effort has been made to identify, and where possible, rely upon, other sources of assurance available. The following diagram sets out the various sources of information used to inform our 2018/19 audit planning process:



2.3 In order to ensure audit and assurance activity is properly focussed on supporting the delivery of the Council’s priorities, the format of the audit plan has been aligned to the four key corporate priorities of the Council.

2.4 In producing the audit plan (which is set out in Appendix A to this report) the following key principles continue to be applied:

- All key financial systems are subject to a cyclical programme of audits covering, as a minimum, compliance against key controls;
- Previous reviews which resulted in 'minimal assurance' audit opinions will be subject to a specific follow-up review to assess the effective implementation by management of agreed actions. This will also include a number of previous reviews with a 'partial assurance' opinion where deemed necessary or where the area under review is considered to be of a higher risk nature.

2.5 In addition, formal action tracking arrangements are in place to monitor the implementation by management of all individual high risk recommendations, with the results of this work reported to the Audit, Best Value and Community Services Scrutiny Committee on a quarterly basis.

2.6 During the last two years, Surrey County Council, East Sussex County Council and Brighton and Hove City Council have been working together to develop and form the Orbis Partnership, covering a range of business services, including internal audit. This work has resulted in the formation of a single, integrated internal audit service from April 2018, involving three locality based teams supported by two specialist teams in the areas of ICT audit and counter fraud. It is our ambition that this will provide greater resilience and capacity for our partner councils whilst also building on existing high quality services.

3. Key Issues

3.1 In times of significant transformation, organisations must both manage change effectively and ensure that core controls remain in place. In order to respond to the continued reduction in financial resources and the increased demand for services, the Council needs to consider some radical changes to its service offer in many areas.

3.2 Internal Audit must therefore be in a position to give an opinion and assurance that covers the control environment in relation to both existing systems and these new developments. It is also essential that this work is undertaken in a flexible and supportive manner, in conjunction with management, to ensure that both risks and opportunities are properly considered. During 2018/19, a number of major organisational initiatives are featured within the audit plan, with the intention that Internal Audit is able to provide proactive advice, support and assurance as these programmes progress. These include:

- East Sussex Better Together / Accountable Care
- Connecting For You
- Pension Fund Access Pool
- Orbis

3.3 In recognition that in some cases, sufficient information regarding the full extent of future changes and associated risks may not yet be known, the 2018/19 audit plan includes a proportion of time classified as 'Emerging Risks'. This approach has been adopted to enable Internal Audit to react appropriately throughout the year as new risks materialise and to ensure that expertise in governance, risk and internal control can be utilised early in the change process.

3.4 In view of the above, Internal Audit will continue to work closely with senior management and Members throughout the year to identify any new risks and to agree how and where audit resources can be utilised to best effect.

3.5 Other priority areas identified for inclusion within the audit plan include:

- Community Infrastructure Levy
- Apprenticeship Levy
- Home to School Transport
- Supply Chain Management
- General Data Protection Regulations
- Budget Management
- Capital
- Property Investment

3.6 The results of all audit work undertaken will be summarised within quarterly update reports along with any common themes and findings arising from our work.

4. Counter Fraud

4.1 Managing the risk of fraud and corruption is the responsibility of management. Internal Audit will, however, be alert in all its work to risks and exposures that could allow fraud or corruption and will investigate allegations of fraud and corruption in line with the Council's Anti-Fraud and Corruption Strategy.

4.2 The Chief Internal Auditor should be informed of all suspected or detected fraud, corruption or irregularity in order to consider the adequacy of the relevant controls and evaluate the implication for their opinion on the control environment.

4.3 In addition, Internal Audit will promote an anti-fraud and corruption culture within the Council to aid the prevention and detection of fraud. Through the work of the Counter Fraud Team, Internal Audit will maintain a fraud risk assessment and deliver a programme of proactive and reactive counter fraud services to help ensure that the Council continues to protect its services from fraud loss.

5. Matching Audit Needs to Resources

5.1 The overall aim of the Internal Audit Strategy is to allocate available internal audit resources so as to focus on the highest risk areas and to enable an annual opinion to be given on the adequacy and effectiveness of the Council’s framework of governance, risk management and control.

5.2 In addition to this, resources have been allocated to the external bodies for whom Orbis Internal Audit also provide internal audit services, at an appropriate charge. These include Horsham District Council, Elmbridge District Council, East Sussex Fire Authority and South Downs National Park.

5.3 Internal audit activities will be delivered by a range of staff from across the Orbis Internal Audit Service, maximising the value from a wide range of skills and experience available. In the small number of instances where sufficient expertise is not available from within the team, mainly in highly technical areas, externally provided specialist resources will continue to be utilised.

5.4 The following table summarises the level of audit resources expected to be available for East Sussex County Council in 2018/19 (expressed in days), compared to the equivalent number of planned days in previous years. Whilst the overall level of resource has reduced for 2018/19, as part of the Internal Audit contribution towards planned organisational savings, it is still considered to be sufficient to allow Internal Audit to deliver its risk based plan in accordance with professional standards¹ and to enable the Chief Internal Auditor to provide his annual audit opinion. Any impacts of such a reduction have been mitigated as far as possible through efficiencies and additional resilience offered from the Orbis partnership as explained above.

Table 1: Annual Internal Audit Plan – Plan Days

	2015/16	2016/17	2017/18	2018/19
Plan Days	1,602	1,532	1,583	1,417

6. Audit Approach

6.1 The approach of Internal Audit is to use risk based reviews, supplemented in some areas by the use of compliance audits and themed reviews. All audits have regard to management’s arrangements for:

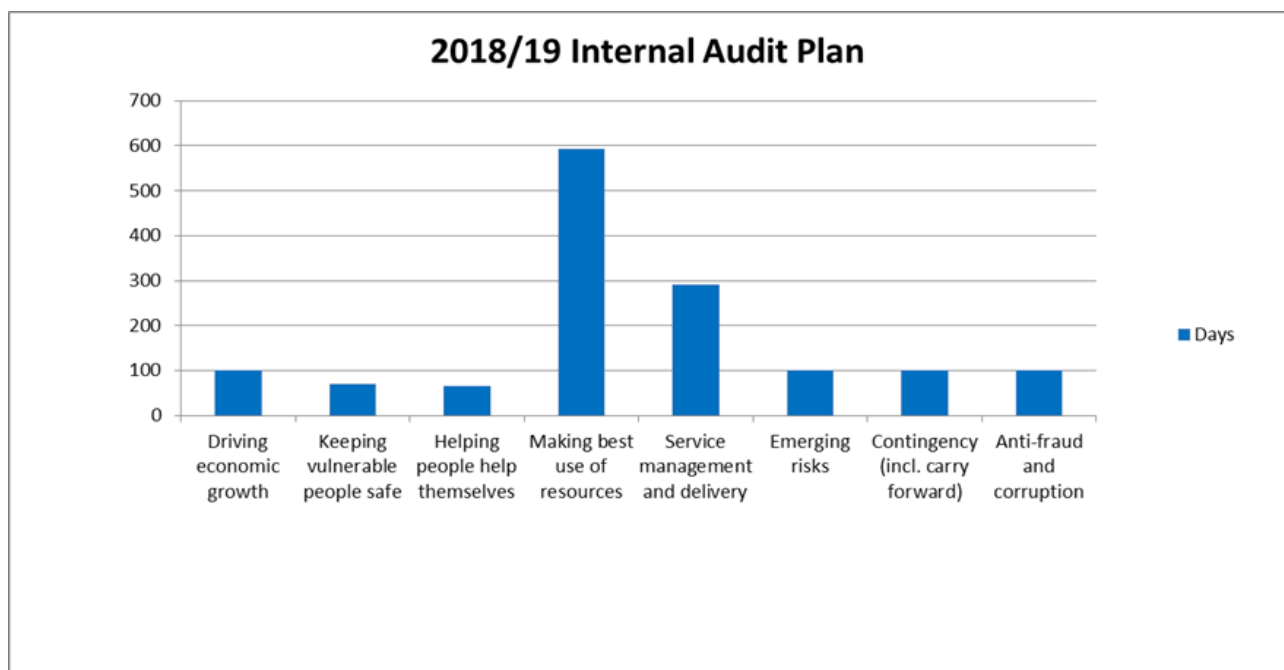
- Achievement of the organisation’s objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

¹ Public Sector Internal Audit Standards (PSIAS)
East Sussex County Council

6.2 In addition to these audits, and the advice on controls given on specific development areas which are separately identified within the plan, there are a number of generic areas where there are demands upon Internal Audit, some of which cannot be planned in advance. For this reason, time is built into the plan to cover the following:

- Contingency – an allowance of days to provide capacity for unplanned work, including special audits and management investigations. This contingency also allows for the completion of work in progress from the 2017/18 plan;
- Advice, Management, Liaison and Planning - an allowance to cover provision of ad hoc advice on risk, audit and control issues, audit planning and annual reporting, ongoing liaison with service management and Members, and audit management time in support of the delivery of all audit work, planned and unplanned.

6.3 A summary of the allocation of audit resources (days) across the 2018/19 audit plan is set out in the following chart:



6.4 In delivering this strategy and plan, we will ensure that liaison has taken place with the Council's external auditors, Grant Thornton, to ensure that the use of audit resources is maximised, duplication of work is avoided, and statutory requirements are met.

7. Training and Development

7.1 The effectiveness of the Internal Audit Service depends significantly on the quality, training and experience of its staff. Training needs of individual staff members are identified through a formal performance and development process and are delivered and monitored through on-going management supervision.

7.2 The team is also committed to coaching and mentoring its staff, and to providing opportunities for appropriate professional development. This is reflected in the high proportion of staff holding a professional internal audit or accountancy qualification.

8. Quality and Performance

8.1 With effect from 1 April 2013, all of the relevant internal audit standard setting bodies, including CIPFA, adopted a common set of Public Sector Internal Audit Standards (PSIAS). These are based on the Institute of Internal Auditors International Professional Practices Framework and replace the previous Code of Practice for Internal Audit in Local Government.

8.2 Included within the new Standards is the requirement for the organisation to define the terms 'Board' and 'senior management' in the context of audit activity. This has been set out within the Internal Audit Charter, which confirms the Audit, Best Value and Community Services Scrutiny Committee's role as the Board.

8.3 The PSIAS require each internal audit service to maintain an ongoing quality assurance and improvement programme based on an annual self-assessment against the Standards, supplemented at least every five years by a full independent external assessment. The outcomes from these assessments, including any improvement actions arising, will be reported to the Audit, Best Value and Community Services Scrutiny Committee, usually as part of the annual internal audit report. For clarity, the Standards specify that the following core principles underpin an effective internal audit service:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives, and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- Is insightful, proactive, and future-focused;
- Promotes organisational improvement.

8.4 In addition, the performance of Orbis Internal Audit continues to be measured against key service targets focussing on service quality, productivity and efficiency, compliance with professional standards, influence and our staff. These are all underpinned by appropriate key performance indicators as set out in Table 2 below.

8.5 At a detailed level each audit assignment is monitored and customer feedback sought. There is also ongoing performance appraisals and supervision for all Internal Audit staff during the year to support them in achieving their personal targets.

8.6 In addition to the individual reports to management for each audit assignment, reports on key audit findings and the delivery of the audit plan are made to the Audit, Best Value and Community Services Scrutiny Committee on a quarterly basis. An Annual Internal Audit Opinion is also produced each year.

8.7 Whilst Orbis Internal Audit liaises closely with other internal audit services through the Sussex and Surrey audit and counter fraud groups, the Home Counties Chief Internal Auditors' Group and the County and Unitary Chief Auditors' Network, we are continuing to develop joint working arrangements with other local authority audit teams to help improve resilience and make better use of our collective resources.

Table 2: Performance Indicators

Aspect of Service	Orbis IA Performance Indicators	Target
Quality	<ul style="list-style-type: none"> Annual Audit Plan agreed by Audit Committee Annual Audit Report and Opinion Satisfaction levels 	<p>By end April</p> <p>To inform AGS 90% satisfied</p>
Productivity and Process Efficiency	<ul style="list-style-type: none"> Audit Plan – completion to draft report stage by 31 March 2019 	90%
Compliance with Professional Standards	<ul style="list-style-type: none"> Public Sector Internal Audit Standards Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act 	<p>Conforms</p> <p>Conforms</p>
Outcomes and degree of influence	<ul style="list-style-type: none"> Implementation of management actions agreed in response to audit findings 	95% for high priority
Our Staff	<ul style="list-style-type: none"> Professionally Qualified/Accredited 	80%

Russell Banks
Orbis Chief Internal Auditor

INTERNAL AUDIT PLAN

2018-19



Council Priority:

Driving Economic Growth

Review Name	Outline Objective
Schools	We will continue our audit coverage in schools, which will involve a range of assurance work, including key controls testing in individual schools, follow-ups of previous audit work and themed reviews. In addition, we will continue to work with Children's Services colleagues to help improve the level of scrutiny and challenge provided by school governors, including the provision of more robust and focussed training. We will also work with our Orbis partners to provide bulletins and guidance for schools.
Parking	A review to assess the various aspects of the parking arrangements in East Sussex, where there are risks of invalid payments, poor performance (in relation to contract management) and also inadequate income collection procedures, resulting in financial loss to the Authority. The audit will include contract management, budget and financial management, Penalty Charge Notices, signage, income and cash collection.
Community Infrastructure Levy	A review to ensure that the Community Infrastructure Levy application and bidding process is operating effectively to maximise the Council's ability to secure funding, including assurance that funds received are used appropriately and that there are appropriate linkages with the Capital Programme.

INTERNAL AUDIT PLAN

2018-19



Council Priority:

Keeping Vulnerable People Safe

Review Name	Outline Objective
Impact of Savings Plans	With the continued savings having to be made by local authorities, this review will seek to provide assurance that the affects of savings plans within services have been properly assessed, particularly in terms of risk and impact on the control environment and that, where this has happened, appropriate mitigation has been implemented.
Home to School Transport (HTST)	Following on from the 17/18 review, which focussed on the application of eligibility criteria to determine whether children receive the right level of assistance, this audit will review the processes in place in relation to the provision of home to school transport. Risks associated with non-transparent procurement processes (and non-compliance with Procurement Standing Orders), inadequate service provider checks putting the safety of children at risk, budget overspends and inappropriate/invalid payments. The scope of this review will therefore include commissioning/procurement, service delivery, financial management, payments and child safety.
Building Condition (Asset Management)	A review to assess the adequacy of arrangements in place to ensure ESCC building assets are safe and comply with Building / Health and Safety regulations, where inadequate arrangements could result in fires, accidents, illness and possibly death. This will include a review of the proactive maintenance programme and hence, the maintenance prioritisation process.

INTERNAL AUDIT PLAN

2018-19



Council Priority:

Helping People Help Themselves

Review Name	Outline Objective
East Sussex Better Together / Accountable Care	Continued audit advice, support and assurance in relation to ESBT and the move towards an Accountable Care Model. We will work with ASC and Finance colleagues to identify key areas of support to help provide assurance that a sufficiently robust framework of control exists in this complex area of health and social care integration, where there is a risk that the Council and its partners fail to deliver planned outcomes, value for money or savings targets by joining up health and social care. This follows our 17/18 work on Commissioning and Pooled Budget arrangements within ESBT.
Connecting 4 You	Connecting 4 You is a programme that builds on work to improve local health and social care for the population of High Weald, Lewes and the Havens, led by the local CCG and ESCC. This review will examine governance arrangements, funding & budget management, information governance and risk management.
Transition of Young People Into Adult Social Care	Young people moving from children's to adults' services are eligible for help and advice from the transition service. Where the Council does not meet its statutory responsibilities in this area, the health and wellbeing of service users may suffer, particularly when preventative measures have been withdrawn as a result of spending cuts. This audit will review joint working protocols between Adult Social Care and Children's Services, and documented transition processes including the undertaking of relevant assessments, joint transition planning, financial planning & monitoring of outcomes.

INTERNAL AUDIT PLAN

2018-19



Council Priority:	Making Best Use of Resources
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Review Name	Outline Objective
Accounts Payable	A key financial system. To review controls relating to the procure-to-pay process, including those in place for ensuring the accuracy of vendor details, the processing of invoices, goods receipting and promptness of payments. The audit will also include a review of the Council's electronic invoicing system, Taulia, which has not previously been audited.
Accounts Receivable	A key financial system. This audit will provide assurance over the key controls operating within the Accounts Receivable system, including those in place for ensuring the accuracy of customer details, the accuracy of invoicing, the recording and matching of payments to invoices, and recovery. Following the restructure within Business Ops, the scope of the audit will also include a review of the allocation of roles and responsibilities.
Debt Management within Deferred Payment Arrangements Follow-Up	A follow-up review of the 2017/18 Debt Management audit which received an audit opinion of partial assurance.
HR/Payroll	A key financial system audit. To review controls in relation to the staff payment system, including those relating to starters, leavers, temporary and permanent payments, contractual changes and pre-employment checks.
Pensions Processes and Systems	A key financial system. To review controls in relation to the calculation and payment of pension benefits, transfers to and from the Pension Fund and the collection and recording of pension contributions (incl. contributions from other admitted bodies).
Pension Fund Governance and Investments	A review to assess the adequacy of East Sussex Pension Fund management and governance arrangements.
Pension Fund External Control Assurance	A review to examine arrangements for ensuring the adequacy of the control environment of the Pension Fund investment managers and custodian.
Pension Fund Access Pool	The audit will aim to provide assurance that governance arrangements for the new ACCESS Pension Pool are transparent and that the Council retains input to strategic decisions with regards to the East Sussex Pension Fund, particularly in terms of the investment strategy, where different risk appetites across the pool may result in higher risk investments being made, and potential financial loss.

INTERNAL AUDIT PLAN

2018-19



Review Name	Outline Objective
Treasury Management (TM)	A key financial system. To review controls relating to the borrowing and lending arrangements as part of the TM process. In addition, the review will assess governance arrangements, including responsibilities and decision-making following the recent expansion of the TM strategy and investment approach.
General Ledger	A key financial system audit. To review controls in relation to the Council's general ledger, including year-end procedures, journal transfers and bank reconciliation.
Adult Social Care Liquidlogic (LAS) and Controcc	A review to assess the adequacy of controls within the LAS (client information and management system for Adults) and Controcc (the social care payments and billing system).
Children's Social Care Liquidlogic (LCS) and Controcc	A review to assess the adequacy of controls within the LCS (client information and case management system for Children) and Controcc (the social care payments and billing system).
Staff Travel and Expenses	A continuation of the work we have already undertaken in 2017/18 in this area, to review the controls associated with all methods of staff travel and expenses, including (but not limited to) mileage claims, travel warrants, season tickets, workplace travel allowances and purchasing cards, where there are clear risks of financial loss to the Council through fraud or error.
Contract Management	Inadequate contract management can result in poor performance and service delivery, and inappropriate payments. We shall undertake a review of a sample of high risk contracts and, if applicable, joint contracts across the Orbis footprint. We will also review the process for undertaking due diligence of contractors, including their resilience (following the collapse of Carillion), both pre and post contract award. Where appropriate, this review will follow-up on weaknesses identified as part of previous audit work in this area, to ensure these have been adequately addressed.
Apprenticeship Levy	<p>The Apprenticeship Levy, introduced in April 2017, changes the way the government funds apprenticeships in England. As a result, the way the Council accesses funding and training for apprenticeships has also changed.</p> <p>This audit will seek to provide assurance over the arrangements for calculating and accounting for the Apprenticeship Levy and for ensuring the funds for</p>

INTERNAL AUDIT PLAN 2018-19



Review Name	Outline Objective
	apprenticeship training are spent in a timely manner and in accordance with the Department for Education's Apprenticeship Funding Policy.
Supply Chain Management	A review to provide assurance that the Council has appropriate arrangements in place to ensure there is sufficient awareness of the markets in which it operates and the effect of the Council's activities on them. It will review key areas of risk, including levels of supply and demand, sustainability and pricing across supply chains, where we are reliant on other organisations for the provision of our services. We shall also look at ethical procurement.
Ongoing Support for Procurement Transformation	Continuing our work to support the Procurement Service as its new structures and processes bed in.
SAP Application Controls	An audit to evaluate the adequacy and effectiveness of the key configuration settings and access restriction mechanisms to a variety of sensitive transactions in SAP, where there are risks associated with inappropriate and unauthorised access and the unauthorised processing of transactions, potentially resulting in financial loss, data protection issues and malicious damage.
Third Party Services	The Council is exposed to clear risks associated with parts of the organisation trading with third party IT providers without our own IT and Digital Department being aware (particularly where cloud based services are procured and used), and therefore unable to implement adequate information governance and security controls. This review will therefore assess the adequacy of, and compliance with, Council policy in this area and, where non-compliance is identified, whether the associated risks have been properly considered and managed.
General Data Protection Regulations (GDPR) Compliance	A review to assess compliance with the General Data Protection Regulations, where there is a risk of non-conformance and ensuing regulatory sanctions, including financial penalties, under the new regime. This follows our work on the Council's preparedness for GDPR in 2017/18.
IT and Digital Project Management	To review the project management arrangements for a sample of high priority/risk projects.
BACS	A review of the Council's BACS arrangements, where inadequate controls could result in the unauthorised amendment of BACS files and subsequent inappropriate payments.

INTERNAL AUDIT PLAN

2018-19



Review Name	Outline Objective
Budget Setting and Monitoring	<p>The continued savings agenda means that the setting of realistic and properly informed budgets is ever more important. Where budgets are developed without using all relevant information, they are more likely to overspend, resulting in increased pressure on Council services.</p> <p>This review will appraise the process for the development of a select set of high risk budgets, particularly in terms of how they are calculated and the evidence-base available to support this, and the programme in place to monitor progress and, where appropriate, take corrective action, throughout the year.</p>
Orbis Integrated Budget Management	<p>This review will assess budget management arrangements since the introduction of Brighton and Hove City Council to the Orbis Partnership and the associated risks, including (but not limited to) a lack of clear accountability and roles and responsibilities, poor quality information resulting in poor decision making, the use of disparate financial systems increasing the risk of error in budget management reports, and different accounting policies resulting in inconsistency or error in identifying and apportioning all relevant costs.</p>
Risk Based Budget Monitoring	<p>Following the introduction of a consistent, Orbis-wide risk-based approach to budget monitoring (for staff and non-staff budgets) based on factors such as size (£), volatility, complexity, budget holder experience etc., a review will be undertaken to assess these arrangements, where there is a risk that this selective approach could result in other budget areas being poorly managed as a result.</p>
Orbis Policy Review	<p>In 2017, a review was undertaken to identify and evaluate a range of key policy documents across Orbis (which, at the time, was East Sussex County Council and Surrey County Council) in order to identify any inconsistencies which could lead to issues such as confusion for staff and managers, inappropriate decision making and HR disputes. Since then, Brighton and Hove City Council have also joined Orbis and there is a need to review its key policies in order to identify and highlight any discrepancies that could cause the above risks to materialise.</p>

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Review Name	Outline Objective
Atrium (Property Asset Management System)	Atrium is the property asset management system used by the Council. Last year, the first of a number of modules (Works Delivery module) was implemented and we provided assurance that the risks associated with the implementation of this were properly managed. We will therefore review the operation of controls within the Works Delivery module now that it is embedded, and also provide assurance over the implementation of any new modules.
Grants	We will continue to undertake grant certification work where the Authority has bid for grant funding. In many instances, certification is required by the grant funding body prior to reimbursing the funds or prior to applying for further grants. Wherever possible, we will seek to ensure we are able to recover the costs of this work through the bidding process.
Property Investment	We will review the governance arrangements associated with the Council's Property Investment Strategy, including risk management and the criteria for decision-making, where inappropriate decisions and an inability to manage risk in this area could result in detrimental financial implications for the Council.
Capital	A review of capital programme management and monitoring, including in relation to overall governance of the programme and individual projects, where there are risks associated with lack of robust monitoring and control of projects at a corporate and local level, ineffectual budgetary control, insufficient and inadequate management information, and slippage (and the associated costs of unnecessary borrowing).
Anti-Fraud and Corruption	To cover the investigation of fraud and irregularities as well as proactive work including the National Fraud Initiative (NFI) data matching exercise.
Cultural Compliance Reviews	As part of a number of audit reviews and investigations, we have identified instances of certain gaps in management control, including travel claim approval, return to work/attendance management, leaver processing (and subsequent overpayments), and SAP workflow approval etc. This review will therefore aim to provide assurance over compliance with these basic management controls within teams across the organisation, using analytical review to inform audit testing.

INTERNAL AUDIT PLAN

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Review Name	Outline Objective
Buzz Active	<p>Buzz Active provides outdoor activities to the people of East Sussex generating gross income of £300,000 in 2016/17. Risks relating to an establishment of this nature include inappropriate expenditure, poor budget management, failure to identify and collect all income due and the inability to safeguard assets. We will therefore seek to provide assurance that these areas are appropriately managed and controlled.</p>

INTERNAL AUDIT PLAN

2018-19



Service Management and Delivery

Review Name	Outline Objective
Annual Report and Opinion, and Annual Governance Statement	Creation of Annual Report and Opinion / Annual Governance Statement.
Action Tracking	Ongoing action tracking and reporting of agreed, high risk actions.
Audit Committee and other Member Support	Ongoing liaison with Members on internal audit matters and attending Audit Committee meetings and associated pre-meetings.
Audit and Fraud Reporting	Production of periodic reports to management and Audit Committee covering results of all audit and anti-fraud activity.
Audit and Fraud Management	Overall management of all audit and counter fraud activity, including work allocation, work scheduling and Orbis Audit Manager meetings.
Client Support and Advice	Ad hoc advice, guidance and support on risk, internal control and governance matters provided to clients and services throughout the year.
Orbis IA Developments	Audit and corporate fraud service developments, including quality improvement and ensuring compliance with Public Sector Internal Audit Standards.
Organisational Management Support	Attendance and ongoing support to organisational management meetings, e.g. Financial Management Team (FMT), Statutory Officers Group (SOG).
Client Service Liaison	Liaison with clients and departmental management teams throughout the year.
External Liaison	Liaison with external auditors and other external bodies, including attendance at regional and national audit groups and counter fraud hubs.
Strategy and Annual Audit Planning	Development and production of the Internal Audit Strategy and Annual Audit Plan, including consultation with management and Members.
System Development and Administration	Development and administration of Audit and Fraud Management systems.