



AUDIT, BEST VALUE AND COMMUNITY SERVICES SCRUTINY COMMITTEE

THURSDAY, 22 MARCH 2018

10.00 am COMMITTEE ROOM - COUNTY HALL, LEWES

MEMBERSHIP - Councillor Colin Swansborough (Chair)
Councillors John Barnes (Vice Chair), Matthew Beaver, Philip Daniel,
Gerard Fox, Peter Pragnell and Andy Smith

A G E N D A

- 1 Minutes of the meeting held on 29 November 2017 (*Pages 3 - 12*)
- 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.

Audit Items

- 5 External Audit Plan 2017/18 (*Pages 13 - 30*)
Report by the Chief Finance Officer.
- 6 External Audit Plan for East Sussex Pension Fund 2017/18 (*Pages 31 - 44*)
Report by the Chief Finance Officer.
- 7 Internal Audit 2017/18 Progress Report - Quarter 3 (*Pages 45 - 58*)
Report by the Chief Operating Officer.
- 8 Internal Audit Strategy and Annual Plan 2018/19 (*Pages 59 - 84*)
Report by the Chief Operating Officer.
- 9 Strategic Risk Monitoring 2017/18 - Quarter 3 (*Pages 85 - 88*)
Report by the Chief Operating Officer.

Scrutiny Items

- 10 Reconciling Policy, Performance and Resources (RPPR) 2018/19 (*Pages 89 - 92*)
Report by the Chief Executive.
- 11 Former St. Anne's School site, Lewes: Update report (*Pages 93 - 98*)
Report by the Chief Property Officer.

- 12 Property Asset Disposal and Investment Strategy (*Pages 99 - 118*)
Report by the Chief Operating Officer.
- 13 General Data Protection Regulation (GDPR) Preparedness (*Pages 119 - 122*)
Report by the Chief Operating Officer.
- 14 Scrutiny committee future work programme (*Pages 123 - 128*)
- 15 Forward Plan (*Pages 129 - 136*)
The Forward Plan for the period to 30 June 2018. The Committee is asked to make comments or request further information.
- 16 Any other items previously notified under agenda item 4

PHILIP BAKER
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14 March 2018

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Agenda Item 1

AUDIT, BEST VALUE AND COMMUNITY SERVICES SCRUTINY COMMITTEE

MINUTES of a meeting of the Audit, Best Value and Community Services Scrutiny Committee held at Committee Room, County Hall, Lewes on 29 November 2017.

PRESENT Councillors Colin Swansborough (Chair), John Barnes (Vice Chair), Matthew Beaver, Philip Daniel, Gerard Fox, Peter Pragnell and Andy Smith

LEAD MEMBERS Councillors David Elkin, Keith Glazier and Bill Bentley

ALSO PRESENT Becky Shaw, Chief Executive
Kevin Foster, Chief Operating Officer
Ian Gutsell, Chief Finance Officer
Russell Banks, Chief Internal Auditor
Nigel Chilcott, Senior Audit Manager
Sarah Mainwaring, Head of HR and Organisational Development
Ola Owolabi, Head of Pensions
Adrian Stockbridge, Orbis Programme Manager
Nick Skelton, Assistant Director Communities

28 MINUTES OF THE MEETING HELD ON 27 SEPTEMBER 2017

28.1 Councillor Philip Daniel asked whether minute 25.1, of the previous minutes concerning the former St. Anne's school site, meant a report will come to March 2018 Committee meeting whether there has been change in status of the site or not. It was clarified that there will be report even if there has been no change in status.

28.2 The Committee RESOLVED to approve as correct record the minutes of the meeting held on the 27 September 2017.

29 APOLOGIES FOR ABSENCE

29.1 There were no apologies for absence.

30 DISCLOSURES OF INTERESTS

30.1 There were none.

31 URGENT ITEMS

31.1 None notified.

32 INTERNAL AUDIT 2017/18 PROGRESS REPORT - QUARTER 2

32.1 The Chief Internal Auditor introduced report and explained the background to the items covered by recommendation 3 of the report. In particular, the need to carry out an external assessment of the Internal Audit function under the Public Sector Internal Audit Standards (PSIAS), which it is proposed to be carried out by South West Audit Partnership (SWAP). The Committee is also being asked to approve:

- The updated performance indicators (appendix 3);
- A revised Internal Audit Charter, which is very similar to the existing Charter but has been updated for use across the Orbis partnership (appendix 4); and
- An Orbis Internal Audit reporting and escalation policy which formalises existing processes (appendix 5).

32.2 The Committee asked if the South West Audit Partnership (SWAP) were able to provide an independent approach to the external assessment, as they are a local authority organisation. The Chief Internal Auditor explained that the selection process had carefully considered how best to undertake the external assessment and the preferred approach was to carry out a self-assessment with independent validation by SWAP. SWAP has experience of carrying out such assessments and complies with professional standards.

32.3 The Committee discussed the outcomes of the internal audits undertaken during quarter 2 (appendix 1) and made the following comments.

Procurement Cards (P-Cards)

32.4 The Committee commented that the number of cases of inappropriate use appeared quite low and asked whether the Council get better value from this expenditure. The Chief Internal Auditor explained that it was not possible to review all the transactions due to the large volume, but a representative sample was examined. Overall, the scale of potential inappropriate activity was low given the value of transactions. Some of the transactions were referred back to the departments concerned, to check that the transaction or use of the card was reasonable. Departments can then refer any inappropriate transactions back to the Internal Audit team for investigation.

32.5 The Chief Operating Officer outlined that an analysis of the value for money of expenditure on P-Cards had been undertaken as part of a previous audit, and a procurement analysis of low value 'tail end' expenditure had been carried out. The savings and costs avoided are monitored through a procurement annual report to the Corporate Management Team and performance indicator monitoring.

Bankline

32.6 The Committee asked if the business continuity arrangements and improvements in control had been implemented. The Senior Audit Manager responded that at the time of writing a follow up to the audit had not been undertaken, but there were no high risk recommendations that required action. The Chief Internal Auditor outlined that the Internal Audit Team would not usually immediately follow up audits that achieved a 'substantial' or 'reasonable' assurance opinion (where there are medium or low risk recommendations), but will check to see if the agreed actions arising from the audit have been implemented and report back to Committee.

Follow up of audit recommendations

32.7 The Committee asked for clarification on which audit recommendations will be followed up and reported back to the Committee (e.g. actions recommended for the LCS/Controcc and the Social Care audits).

32.8 The Chief Internal Auditor clarified that any audits below 'minimal' assurance will have a follow up audit which is reported back to the Committee. All progress on high risk recommendations is also reported to the Committee. There is some judgement exercised in what other items from audits are reported back to the Committee. This will depend on the risk and profile of the service being audited, as well as how responsive management is to implementing changes.

Internal Audit Performance Indicators

32.9 The Committee noted that Audit Plan performance indicator was rated as amber. The Senior Audit Manager responded that the team had carried out additional audits and investigations which have had an impact on performance against the Internal Audit Plan during the quarter. He was confident that the Internal Audit Team will achieve the target of 90% completion of audits by the end of the year.

32.10 The Committee RESOLVED to:

- 1) Note the report;
- 2) Request follow up information on the actions from the Bankline audit; and
- 3) Approve the:
 - intention to use the South West Audit Partnership (SWAP) to complete an external assessment of Orbis Internal Audit in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS) – Appendix 2;
 - revised Orbis Internal Audit Key Performance Indicators - Appendix 3;
 - revised Orbis Internal Audit Charter - Appendix 4;
 - Orbis Internal Audit Reporting and Escalation Policy - Appendix 5.

33 ANNUAL AUDIT LETTER 2016/17 AND FEE UPDATE

33.1 The Head of Accounts and Pensions introduced report. He explained that the Council's External Auditors, KPMG had not been able to issue final certificate due to an objection by an elector. This is still under investigation and will be reported back to committee when resolved. There has been no increase in the External Auditor's fee from the financial year 2016/17 to 2017/18.

33.2 The Committee asked for more information on the nature of the objection. The Head of Accounts and Pensions explained that the objection relates to a LOBO (lender option, borrower option) loan and the objector is challenging the rate at which the loan was taken out several years ago, which was higher than present interest rates.

33.3 The Chief Operating Officer outlined that this is a national issue as other local authorities took out LOBO loans at around the same time. KPMG say this is part of a national campaign, and they are collating all the data in order to complete their investigation. This is taking a little longer to complete due to the amount of data needed.

33.4 The Committee asked if the objection is about the original decision to take out the loan. The Chief Finance Officer confirmed that it is, and is about an alleged breach of fiduciary duty to take out loans at a competitive rate. The Committee will be advised when objection has been resolved.

33.5 The Committee RESOLVED to note the Annual Audit Letter and the fee update for 2016/17.

34 TREASURY MANAGEMENT ANNUAL REPORT 2016/17 AND MID YEAR REPORT 2017/18

34.1 The Head of Accounts and Pensions introduced report which reviews the Treasury Management performance for the last financial year and the first six months of the current financial year. During that period investments achieved a 0.62% rate of interest against a Bank of England base rate of 0.25%. The Head of Accounts and Pensions outlined the interest rates that are being paid on the Council's borrowing, and explained that an option had been exercised on a LOBO (lender option, borrower option) loan to fix the interest rate at 4.25%.

Long Term Borrowing

34.2 The Committee noted that the fixing of the interest rate on the LOBO loan will increase the average interest on the Council's long term borrowing, and that the loan maturity profile shows a pinch point in payback periods in around ten to twenty years time. It asked whether there was an opportunity to refinance some of the debt and what the limit was on further borrowing.

34.3 The Head of Accounts and Pensions responded that long term borrowing was kept under regular review and the Council will seek to re-finance and repay loans when opportunities arise. However, there was no opportunity to re-finance at moment and early repayment penalties can be high. The Council's new borrowing is at lower interest rates and some Banks are reviewing their balance sheets, so there may be opportunities in the future to re-finance or repay debt.

34.4 The authorised borrowing limit is £422 million (2016/17) and the Council's borrowing is currently well under this limit at £275 million. It was clarified that borrowing to invest in property would be classed as prudential borrowing, and therefore would not be included as part of the borrowing limit calculation.

Investment Strategy

34.5 The Committee observed that with investments totalling around £300 million, compared with £275 million of debt, residents may on the face of it question why the Council does not repay the loans and save the cost of the interest paid on the debt. The Head of Accounts and Pensions explained that there is an ongoing review of investment and debt, but early repayment of debt incurs penalties, so it is not in the Council's interest to do this at present.

34.6 The Committee discussed whether to review the Treasury Management Strategy to see whether returns on investments for longer term reserves could be improved to generate more income. It also observed that there could be links to property investment as discussed in the Treasury Management briefing session. The Committee asked for a breakdown of investments and longer term reserves to identify where it might be possible to use longer term investments. The Committee also asked for further information on the structure ("laddering") of short term deposits (under 12 months) and whether there was a policy in place for this.

34.7 The Chief Operating Officer outlined that the Treasury Management performance is in line with the current Strategy. However, it is possible to review the Treasury Management risks and liquidity to see whether a change in the Strategy could produce further income and the possible links property investment.

34.8 The Head of Accounts and Pensions explained that most of £300 million is invested in deposits of up to six months maturity and around 10% is invested in six to twelve month deposits. How the money is invested is governed by the Treasury Management Strategy that the Council has in place and more detail can be provided to the Committee at the Committee's Reconciling Policy, Performance and Resources (RPPR) Board.

34.9 The Committee agreed that the RPPR Board should examine the Treasury Management Strategy, with a view to seeing whether it would be possible to improve the income from the Council's investments and the potential links to property investment.

Sovereign Ratings

34.10 The Committee asked why the Strategy has so much detail on sovereign ratings (appendix A) and whether this was due to risk in money market or in case the Council wants to make non-sterling transactions for borrowing or investment. The Head of Accounts and Pensions responded that the Treasury Management Strategy assesses the risk of placing deposits with particular organisations, and it has agreed sovereign ratings as a guide to where the Council could invest. It also provides a guide if there is an opportunity to go outside UK to borrow money if needs be. The Council is not intending to use non-sterling deposits.

Capital Financing Requirement (CFR)

34.11 The Committee noted the changes to accounting rules (Appendix D, paragraph 1.2) relating to finance leases and Private Finance Initiative (PFI) contracts and asked whether these changes had been made due to increased risk. The Head of Accounts and Pensions responded that this was a change of accounting rules, and not a reflection of a risk. Previously PFI contracts were treated as expenditure in the revenue statement. Now they have been recognised as an asset and brought onto the balance sheet with a fixed reserve to cover liability. This has affected the calculation of the CFR and Minimum Revenue Payment (MRP).

34.12 The Committee RESOLVED to:

- 1) Note the Treasury Management performance in 2016/17 incorporating the mid-year review for the first half of 2017/18; and
- 2) Request further information on the Council's investments (paragraph 34.6 above), for the Committee's RPPR Board in December.

35 ORBIS BUSINESS PLAN - UPDATE REPORT

35.1 The Orbis Programme Manager introduced report which gives an update on the development of a revised Business Plan for the Orbis partnership, which now includes Brighton and Hove City Council (BHCC) as well as East Sussex County Council (ESCC) and Surrey County Council (SCC). The Orbis partnership provides a shared service for back office functions (Finance, IT & Digital, Property, Procurement, Human Resources and Business Operations) for the three partners. The draft Orbis Business Plan was presented to the Orbis Joint Committee in October and a final version will be presented to the Orbis Joint Committee in January 2018. The savings for the 2018/19 financial year remain the same as in the original business plan and represent a 17% reduction in baseline budgets.

35.2 The contribution and investment ratios in the original business plan are ESCC 30% and SCC 70%. With BHCC joining Orbis, the contribution ratios are predicted to be in the region of ESCC 24%, SCC 56% and BHCC 20%. The revised business plan provides a ten year vision for Orbis, and includes the financial years 2019/20 and 2020/21 which have been identified as requiring additional savings.

35.3 The Committee asked what input it would be able to have into the final version of the business plan. The Chief Operating Officer outlined that there is a current adopted business plan covering 2018/19 and the Committee could ask through the RPPR process for further savings in 2018/19. If further savings are required then this will have an impact on services. The Committee can also discuss what additional savings the partnership can deliver in 2019/20 to 2020/21 and the impact this would have on particular service areas.

35.4 The Committee noted the requirement for ESCC to make further savings of £36 million over the 2019/20 to 2020/21 financial years and asked if the other partners faced similar financial pressures. The Orbis Programme Manager responded that all three partners have similar financial pressures. SCC is already in the same position as ESCC and BHCC not far from requiring additional savings.

35.5 The Chief Operating Officer commented that the RPPR process next year will tackle this through the areas of search for further savings, but there will be service implications if back office support is reduced further. Orbis is currently developing Service Catalogues which look at where there are areas of choice in service levels and where there are professional standards or statutory guidelines where it is not possible to reduce services further. It will be for the Orbis Joint Committee to oversee how Orbis responds to requirements of the three authorities. The RPPR Board can scrutinise and consider the opportunities for further savings.

35.6 The Lead Member for Resources added that it is important to look at how the Council can make savings without jeopardising day to day services and the ability to make bigger savings. Reductions in the back office services will not bridge the savings gap on their own, and it will be important to consider the risks and ramifications of a weaker service if they are reduced further.

35.7 The Committee RESOLVED to note the progress to date in developing a revised business plan for Orbis and that it is due for completion early in the New Year.

36 EXPENDITURE ON AGENCY WORKERS IN EAST SUSSEX COUNTY COUNCIL 2017

36.1 The Head of Human Resources and Organisational Development introduced the report which reviews the use of and expenditure on agency workers. Agency workers are an important part of the Council's staffing arrangements and ensure ongoing delivery of key services. The report contains details of expenditure and forecasted spend on agency workers across all departments. It also includes details of sickness absence levels, which are linked to the use of agency workers, and provides details of strategies in place to reduce absence levels.

36.2 One significant change since the last report has been the introduction of IR35 regulations regarding the tax treatment of off-payroll workers, who are registered as a limited company. This has resulted in a large amount of work to review existing arrangements and put in place processes to ensure the correct treatment of tax for these workers. An internal audit of the contract management arrangements for the Adecco contract was undertaken in May 2017 and an opinion of 'partial assurance' given. The Head of Human Resources and Organisational Development confirmed that the two high level recommendations have been resolved and significant progress has been made on all the other recommended actions.

36.3 The Committee commented that it was pleased to see sickness absence rates coming down, and noted the work being done on mental health issues. The Committee asked the Head of Human Resources and Organisational Development if she is happy with the amount of work that is being done on mental health and stress issues. The Head of Human Resources and Organisational Development acknowledged that mental health is one of key issues and there may be more work to be done on this issue. However, a number of actions are being undertaken to support staff with mental health issues, including consideration of introducing mental health first aiders. In addition, there are a number of training opportunities and workshops for managers, the intention being to enable managers to spot issues early and therefore provide the right levels of support to staff experiencing mental health and stress issues.

36.4 The Committee asked to what extent flexible working practices are in place across the organisation and how this impacts on the demand for agency workers. The Head of Human

Resources and Organisational Development replied that the Agile programme has introduced a significant amount of flexible working, but there is no evidence of a link to an increased use of agency workers. Most agency workers are used where there is a need to maintain staffing levels, such as for residential services. It is not expected that flexible working will create gaps in staffing provision.

36.5 The Committee requested further information on the size of the contract payments to Adecco and asked whether the contract has a fixed fee. The Head of Human Resources and Organisational Development explained that the contract was awarded after a procurement exercise with Surrey County Council to maximise economies of scale and purchasing power. The Council does not pay a fixed amount, rather, Adecco is a managed service provider for temporary agency workers who provides workers from their own branch and from their network of specialist agencies. They support hiring managers in sourcing candidates from other agencies by managing the relationship on East Sussex County Council's (ESCC) behalf. The Chief Operating Officer added that the contract is a volume based mutual vendor contract, which does not have a fixed fee.

36.6 The Committee asked what proportion of ICT staff are permanent and how many agency staff are employed. The Chief Operating Officer responded that there are around 160 ICT staff and the number of agency staff employed is below 10% of the workforce.

36.7 The Committee RESOLVED to:

- 1) Note the findings and conclusions presented in this report; and
- 2) Continue to receive an annual update report on the use of agency workers.

37 RECONCILING POLICY, PERFORMANCE AND RESOURCES (RPPR) FOR 2018/19

37.1 The Chief Executive introduced the report. The report highlights the savings proposals for 2018/19 for the services that are within the remit of the Committee (pages 112 – 115) and provides the Committee with the opportunity to consider whether there is any further information it would like presented to the RPPR Board in December. This is to ensure the Committee is sighted on the proposals and is aware of the opportunities to engage with the budget setting process. The Committee's RPPR Board is invited to make comments on the budget proposals, which will be included in the budget Cabinet meeting papers in January 2018.

37.2 At the September Audit, Best Value and Community Services (ABVCS) meeting, the Committee requested further information on income generation work (commercialisation) and an update on the Property Investments Strategy. This information will be presented to the RPPR Board, together with the revised draft Portfolio Plans and Savings Plans, at the meeting which is being held on the 12 December 2017 after Cabinet.

37.3 The Committee discussed whether it should be setting criteria for savings. The Senior Democratic Services Advisor clarified that the purpose of the RPPR Board was to focus on the savings proposals for the services within the remit of the Committee; examine the impacts of the savings and; propose any areas for further investigation where savings could be made. The ABVCS Scrutiny Committee has two functions; one as an audit committee which examines the governance arrangements for the Council and; the other as a scrutiny committee which scrutinises a range of services centred around back office functions, corporate and community services.

37.4 The Committee asked whether the impact assessment in the savings plans related to the impact on services or the impact on residents. The Chief Executive clarified that the impact assessment is based on impact of the savings proposals on residents of East Sussex. As part of the RPPR process the Committee will form views and make comments on the savings proposals to feed into the budget setting process.

37.5 The Committee noted the information in the Treasury Management report and identified that it may wish to examine the possibility of longer term investment for some of the money the Council holds for longer term reserves. The Committee added that if it is considering a review of the approach to investment in the Treasury Management Strategy, it should also consider this alongside property investment and the Property Investment Strategy.

37.6 The Committee confirmed that it was happy with information provided for the RPPR process and acknowledged the role it has in looking at back office savings to support front line services.

37.7 The Committee RESOLVED to note the report and investigate further whether there are opportunities to change the approach to investments under the Treasury Management Strategy.

38 SCRUTINY COMMITTEE FUTURE WORK PROGRAMME

Workload and working practices

38.1 The Committee commented on the large size of the meeting agendas which cover a range of very important subjects. This presents a problem for Committee members who have a large amount of material to cover before each meeting. The Committee discussed whether the existing working practice is efficient and whether it might be worth considering holding more meetings or using sub groups to consider specific items of work. It was suggested that holding an 'Away Day' to examine the work programme and working practices could be one way of taking these issues forward.

38.2 The Chief Internal Auditor explained that for the Internal Audit reports, there are a number of items that Internal Audit is required to report to the Committee, but there is some flexibility on the level of detail and volume. The Chief Internal Auditor outlined the intervention levels used for audits and high risk recommendations and offered to discuss the level of detail required for future reports with the Committee.

Future items for the work programme

Treasury Management

38.3 The Committee agreed that, if after discussion at the RPPR Board there is more work to be done on Treasury Management, the topic will be added to the Committee's work programme. This will be reflected in an updated version work programme under the "Potential future scrutiny work" heading.

Community Asset Transfer (CAT) policy

38.4 The Council has discretion on the use of community asset transfers for land and other property that it owns. The Committee discussed whether it should examine the existing policy with a view to producing guidance for Cabinet. The Senior Democratic Services Advisor outlined the previous work the Committee had undertaken on CAT and Meanwhile Use policies. It was agreed that the Senior Democratic Services Advisor will circulate the current policy to the Committee, and the Committee will discuss whether any further work is necessary under the Work Programme agenda item at the next meeting in March 2018.

38.5 The Committee RESOLVED to amend the work programme in line with paragraphs 38.3 and 38.4 above.

39 FORWARD PLAN

39.1 The Committee RESOLVED to note the Forward Plan.

40 ANY OTHER ITEMS PREVIOUSLY NOTIFIED UNDER AGENDA ITEM 4

40.1 None notified.

The meeting ended at 12.05 pm.

Councillor Colin Swansborough
Chair

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Report to: **Audit, Best Value and Community Services Scrutiny Committee**

Date: **22 March 2018**

By: **Chief Finance Officer**

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

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

RECOMMENDATION-

The Committee is recommended to consider and comment upon 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 attached East Sussex County Council (ESCC) external audit plan (Appendix 1) 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 Council's pension liability, as calculated by the Actuary.

3. Conclusion and reasons for recommendations

3.1 KPMG overall audit approach remains similar to previous years 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 will be reported to the Cabinet for approval on 24 April 2018.

IAN GUTSELL
Chief Finance Officer

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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.

Content

The contacts at KPMG in connection with this report are:

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Page 17

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

Page

3
4
7
8

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

Page 18

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

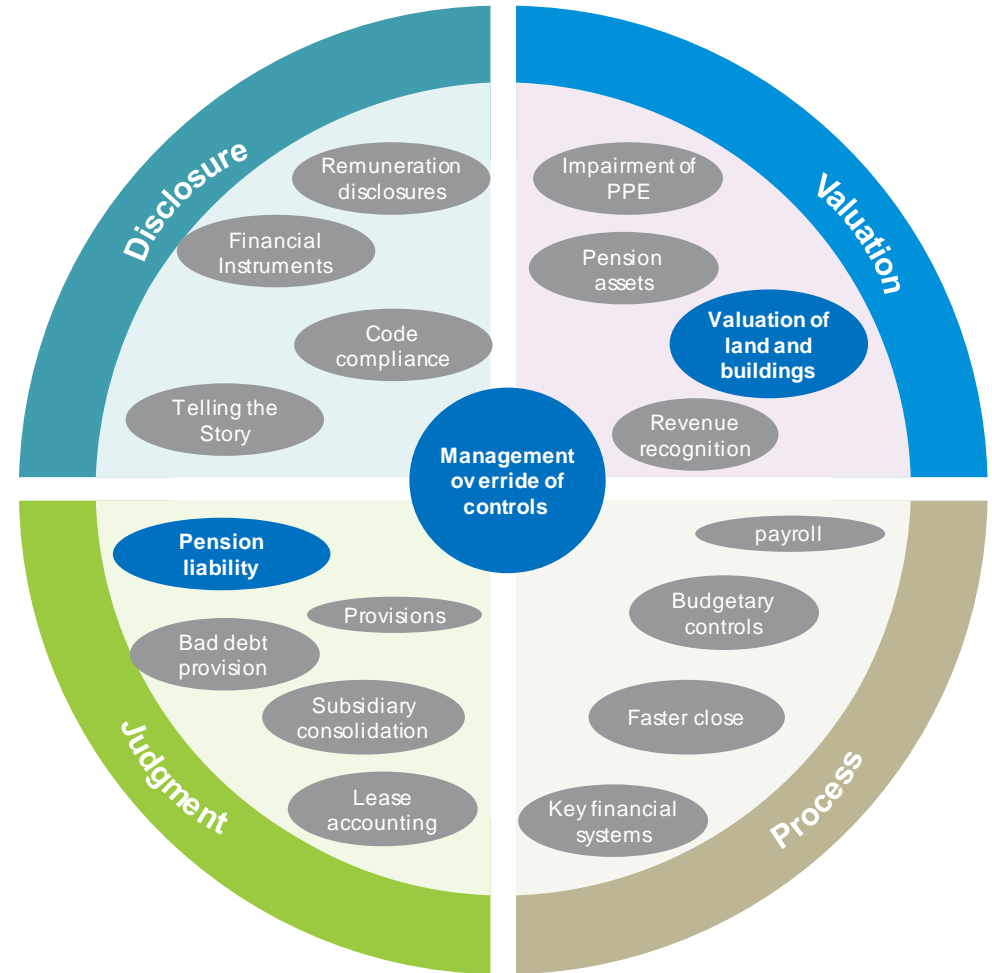
Our planning work takes place December to January 2018 and involves: determining materiality; risk assessment; identification of significant risks; consideration of potential fraud risks; identification of key account balances and related assertions, estimates and disclosures; consideration of Management's 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.



Page 19

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

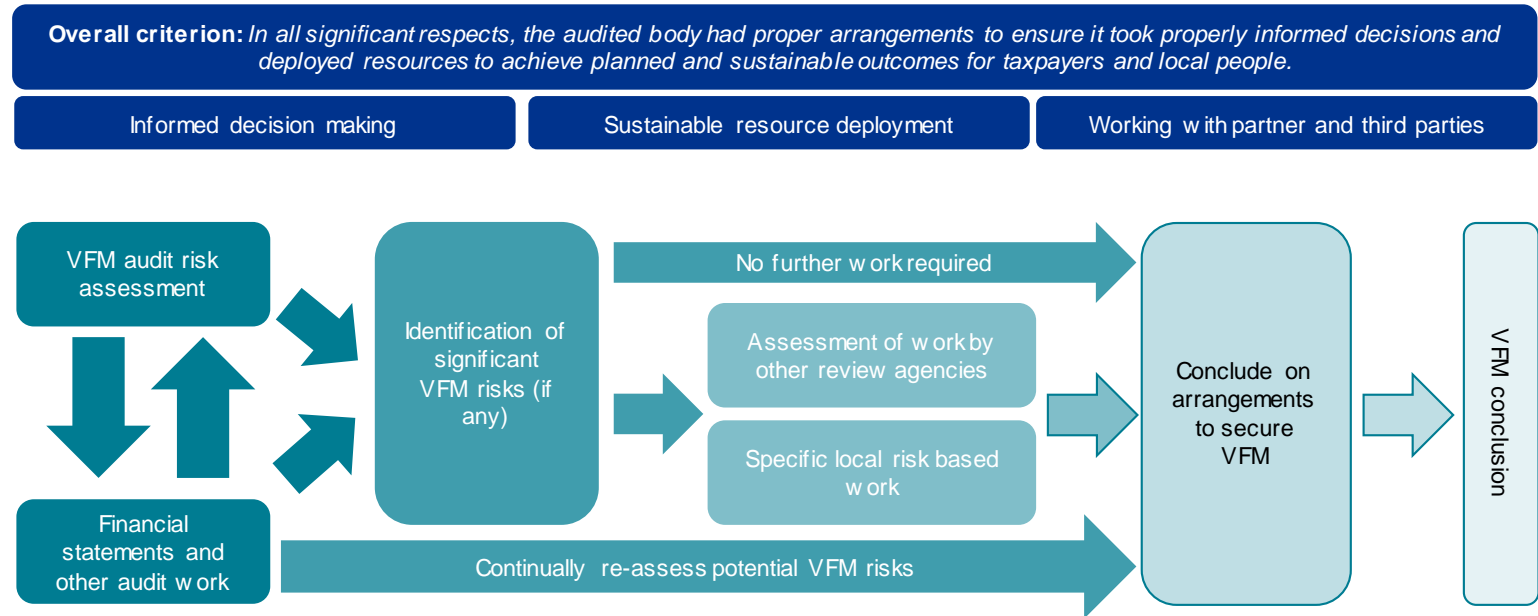
For our value for money conclusion we are required to work to the NAO Code of Audit Practice (issued in 2015 after the enactment of the Local Audit and Accountability Act 2014).

Our approach to VFM work follows the NAO's new guidance that was first introduced in 2015-16, a 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

Page 23
Our 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:

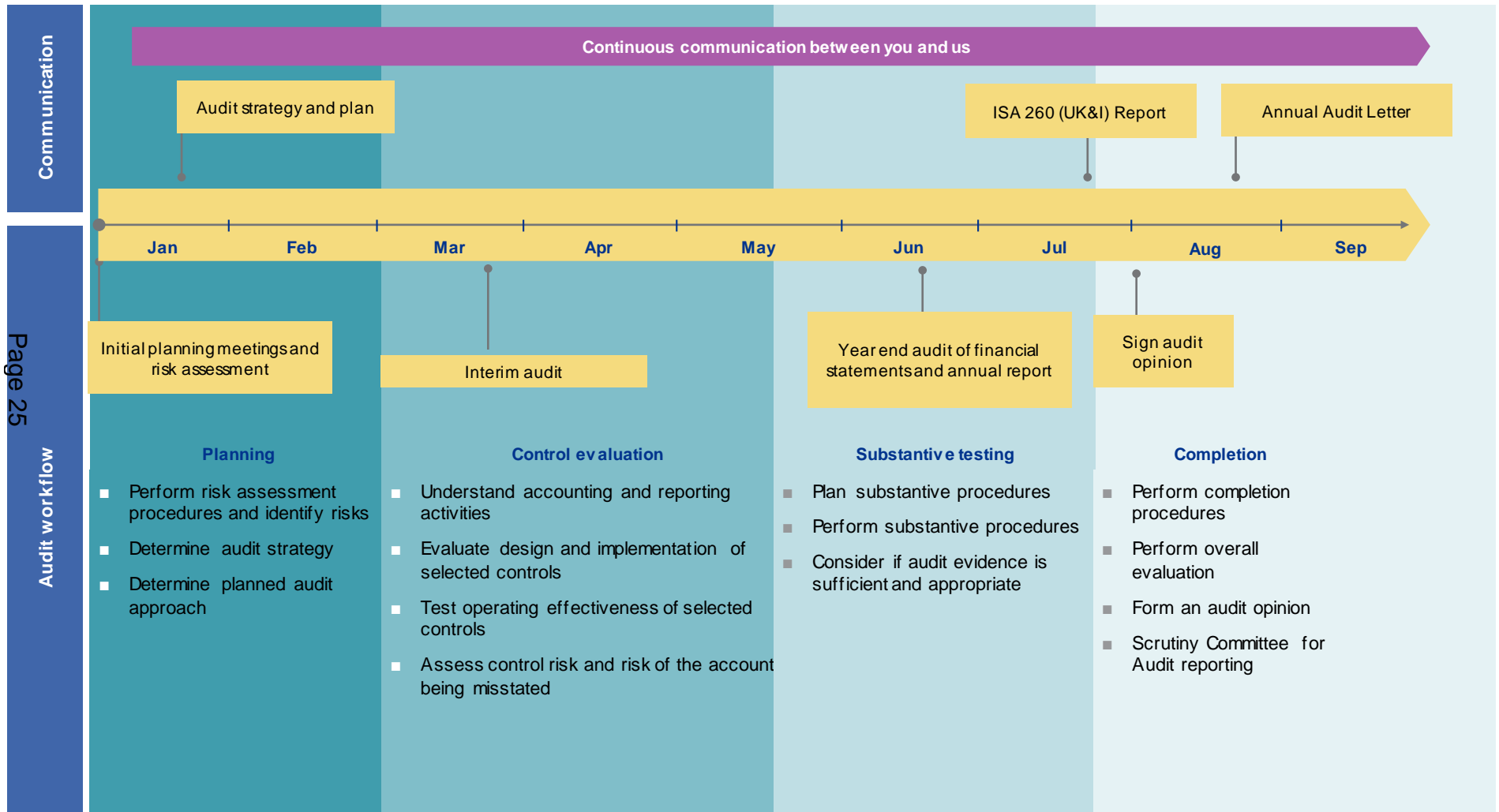
- Teachers pension contribution return: This audit is planned for September 2018. Our fee for this work is £4,000; and
- NCTL return: This audit is planned for November 2018. Our fee for this work is £2,000

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 Teachers Pensions 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.

Page 27

Appendix 3: Quality framework

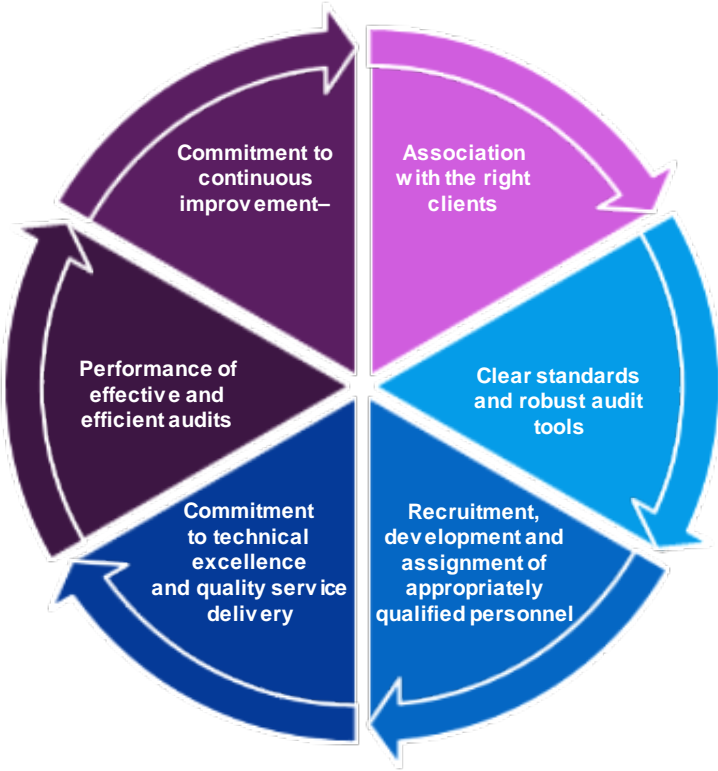
Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent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

Page 28

- Comprehensive effective monitoring processes
- Proactive identification of emerging risks and opportunities to improve quality and provide insights
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Relationships built on mutual respect
- Insightful, open and honest two way communications

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- Independence policies

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists



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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: **Audit, Best Value and Community Services Scrutiny Committee**

Date: **22 March 2018**

By: **Chief Finance Officer**

Title of report: **External Audit Plan for East Sussex Pension Fund 2017/18**

Purpose of report: **To inform the Committee of the content of the Pension Fund external audit plan for 2017/18**

RECOMMENDATION-

The Committee is recommended to consider and comment upon the External Audit Plan for the East Sussex Pension Fund for 2017/18.

1. Background

1.1 The Plan confirms the core external audit fee as £26,607. 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. The audit fee is charged to the Pension Fund and not to the Council itself.

2. Supporting Information

2.1 The attached Pension Fund external audit plan (Appendix 1) set out in more detail the work the external auditors will conduct in order to audit the Pension Fund's 2017/18 accounts. The Plan reflects relevant issues that have arisen as a result of the 2016/17 Pension Fund accounts audit and other work carried out by KPMG.

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

- Fraud risk from management override of controls (required by ISAs);
- Valuation of hard to price investments.

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 reported to the Pension Board on 8 February 2018 and the Pension Committee for approval on 26 February 2018.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Ola Owolabi, Head of Pensions
Tel. No. 01273 482017
Email: Ola.Owolabi@eastsussex.gov.uk

Local Member(s): All
Background Documents
None

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External Audit Plan 2017/18

East Sussex County Council Pension Fund

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. We have considered the risk associated with this in our Audit Plan for the Council.

Pension fund significant risks

- **Valuation of hard to price investments:** The pension fund invests in a range of assets and funds, some of which are inherently harder to value due to there being no publicly available quoted prices. We will verify a selection of investments to third party information and confirmations

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 £26,607 (£26,607 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.

Content

The contacts at KPMG in connection with this report are:

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Director

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joanne.lees@kpmg.co.uk

Charlotte Goodrich
Senior Manager

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charlotte.goodrich@kpmg.co.uk

Page 35

Headlines

1. Introduction
2. Financial statements audit planning
3. Other matters

Appendices

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

Page

3
4
7

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 one key objective, requiring us to audit / review and report on your:

- **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

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.

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.

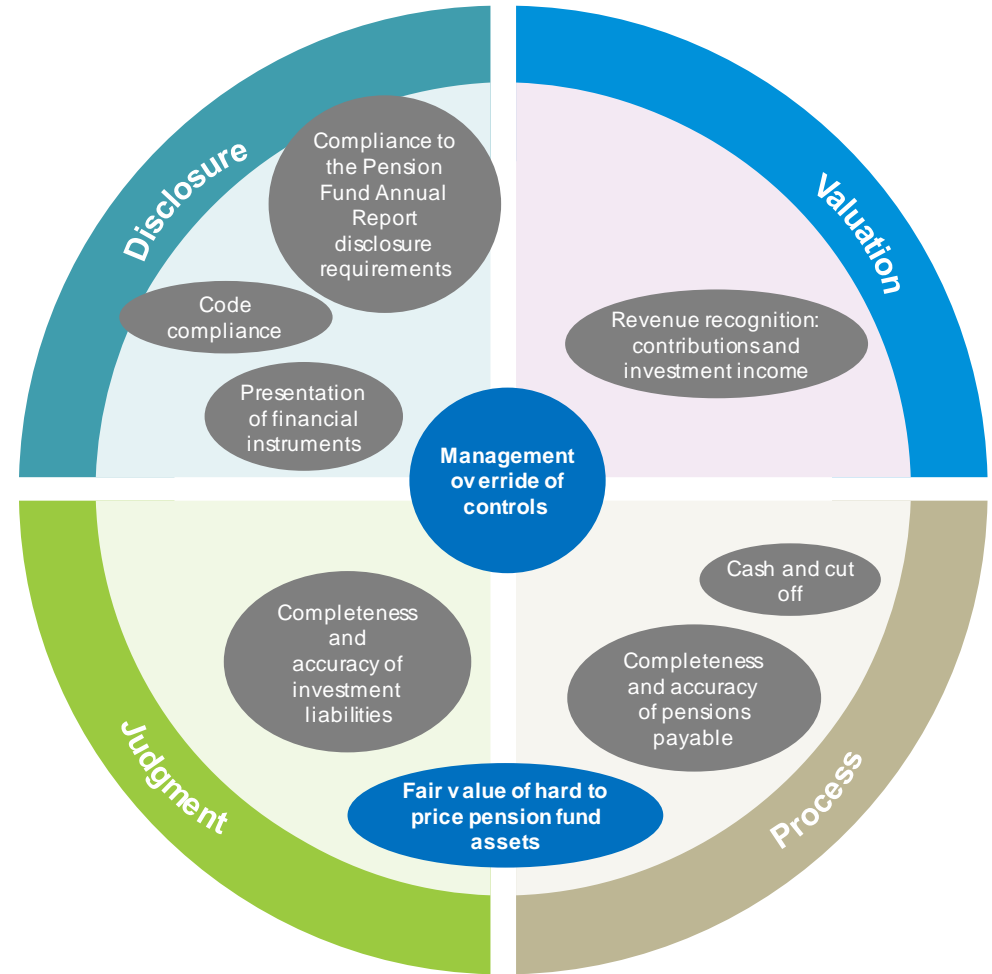
2. Financial statements audit planning

Pension Fund 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 authority Pension Funds 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.



Key: ● Significant risk ● Other areas considered

Page 37

2. Financial statements audit planning

Pension Fund 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 Pension Fund.

Valuation of hard to price investments

Risk: The Pension Fund invests in a wide range of assets and investment funds, some of which are inherently harder to value or do not have publicly available quoted prices, requiring professional judgement or assumptions to be made at year end. The pricing of complex investment assets may be susceptible to pricing variances given the assumptions underlying the valuation.

Approach: We will independently verify a selection of investment asset prices to third party information and obtain independent confirmation on asset existence. We will test to what extent the Pension Fund has challenged the valuations reported by investment managers for harder to price investments and obtained independent assessment of those figures.

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 Pension Fund materiality for planning purposes has been set at £33M which equates to 1% of 2016/17 net assets.

Reporting to those charged with governance

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 Pension Fund we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.6M

If Management has corrected material misstatements identified during the audit, we will consider whether those corrections should be communicated to those charged with governance to assist it in fulfilling its governance responsibilities.

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

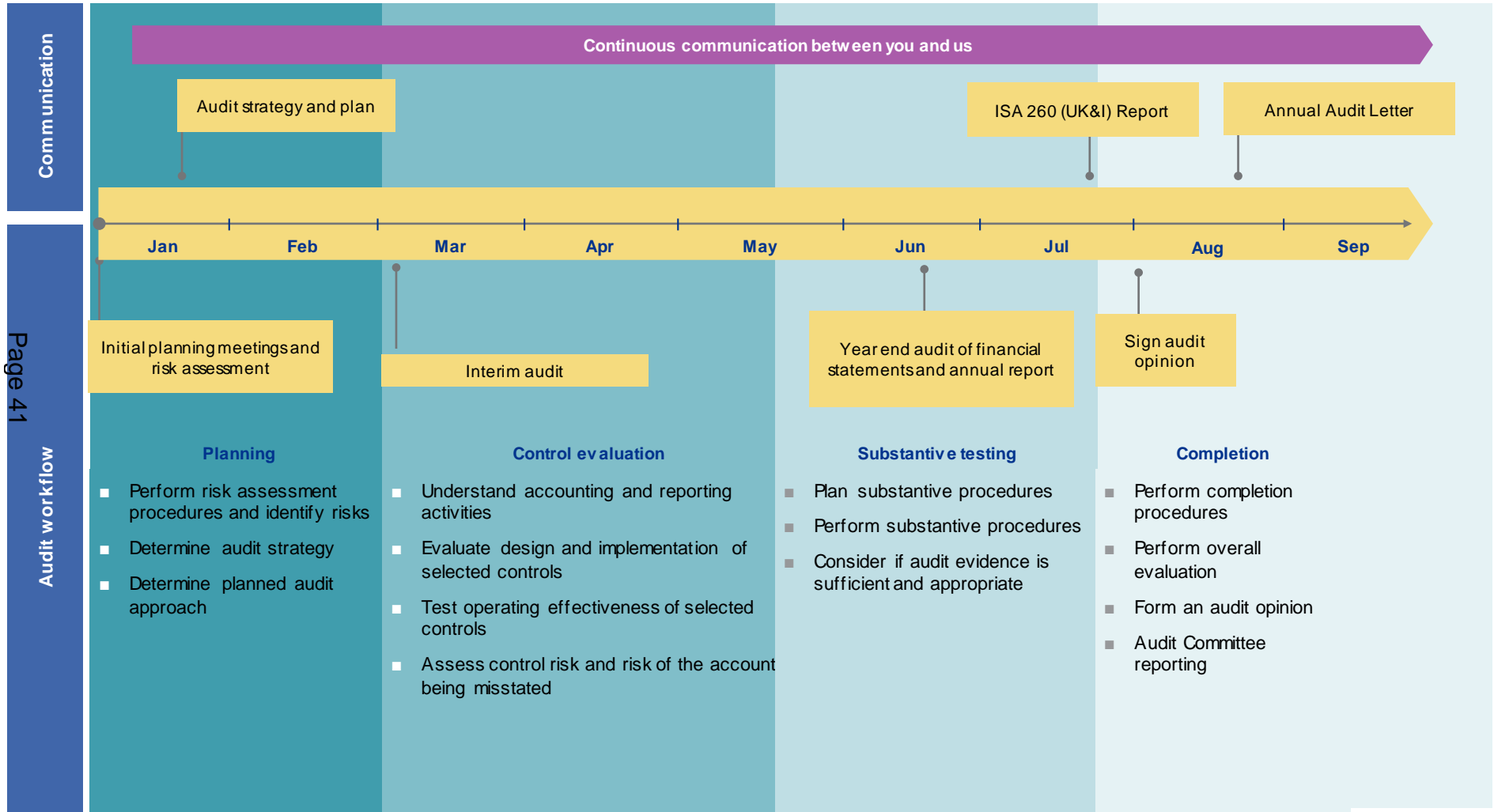
Audit fee

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 £26,607 for the Authority (2016/17: £26,607).

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.

The conclusion of the audit engagement leader as to our compliance with the FRC Ethical Standard in relation to this audit engagement is subject to review by an engagement quality control reviewer, who is a partner not otherwise involved in your affairs.

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

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

There have been no non-audit fees agreed in respect of our audit of the Pension Fund.

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 those charged with governance.

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 Audit Committee 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

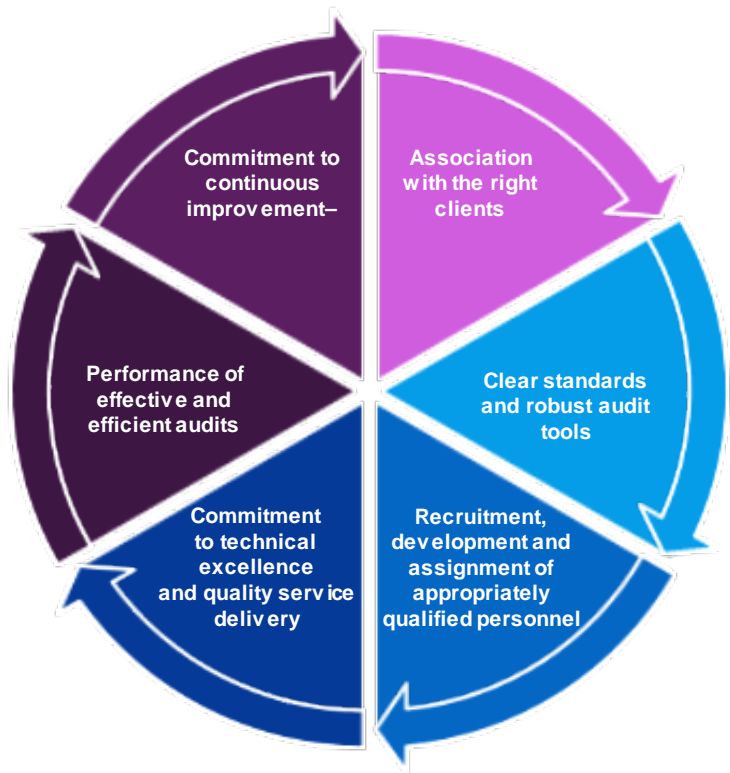
Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent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

Page 43

- Comprehensive effective monitoring processes
- Proactive identification of emerging risks and opportunities to improve quality and provide insights
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Relationships built on mutual respect
- Insightful, open and honest two way communications

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- Independence policies

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists



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Report to: **Audit, Best Value and Community Services Scrutiny Committee**

Date: **22 March 2018**

By: **Chief Operating Officer**

Title of report: **Internal Audit Progress Report – Quarter 3 (01/10/17 – 31/12/17)**

Purpose of report: **To provide Members with a summary of the key audit findings, progress on delivery of the audit plan and the performance of the internal audit service during Quarter 3.**

RECOMMENDATIONS

- 1. Members are requested to consider and agree any action that should be taken in response to the issues raised in any of the audits carried out during Quarter 3;**
 - 2. Identify any new or emerging risks for consideration for inclusion in the internal audit plan.**
-

1. Background

1.1 This progress report covers work completed between 1 October 2017 and 31 December 2017.

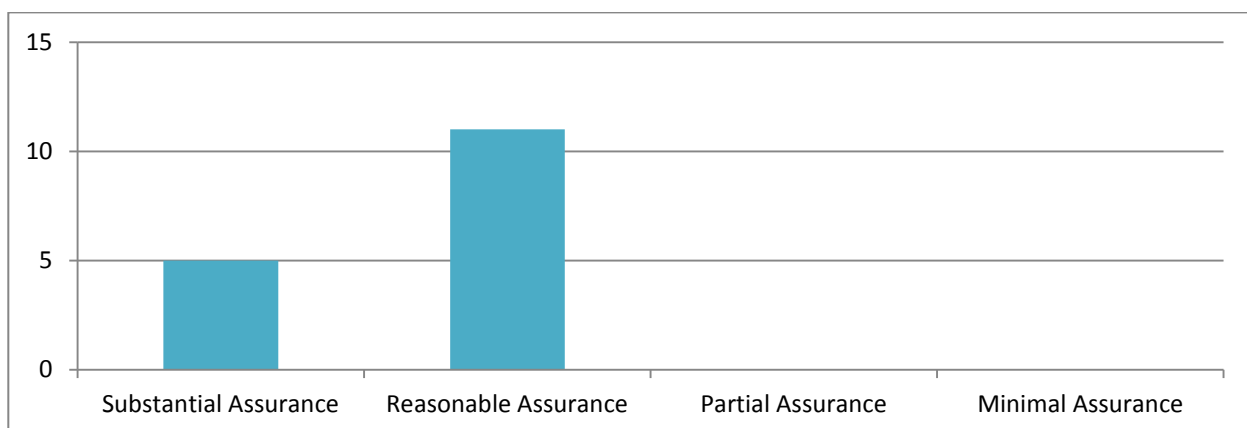
2. Supporting Information

2.1 The current annual plan for internal audit is contained within the Internal Audit Strategy and Annual Plan 2017-18. This was prepared after consulting Members, Chief Officers and senior managers and was endorsed by Audit, Best Value and Community Services Scrutiny Committee on 14 March 2017.

3. Conclusion and Reasons for Recommendation

3.1 Key audit findings from final reports issued during Quarter 3 are summarised in Appendix A.

3.2 Overall, of the 16 formal audits finalised during the quarter, 5 received 'substantial assurance' opinions (including 1 school) and 11 received opinions of 'reasonable assurance' (including 6 schools). There were no opinions of 'partial' or 'minimal assurance'.



3.3 Although the same range of internal audit opinions are issued for all audit assignments, it is necessary to also consider the level of risk associated with each area under review when drawing an opinion on the Council's overall control environment. **Taking into account these considerations, the Chief Internal Auditor continues to be able to provide reasonable**

assurance that the Council has in place an effective framework of governance, risk management and internal control.

3.4 The overall conclusion has been drawn based on all audit work completed in the year to date and takes into account the management response to audit findings and the level of progress in subsequent implementation. This is something which will continue to be monitored and reported on by Internal Audit throughout the year.

3.5 Formal follow up reviews continue to be carried out for all audits where 'minimal assurance' opinions have been given and for higher risk areas receiving 'partial assurance'. A schedule of all audits where future follow up reviews are planned is provided at the end of Appendix A, which will continue to be updated on an ongoing basis. In addition, arrangements are in place to monitor implementation of all individual high risk recommendations. At the time of writing this report, all high-risk recommendations due had been implemented.

3.6 Members will recall that flexibility was built into the audit plan to allow resources to be directed to any new and emerging risks. We continue to liaise with departments to identify these but would also welcome input from the Corporate Management Team (CMT). Details of those reviews added and removed from the plan so far this year are set out at the end of Appendix A.

3.7 Progress against an updated set of performance targets (focussing on a range of areas relating to our service) can be found in Appendix B. All targets, with the exception of one amber score relating to the percentage of the audit plan completed, have been assessed as on target (green).

KEVIN FOSTER,
Chief Operating Officer

Contact Officers: Russell Banks, Orbis Chief Internal Auditor Tel No. 01273 481447
Nigel Chilcott, Senior Audit Manager Tel No. 01273 481992

BACKGROUND DOCUMENTS: Internal Audit Strategy and Annual Plan 2017-18

APPENDICES:

Appendix A - Summary of Key Audit Findings
Appendix B - Internal Audit Performance Indicators

Summary of Key Audit Findings

HR/Payroll

HR/Payroll is one of the Council's core financial systems and as such is subject to at least key control testing every year. The main purpose of this audit was to seek assurance that:

- Effective controls are in place to ensure that accurate payments are made in a timely manner to bona fide employees;
- Robust controls are in place for the review and authorisation of new staff and contractual amendments;
- There are appropriate reporting measures in place to identify errors and omissions prior to payment, and payroll costs are accounted for in the main payroll system, and;
- Duties between those processing transactions and those creating/amending payroll records are clearly defined and segregated.

Based on the work completed, we were able to provide an opinion of **substantial assurance** over the control environment. Controls were generally found to be robust and operating as intended. A small number of opportunities for improvement were, however, identified, all of which were agreed with management and will be followed up as part of the 2018/19 review.

Accounts Receivable

The Accounts Receivable system is administered through SAP and is also one of the Council's key financial systems. The control objectives of this audit were to ensure that:

- All income generating activities are identified and accurately invoiced to customers;
- All invoices are paid and the income is correctly identified and accounted for and reflected in the accounts;
- There are robust controls in place to minimise the extent of debt and provide for the prompt follow-up of overdue accounts;
- Write-offs, credit notes and refunds are valid and are properly authorised, and;
- There is adequate segregation of duties in the invoicing and receipting function.

As a result of our work, we were able to provide an opinion of **substantial assurance** over the key controls in place. Our testing did, however, identify some areas for improvement, including the need to further strengthen control over SAP user access permissions and to remind services of the importance of raising invoices within the timescales prescribed by the Council's income policy.

The audit findings, and actions to address these, were agreed in full with management.

ESCC Data Centre Move

In 2016, County Hall suffered two unexpected weekend power outages which caused the data centre to shut down. These events highlighted a weakness which could jeopardise the Council's ability to deliver its services, particularly in relation to vulnerable children and adults.

Whilst remedial work to the mains power and cooling infrastructure would reduce the risk of further power disruptions, the provision of IT systems whereby the ESCC data centre runs within the business environment at County Hall, is an outdated model that presents its own risks in relation to business continuity. In order to address this issue, a specialist firm was commissioned in late 2016 to perform a review of the data centre provision and assess options for future

delivery of the Council's hosting requirements. This review recommended that the ESCC IT infrastructure be relocated to Surrey County Council's (SCC) dedicated data centre in Redhill through the Orbis partnership and that this would provide the best fit for ESCC and represent "excellent value for money". The cost of increasing resilience at County Hall would have been considerably greater than the cost of relocating the data centre to Redhill and, for the above reasons, the decision was made to relocate ESCC's IT systems to SCC's data centre.

In undertaking the project to move the data centre from Lewes to Redhill, a project team was created that reported to the Project Board.

As a major risk to the achievement of the Council's objectives, we worked in conjunction with the project team to provide assurance that the key risks, detailed below, were appropriately managed:

- Reputational damage and adverse public perception due to the Council being unable to deliver its key services if lack of appropriate project governance should lead to unplanned costs, project overruns and unplanned service outages;
- Loss or damage to IT infrastructure and service data during the data centre move, leading to service interruption, financial loss, bad publicity and poor public perception;
- Inadequate or poor testing regimes result in a failure to identify data loss, corruption or performance issues as a result of the data centre move, and;
- Inadequate arrangements in place to resurrect all IT services in a timely manner in the event of a disaster.

Overall, we found the project to be well managed and controls were generally in place to manage the above risks. Some areas of concern, however, were noted, including the need for the project to make improvements in relation to the risk management process and to strengthen arrangements over user acceptance testing. Any issues arising were discussed and agreed with the project team and Board at regular meetings and appropriate action was put in place to ensure these were addressed.

The project culminated in the successful transfer of the data centre in December 2017.

Contract Management Follow Up – Managed Service Provider for Temporary Agency Workers

Adecco UK Limited is a managed service provider for temporary agency workers who provide staff from their own network of specialist agencies. They support hiring managers in sourcing candidates from other agencies by managing the relationship on East Sussex County Council's (ESCC) behalf and are responsible for ensuring that all workers supplied meet ESCC's needs and legal requirements, such as pre-employment checks and compliance with safeguarding measures. A four-year contract, commencing November 2015, is in place between ESCC and Adecco UK Limited.

Due to the control issues highlighted in our previous audit of this area and the audit opinion of partial assurance, we have completed a follow-up review to assess the extent to which the previously agreed actions have been implemented. In completing this work, it was found that all but one of the actions had been fully implemented, and that significant improvement had been made in the effectiveness of the management of the contract, resulting in a revised opinion of **substantial assurance**. In relation to the remaining agreed action, we noted that, whilst progress had been made against this, further improvement was required to ensure all instances of 'off-contract' expenditure are identified, approved and appropriately managed to help ensure value for money is achieved and maintained.

Improvements in control had been made in the following areas:

- Roles and responsibilities for the management of the Adecco contract have been clearly defined;
- Checks on the accuracy of Adecco's invoices are now completed before they are paid, reducing the risk of payments being made for services not received, and/or duplicate payments being made;
- A new set of key performance indicators (KPI) have been agreed which are fully reportable and are included in performance monitoring reports;
- Risks associated with the contract are identified, managed and regularly reviewed;
- Contingency plans are in place in the event of failure of the contractor; and
- Routine checks are now undertaken to ensure that Adecco is financially sound and has the appropriate levels of insurance in place, as required under the terms of the contract.

Ordinary Residence

ESCC has duties under the Care Act to provide care and support to people who are ordinarily resident in East Sussex. Ordinary Residence is the place a person has voluntarily adopted for a settled purpose for a short or long duration. It can be acquired as soon as a person moves to an area if their move is voluntary and for settled purposes, irrespective of whether they own, or have an interest in, a property in another local authority area.

The audit assessed the adequacy of control to ensure that the Council only provides support for genuine East Sussex residents. The following control objectives were reviewed:

- Robust processes and management information ensure that the movement of service users across the County borders is identified in a timely manner;
- Effective governance arrangements are in place to ensure that Ordinary Residence claims are evaluated and approved at an appropriate level and that decisions taken outside the County are challenged, where necessary, and;
- Adequate and sufficiently skilled resources are available to ensure that claims for Ordinary Residence are handled effectively.

Overall, we found that robust controls were in place and, as a result, we were able to provide an opinion of **reasonable assurance**. Only two areas to improve controls further were identified and agreed with management, relating to the need to:

- document procedures to strengthen resilience in the event of the loss of key staff; and
- improve engagement with some service users to ensure that the Council is made aware (if and) when they move to another authority and become the responsibility of that authority.

Special Educational Needs and Disabilities (SEND) Budget Management

The Council has a statutory responsibility for all children and young people with special educational needs in its area. Once a child or young person has been identified by the Council, or has been brought to its attention as someone who has or may have special educational needs, the Council has a responsibility to assess the child or young person and commission services where appropriate. This has significant implications on the SEND budget. Over the three previous financial years, the out-turn position for SEND has been worsening, with the 2016/17 year-end position being a £1.8million over-spend.

The scope of this audit was to ensure that the budget is set in a controlled manner and is based upon sound justifiable assumptions, adequate controls are in place in relation to budget management, and budgetary information that is reported to management is complete, appropriate, timely and accurate.

Overall, we were able to provide an opinion of **reasonable assurance** over the controls operating within this area because:

- SEND budgets receive appropriate scrutiny prior to being set, with justifiable assumptions being made and departmental objectives being taken into account;
- Purchase orders for commissioned services are raised promptly within the SAP accounting system to enable commitments to be raised; this in turn helps towards accurate budget forecasting;
- SEND budgets are forecast using robust and appropriate methods.

However, there is a continuing and significant overspend situation against this budget. This is due to a combination of external factors, including decreased central government funding (as seen by all local government departments) and an ongoing increase in demand for SEND services. As part of the audit, it was noted that Children's Services have identified various areas of work to help combat these pressures, including building capacity within mainstream schools, increasing the number of local special school places and working with partners (such as East Sussex Better Together) to take a joined up approach to planning the use of resources available.

A small number of actions were agreed with management as part of this audit that, once implemented, will help to improve the overall control environment, including ensuring that:

- Health partners are always included in the decision-making process for SEND agency placements where a healthcare element, and therefore associated costs, is included. This will help to avoid healthcare costs, which are not the responsibility of the Council, being unnecessarily absorbed into the SEND budget, increasing budgetary pressures;
- The appropriate documentation detailing placement costs is completed accurately and in a timely manner once a SEND placement has been agreed, which will enhance budget forecasting and increase efficiency.

Academy Transition Arrangements

Academies are independent, state-funded schools, which receive their funding directly from central government, rather than through a local authority. The Council has no power to decide if a school can convert to an academy. Regional School Commissioners (RSC) were introduced in 2014 to approve (or decline) applications to convert to an academy on behalf of the Secretary of State for Education. However, the Council is required to support the transfer, after a decision has been made.

The purpose of the audit was to provide assurance that controls ensure that the transfer process is handled effectively, with the following objectives being met:

- Schools have adequate advice and guidance on the conversion process;
- The Council has sufficient time and capacity to support the academy conversions process;
- Key risks and issues associated with academy transitions are identified, prioritised and acted upon appropriately;
- The level of budget deficits held by schools that are at most risk of converting to sponsored academies is minimised, and;
- The ESCC Property Division maintains an up to date asset register and programme of works.

In providing an opinion of **reasonable assurance**, we found a number of areas of good practice and evidence that controls were in place and operating effectively. However, some areas for further improvement were identified, as follows:

- The Council needs to provide more information to schools on the conversion process;
- The conversion process in East Sussex needs to happen more quickly to comply with DfE guidelines;
- The Council should map out its capacity to support academy conversions in order to manage the schools' and DfE's expectations;
- The academy conversion charging policy should be implemented promptly, as agreed by the Corporate Management Team (CMT), to prevent any loss of income;
- A risk and issues log should be maintained for each conversion to help ensure that key risks and issues are being identified, prioritised and managed, and;
- There is a need to be more mindful of the converting school's financial position to ensure the Council does not inherit a large deficit for which it is not responsible.

Appropriate action to address all of the findings of this audit was agreed with management within a formal action plan.

Troubled Families

The Troubled Families (TF2) programme has been running in East Sussex since January 2015 and is an extension of the original TF1 scheme that commenced in 2012/13. The programme is intended to support families who experience problems in certain areas, with funding for the local authority received from the Department for Communities and Local Government (DCLG), based on the level of engagement and evidence of appropriate progress and improvement.

The Department of Communities and Local Government (DCLG) require Internal Audit to verify a proportion (10%) of claims prior to a grant submission by the Local Authority for the TF2 programme. We therefore reviewed 14 of the 138 families included in the July/October 2017 grant.

In completing this work, we found that valid 'payment by results' (PBR) claims had been made and outcome plans had been achieved and evidenced. All of the families in the sample of claims reviewed had firstly met the criteria to be eligible for the TF2 programme and had either achieved significant and sustained progress and/or had moved from out of work benefits into continuous employment. We therefore concluded that the conditions attached to the TF2 grant determination programme had been complied with.

Highways Contract Management

The County Council has a statutory duty to maintain the road network in a safe condition for the general public to use. The previous contract to maintain the County's roads expired in April 2016 and a new contract was let with Costain, acting as part of an unincorporated joint venture (JV) with a partner company, CH2M. The new contract commenced on 1 May 2016 and is managed through an Executive Client.

The scope of the audit was to ensure that:

- governance arrangements are sufficiently robust to manage the contract effectively;
- performance is adequately monitored against the requirements of the contract specification and appropriate remedy, including reimbursement, is sought from the contractor for any failures;
- procedures ensure that all payments are made correctly in accordance with contract terms;
- Payments are made in accordance with ESCC Financial Regulations and only for works that are required and actually delivered to the required standard;
- change control processes ensure that requests for any amendments to the contract specification and/or requests to amend the scope of individual works are properly assessed, authorised and documented;

- adequate business continuity arrangements, including escrow agreements where appropriate, are in place to ensure that service delivery is maintained in the event of the failure of key systems or of the supplier, and;
- physical and logical controls ensure that only authorised and appropriately trained persons can access ICT systems.

In undertaking this work, we found a number of areas of good practice and controls, including the creation of formal structures that enable effective contract and performance management. We were, therefore, able to provide an opinion of **reasonable assurance**.

Whilst we did not identify any high risk findings as part of this work, areas for improvement were, however, found, including the need to:

- Document the complex payment system, including the process to check payment applications, in order to provide guidance and resilience in the event of the loss of key staff and to further reduce the risk of errors occurring, including overpayments;
- Strengthen and evidence segregation of duties within the payment process to reduce the risk of error and to protect staff from allegations of wrong-doing in the event of any problems;
- Ensure changes/variations to the contract are formally approved, including in relation to amendments to the compliance audit process, and;
- Ensure the business continuity plan adequately provides for resilience against the loss of the contractor in order to protect service provision.

In addition, and as would probably be expected for contracts of this complexity, we found that some contract management activities had not been established from the outset, partly as a result of difficulties in recruitment. However, management had already recognised these and worked to resolve them; they are now in place or were in the process of implementation at the time of the audit.

All of the findings of the review were discussed with management during the audit and actions have been agreed to mitigate the associated risks.

Integrated Waste Management Services Contract (IWMSC) – Waste Affordability Model

ESCC is a waste disposal authority and must arrange for the disposal of waste and recycling collected in the area by the waste collection authorities, as well as providing household waste recycling sites/facilities for local residents. In April 2003, ESCC and Brighton and Hove City Council (BHCC) awarded their Integrated Waste Management Services PFI Contract to South Downs Waste Services Ltd, subsidiary of Onyx Aurora – now known as Veolia Environmental Services, for a period of 25-years, which has been extended to 30 years (2033).

An Affordability Model (AM) has been developed to assist ESCC and BHCC in assessing the financial implications of the waste PFI contract option that has been adopted. The AM compares the total anticipated costs (i.e. Unitary Charge payable to Veolia and contract monitoring costs etc.) and resources available (i.e. Council budget forecasts, Government funding etc.) throughout the lifetime of the contract to identify and anticipate any affordability issues.

During 2017/18, an affordability gap of only £5k was anticipated which will be drawdown from the waste management reserves.

Our work in this area was undertaken to provide some independent assurance that the AM is working as intended (which is to identify and anticipate any affordability issues). We tested the reasonableness of assumptions made in respect of anticipated costs and resources, as well as the reliability of the source of data where applicable.

Through the testing we completed, we found that the AM was fit-for-purpose and based on reasonable and reliable data. As a result, we were able to provide an audit opinion of **substantial assurance**. Only two low risk opportunities for improvement were identified and actions to address these were agreed with management.

Individual School Audits

Our work in schools continues in order to assess the adequacy of financial governance and to gauge the effectiveness of training which continues to be delivered to governors, headteachers and school business managers. As with previous years, Mazars Public Sector Internal Audit have been commissioned to provide this work. In quarter 3, Mazars have completed the following individual school reviews:

School	Location	2017/18 Budget £'000 (excl over/under spend)	Opinion
Motcombe Community Infant School	Eastbourne	1,360	Substantial Assurance
All Saints' & St Richard's Church of England Primary School	Heathfield	357	Reasonable Assurance
Cross in Hand CE Primary School	Cross in Hand	966	Reasonable Assurance
Hankham Primary School	Pevensey	595	Reasonable Assurance
Newick CE Primary School	Newick	807	Reasonable Assurance
St Mary Star of the Sea Catholic Primary School	St Leonards	912	Reasonable Assurance
West Rise Community Infant School	Eastbourne	1,085	Reasonable Assurance

Formal action plans have been agreed to manage the risks associated with all findings identified at each school.

Anti-Fraud and Corruption

Proactive Counter Fraud Review of Grant Payments

ESCC administers grant funding for a wide range of community projects to aid in the achievement of strategic objectives. In addition, grants are also made to businesses, discretionary support schemes and public health.

In accordance with the Local Government Transparency Code, ESCC reported on their website that £5.8 million in grant funding was paid to voluntary, community and social enterprise organisations in 2015/16, rising to just under £6 million in 2016/17.

This pro-active counter-fraud review aimed to provide assurance that there are adequate controls in place across the organisation to manage the risk of fraud and misuse of grant funding by recipients. Specifically that:

- Controls are in place to manage the risk of duplicate payments being made (from within the Council or other funding organisations) to fund the same projects;
- Funding agreements and monitoring arrangements are sufficiently robust to ensure agreed outcomes are delivered and funds used appropriately, and;
- Arrangements are in place to recover grant funding in the event that outcomes and deliverables are met.

A sample of four grants programmes were examined as part of this review. Structured interviews were held with key officers, including finance officers and officers who manage grants, in order to determine the measures in place to mitigate the risk of fraud.

Overall, we were able to provide **reasonable assurance** in this area. An informal network consisting of key officers from departments, the Bidders Internal Group (BIG), demonstrates a one-Council approach to sharing information and coordinating grant funding, thereby helping to mitigate the risk of duplicate funding being awarded from within the organisation. Engagement with voluntary organisations and external partners operating within the local community improves intelligence and coordination of grant funding.

For the sample of four grant programmes examined, there was evidence of robust application, agreement and monitoring processes, including a requirement for recipients to declare any funding previously received and to repay any funding not used for the purposes intended.

However, some opportunities for improvement were identified, including the need to:

- Improve systems for recording grant funding awarded across the organisation, and;
- Ensure compliance with the Corporate Funding Protocol, particularly in relation to the awarding of grants.

Actions in respect of these were agreed with management.

Investigations

Secondary Employment and Conflict of Interest

Following a match identified from the National Fraud Initiative (NFI) Companies House data, we undertook an investigation into a staff member failing to declare a conflict of interest and undertaking secondary employment during Council working hours.

Our investigation established that the member of staff was a director of a profit making limited company that provided services which conflicted with their Council role. Through interviews with the officer and their line manager, it was found that the manager was aware of this and no attempt had been made to conceal it from them.

We identified that the company and ESCC had been working together closely for a number of years, supporting the same objectives. However, there was no evidence to suggest that the Council had been overcharged, or that any of the payments weren't legitimate. As such, there was no evidence of dishonesty or attempts to deceive by the employee; rather, a failure to follow the proper processes.

As a result of this investigation, both the member of staff and their line manager were subject to formal standard setting. The staff member concerned was also instructed to resign, with immediate effect, from their position of director within the company.

Following the investigation, we produced an internal control report summarising the control weaknesses identified during the review. Actions to improve controls, particularly in relation to declaring interests and staff line management, were agreed with management.

Residential Children's Home – Theft of Cash

In September 2017, we were informed by HR that cash had gone missing from a safe at a residential children's home, to which only members of staff have access. The Home Manager notified Sussex Police who felt unable to investigate the incident due to the lack of evidence in establishing who was responsible.

In visiting the home, we identified a small number of control weaknesses in relation to cash handling, therefore increasing the risk of theft. An internal control report was shared with all residential children's homes which identified areas of control improvement which could help prevent future repetition. These were agreed with management.

Other Investigation Work

In addition to the above investigations, we received a number of referrals in relation to possible fraud and other concerns which required preliminary investigation by Internal Audit. These included:

- An allegation that a member of staff within Adult Social Care had presented a forged qualification certificate to their line manager following a claim that they were a qualified nurse (although it should be noted that the qualification was not a requirement of the staff member's role within the Council and they had not presented it as part of their application process). Following enquiries, we felt it likely that the document had been forged but were unable to prove this conclusively, and passed this information onto service management and HR for action to be taken. The member of staff was subsequently subject to formal standard setting.

- Being informed by a school that the Treasurer of the Parent Teachers and Friends Association (PTFA) had admitted the theft of cash from the PTFA fund. Our advice was to refer this to the police, as no action could be taken by the Council given that the individual was not a Council employee and the funds stolen did not belong to the Council.

A number of other investigations are in progress. We will report on these once they have been completed and the cases closed.

Additional Audit Reviews

Through discussions with management, the following reviews have been added to the audit plan during the course of the year on the basis of risk (see 3.6 above):

- Data Centre Move
- Child Protection Information Sharing
- Atrium – Works Delivery Module
- Schools Funding Formula Preparation
- SEND Budget Management
- Broadband – Annual Return to BDUK
- ASC Payment and Income Processes

In agreement with management, the following audits have been removed from the 2017/18 audit plan and will be considered for inclusion in the 2018/19 plan as part of the overall risk assessment completed during the annual planning process:

- Energy Management
- Community Infrastructure Levy
- Capital

Audit Areas Scheduled for Future Follow Up

Audit Area	Original Audit Opinion	Date of Planned Follow Up
Compliance with Procurement Standing Orders	Partial	2018-19
Corporate Contract Management	Partial	2018-19
Peacehaven Community School	Minimal	2017/18
Langney Primary School	Minimal	2017/18
Staplecross Methodist Primary School	Minimal	2017/18
Harbour Primary and Nursery School	Minimal	2017/18
St Mary the Virgin CE Primary School	Minimal	2017/18

Internal Audit Performance Indicators

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April	G	Approved by Audit Committee on 14 March 2017
	Annual Audit Report and Opinion	By end July	G	2016/17 report approved by Audit Committee on 14 July 2017
	Customer Satisfaction Levels	90% satisfied	G	100% satisfied
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	A	64.7% completed to draft report stage by end Q3 (against a Q3 target of 67.5%)
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	Based on last self-assessment, with results of external assessment due by the end of 2017/18
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	G	No evidence of non-compliance identified
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions	G	100%
Our staff	Professionally Qualified/Accredited	80%	G	80% ¹

¹ Includes 3 part-qualified staff and those working towards completing their professional examinations

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Agenda Item 8

Report to: **Audit, Best Value and Community Services Scrutiny Committee**

Date: **22 March 2018**

By: **Chief Operating Officer**

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

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

RECOMMENDATIONS

Members are recommended to:

- 1. review and endorse the Council's Internal Audit Strategy 2018/19 and Annual Plan, along with the updated Internal Audit Charter.**
-

1. Background

1.1 The Council's Internal Audit Strategy 2018/19 and Annual Plan (Appendix 1) 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 strategic and departmental risk registers) and following extensive consultation with officers, Members and other stakeholders.

1.2 A workshop was also 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.

2. 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; and
- 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 sets out the scope and responsibility of internal audit, an updated version of which is attached as Appendix 2 of this report.

3. Conclusions and Reasons for Recommendation

3.1 The Audit, Best Value and Community Services Scrutiny Committee is recommended to review and endorse the Internal Audit Strategy and Plan, and the updated Internal Audit Charter, prior to its submission to Cabinet in April 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 the report as Appendix 2.

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 Annex A to this strategy) 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:

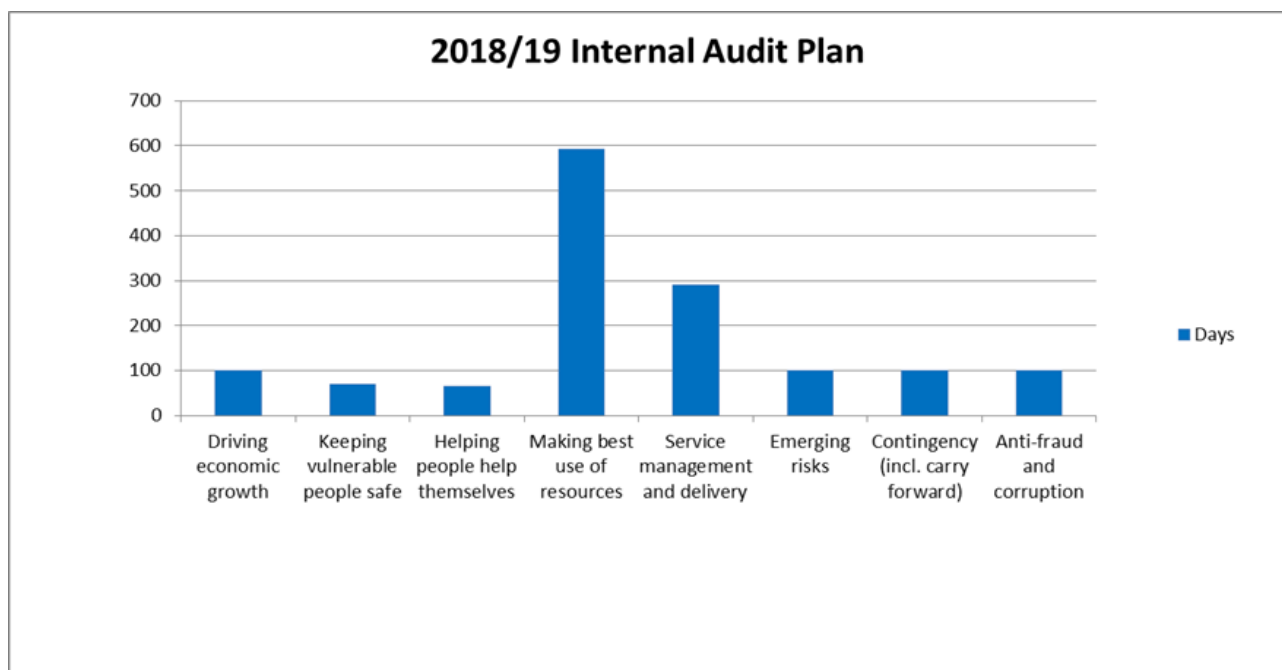
- Achievement of the organisation’s objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

¹ Public Sector Internal Audit Standards (PSIAS)

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
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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
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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</p>

INTERNAL AUDIT PLAN 2018-19



Review Name	Outline Objective
	Apprenticeship Levy and for ensuring the funds for 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>

INTERNAL AUDIT PLAN 2018-19



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 2018-19



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.

INTERNAL AUDIT CHARTER

1. Introduction

This Charter describes for the Council the purpose, authority and responsibilities of the Internal Audit function in accordance with the UK Public Sector Internal Audit Standards (PSIAS).

The PSIAS require that the Charter must be reviewed periodically and presented to “senior management” and “the board” for approval. For the purposes of this charter “senior management” will be Corporate Management Team (CMT) and the board will be the Audit, Best Value and Community Services Scrutiny Committee (ABVCSSC) (described generically in this Charter as the Audit Committee).

The Charter shall be reviewed annually and approved by CMT and the Audit Committee. The Chief Internal Auditor is responsible for applying this Charter and keeping it up to date.

2. Internal Audit Purpose

The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Internal Audit is defined in the PSIAS 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.”

Internal Audit supports the whole Council to deliver economic, efficient and effective services and achieve the Council’s vision, priorities and values.

3. Statutory Requirement

Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2015, which require every local authority to maintain an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance.

These regulations require any officer or Member of the Council to

- make available such documents and records; and
- supply such information and explanations;

as are considered necessary by those conducting the audit.

This statutory role is recognised and endorsed within the Council's Financial Regulations.

In addition, the Council's S151 Officer has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. To perform that duty the Section 151 Officer relies, amongst other things, upon the work of Internal Audit in reviewing the operation of systems of internal control and financial management.

4. Internal Audit Responsibilities and Scope

Annually the Chief Internal Auditor is required to provide to the Audit Committee an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

Internal Audit is not responsible for control systems. Responsibility for effective internal control and risk management rests with the management of the Council.

Internal Audit activity must be free from interference in determining the scope of activity, performing work and communicating results.

The scope of Internal Audit includes the entire control environment and therefore all of the Council's operations, resources, services and responsibilities in relation to other bodies. In order to identify audit coverage, activities are prioritised based on risk, using a combination of Internal Audit and management risk assessment (as set out within Council risk registers). Extensive consultation also takes place with key stakeholders and horizon scanning is undertaken to ensure audit activity is proactive and future focussed.

Internal audit activity will include an evaluation of the effectiveness of the organisation's risk management arrangements and risk exposures relating to:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Efficiency and effectiveness of operations and activities;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts

5. Independence

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations. Internal auditors should have no operational responsibilities.

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. The Chief Internal Auditor has direct access to, and freedom to report in their own name and without fear of favour to, all officers and Members and particularly those charged with governance. This independence is further safeguarded by ensuring that the Chief Internal Auditor's formal appraisal/performance review is not inappropriately influenced by those subject to audit. This is achieved by ensuring that both the Chief Executive and the Chairman of the Audit Committee have the opportunity to contribute to this performance review.

All Internal Audit staff are required to make an annual declaration of interest to ensure that objectivity is not impaired and that any potential conflicts of interest are appropriately managed.

6. Appointment and Removal of the Chief Internal Auditor

The role of Chief Internal Auditor is a shared appointment across the 3 Orbis partner authorities (East Sussex County Council, Surrey County Council and Brighton & Hove City Council).

In order to ensure organisational independence is achieved, all decisions regarding the appointment and removal of the Chief Internal Auditor will be made following appropriate consultation with Member representatives from each of the authorities' audit committees.

7. Reporting Lines

Regardless of line management arrangements, the Chief Internal Auditor has free and unfettered access to report to the S151 Officer; the Monitoring Officer; the Chief Executive; the Audit Committee Chairman; the Leader of the Council and the Council's External Auditor.

The Audit Committee will receive reports on a periodic basis – as agreed with the Chairman of the Audit Committee – on the results of audit activity and details of Internal Audit performance including progress on delivering the audit plan.

8. Fraud & Corruption

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.

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.

Internal Audit will promote an anti-fraud and corruption culture within the Council to aid the prevention and detection of fraud.

9. Consultancy Work

Internal Audit may also provide consultancy services, generally advisory in nature, at the request of the organisation. In such circumstances, appropriate arrangements will be put in place to safeguard the independence of Internal Audit and, where this work is not already included within the approved audit plan and may affect the level of assurance work undertaken; this will be reported to the Audit Committee.

In order to help services to develop greater understanding of audit work and have a point of contact in relation to any support they may need, Internal Audit has put in place a set of service liaison arrangements that provide a specific named contact for each service; and, regular liaison meetings. The arrangements also enable Internal Audit to keep in touch with key developments within services that may impact on its work.

10. Resources

The work of Internal Audit is driven by the annual Internal Audit Plan, which is approved each year by the Audit Committee. The Chief Internal Auditor is responsible for ensuring that Internal Audit resources are sufficient to meet its responsibilities and achieve its objectives.

Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its objectives and to professional standards. Internal Auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.

The Chief Internal Auditor is responsible for appointing Internal Audit staff and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills. The Chief Internal Auditor may engage the use of external resources where it is considered appropriate, including the use of specialist providers.

11. Due Professional Care

The work of Internal Audit will be performed with due professional care and in accordance with the UK Public Sector Internal Audit Standards (PSIAS), the Accounts and Audit Regulations (2015) and with any other relevant statutory obligations and regulations.

In carrying out their work, Internal Auditors must exercise due professional care by considering:

- The extent of work needed to achieve the required objectives;
- The relative complexity, materiality or significance of matters to which assurance procedures should be applied; and
- The adequacy and effectiveness of governance, risk management and control processes;
- The probability of significant errors, fraud or non-compliance; and
- The cost of assurance in proportion to the potential benefits.

Internal Auditors will also have due regard to the Seven Principles of Public Life – Selflessness; Integrity, Objectivity; Accountability; Openness; Honesty; and Leadership.

12. Quality Assurance

The Chief Internal Auditor will control the work of Internal Audit at each level of operation to ensure that a continuously effective level of performance – compliant with the PSIAS is maintained.

A Quality Assurance Improvement Programme (QAIP) is in place which is designed to provide reasonable assurance to its key stakeholders that Internal Audit:

- Performs its work in accordance with its charter;
- Operates in an effective and efficient manner; and,
- Is adding value and continually improving the service that it provides.

The QAIP requires an annual review of the effectiveness of the system of Internal Audit to be conducted. Instances of non-conformance with the PSIAS, including the impact of any such non-conformance, must be disclosed to the Audit Committee. Any significant deviations must be considered for inclusion in the council's Annual Governance Statement.

February 2018

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Report to: **Audit, Best Value and Community Services Scrutiny Committee**

Date: **22 March 2018**

By: **Chief Operating Officer**

Title of report: **Strategic Risk Monitoring**

Purpose of report: **To update the Committee on current strategic risks faced by the Council, their status and risk controls / responses.**

RECOMMENDATION: The Committee is recommended to note the current strategic risks and the risk controls / responses being proposed and implemented by Chief Officers.

1. Background

1.1 Sound risk management policy and practice should be firmly embedded within the culture of the council, providing a proportionate and effective mechanism for the identification, assessment and, where appropriate, management of risk. This is especially important in the current climate where there remains considerable uncertainty about the future.

1.2 Robust risk management helps to improve internal control and support better decision-making, through a good understanding of individual risks and an overall risk profile that exists at a particular time. To be truly effective, risk management arrangements should be simple and should complement, rather than duplicate, other management activities.

2. Supporting Information

2.1 The Council's Strategic Risk Register, which is attached as Appendix 1, is formally reviewed by Departmental Management Teams (DMT's) and the Corporate Management Team (CMT) on a quarterly basis. Members should note that this version of the Strategic Risk Register, which relates to Quarter 3 of 2017 / 2018, was reviewed by CMT on 7th February 2018 and presented to Cabinet on 6th March 2018.

2.2 The following paragraphs summarise the changes made since the risk register was last presented to Audit, Best Value and Community Services Scrutiny Committee on 27th September 2017.

2.3 **Risk 12 (Cyber-attack)** has been updated and also has updated risk control responses. **Risk 4 (Health), Risk 5 (Reconciling Policy, Performance & Resources), Risk 6 (Local Economic Growth), Risk 7 (Schools), Risk 8 (Capital programme), Risk 9 (Workforce) and Risk 10 (Recruitment)** all have updated risk control responses.

2.4 One Risk 'Apprenticeship levy' (formally Risk 11) has been deleted from the Strategic Risk Register. CMT are satisfied that this risk is now appropriately controlled with an action plan in place and therefore it has been de-escalated from the Strategic Risk Register. All risk ratings (red, amber, green) remain unaltered since the last review.

2.5 We will continue to explore opportunities to further strengthen the Council's risk management arrangements and for mitigating our key strategic risks. It is however, important to recognise that in some cases there is an inherent risk exposure over which the Council has only limited opportunity to mitigate or control.

3. Risk Improvement Activity

3.1 Regular reviews of risk registers continue to be carried out in conjunction with departmental risk coordinators and risk owning managers to ensure that relevant risks are identified and risk controls / responses are effective. As part of the Orbis shared service arrangement, risk management support continues to be provided to Surrey County Council. It is proposed that this arrangement will continue into 2018.

3.2 A review of flood risk management has also been commenced. The aim of the review is to identify council buildings, with particular reference to schools, that are at increased risk of flooding with the aim of implementing cost effective risk controls. This work is being undertaken by the council's property insurer, Zurich Municipal, in conjunction with the Flood Risk Management team in the Communities, Economy and Transport (CET) department. The cost of this project will be met from existing risk management budgets.

3.3 Support has also been provided in relation to a review, refresh and development of the Highways Contract risk register and the Adecco contract risk register, relating to the provision of temporary staff.

Kevin Foster
Chief Operating Officer

Contact Officers: Rawdon Philips, Risk & Insurance Manager, Tel: 01273 481593
Email: rawdon.philips@eastsussex.gov.uk

Local Member: All

Background documents :
None

Strategic Risk Register - Q3 2017/18			
Ref	Strategic Risks	Risk Control / Response and Post Mitigation RAG score	RAG
12	<p>CYBER ATTACK</p> <p>The National Cyber Security Centre (NCSC) has highlighted the substantial risk to British web infrastructure with elevated levels of Cyber Crime being reported against all areas of government. Cyber-attacks often include multi vector attacks featuring internet based, social engineering and targeted exploits against hardware, software and personnel. The remote nature of the internet makes this an international issue and an inevitable risk. Examples of the impact of a Cyber Attack include:</p> <ul style="list-style-type: none"> • Financial fraud related to phishing of executives and finance staff; • Loss of Personally Identifiable Information and subsequent fines from Information Commissioner's Office (Currently up to £500k rising to 4% of global revenue when General Data Protection Regulation comes into effect May 2018); • Total loss of access to systems that could lead to threat to life. <p>A successful cyber-attack can shut down operations - not just for a few hours, but rather for multiple days and weeks. The collateral damage, such as information leaks and reputational damage can</p>	<p>Most attacks leverage software flaws and gaps in boundary defences. Keeping software up to date with regular patching regimes; continually monitoring evolving threats and re-evaluating the ability of our toolset to provide adequate defence'</p> <p>Expanding Security Information and Event Management (SIEM) system capabilities to leverage latest standards of automation, detection and prevention;</p> <p>Development of "Security Advocates". Trained staff that can cascade and share cyber security insights and highlight potential issues into the workforce. Promoting a visible approachable business based security team;</p> <p>Ongoing discussion and communication with the Info Sec industry to find the most suitable tools and systems to secure our infrastructure;</p> <p>Enhancing user awareness - Expanding E-Learning and policy delivery mechanisms to cover Cyber threat, educating staff around the techniques and methods used by active threats.</p> <p>With 77% of all malware installed via email, users to be given learning experiences of phishing at point of use in a safe and secure environment;</p> <p>Providing GDPR training and workshops to cascade vital skills and information to those affected by new Data Protection laws;</p> <p>Move of ESCC servers to the Orbis Primary Data Centre for resilience – An accredited Tier 3 environment certified to these standards:</p> <ul style="list-style-type: none"> • ISO 27001 - IT Governance and Information Security Management • ISO 9001 - Quality Standard in Customer Service, Customer Processes, Product Process and Service, Efficiency and Continuous Improvement • ISO 14001 - Environmental Management and Best Practices for Corporate Environmental Responsibility 	R
4	<p>HEALTH</p> <p>Failure to secure maximum value from partnership working with the NHS. If not achieved, there will be impact on social care, public health and health outcomes and increased social care cost pressures. This would add pressures on the Council's budget and/or risks to other Council objectives.</p>	<p>Implementation of East Sussex Better Together Programme by ESCC and Hastings and Rother CCG and Eastbourne, Hailsham and Seaford CCGs to transform health and social care in the county and deliver the Better Care Fund plan to improve outcomes for East Sussex residents, with robust governance arrangements reporting to County Council and Health and Wellbeing Board. Programme will develop the plan for a clinically and financially sustainable health and social care system in East Sussex. There will also be targeted use of the Better Care Fund to better integrate health and social care and contribute to whole system transformation. In High Weald Lewes Havens the Connecting 4 You Programme has now been established to improve health and social care outcomes for residents. The Programme will have implications for management capacity and for the Medium Term Financial Plan. The RPPR process will be used to manage this risk and associated implications.</p>	R
7	<p>SCHOOLS</p> <p>Failure to manage the expected significant reduction in resources for school improvement from 2017/18 and the potential impacts of changing government policy on education, leading to reduced outcomes for children, poor Ofsted reports and reputational damage.</p>	<ul style="list-style-type: none"> • Continue to develop a commissioning model of school improvement including reviewing the level of trading by SLES to ascertain what is sustainable within reducing capacity and to identify core services that can be traded. • Continue to build relationships with academies and sponsors, including the Diocese of Chichester, ensure a dialogue about school performance, including data sharing. • Work with academies and maintained schools through the Education Improvement Partnerships to develop system leadership, school to school support and to broker partnerships to reduce pressure on SLES services. • Broker support to academies to address any performance concerns and investigate the feasibility of trading some LA school improvement services with all schools on a full cost recovery basis. • Where academies do not appear to be accessing appropriate support, bring this to the attention of the DfE, who may exercise their intervention powers. • Work with the Regional Schools Commissioner to ensure the work of the RSC and the LA is aligned and that schools have the support they need. 	R
1	<p>ROADS</p> <p>Wet winter weather, over recent years has caused significant damage to many of the county's roads, adding to the backlog of maintenance in the County Council's Asset Plan, and increasing the risk to the Council's ability to stem the rate of deterioration and maintain road condition.</p>	<p>The additional capital maintenance funding approved by Cabinet in recent years has enabled us to stabilise the rate of deterioration in the carriageway network and improve the condition of our principle road network. However a large backlog of maintenance still exists and is addressed on a priority basis.</p> <p>The County Council's asset management approach to highway maintenance is maintaining the overall condition of roads, despite recent winter weather. However, severe winter weather continues to be a significant risk with the potential to have significant impact on the highway network. The recently approved five year capital programme for carriageways 2018/19 to 2022/23, and the six year additional capital programme for drainage and footways 2017/18 to 2022/23 provide the ability to continue to improve condition and build resilience into the network for future winter events.</p>	A
5	<p>RECONCILING POLICY, PERFORMANCE & RESOURCE</p> <p>Failure to plan and implement a strategic corporate response to resource reductions, demographic change, and regional economic challenges in order to ensure continued delivery of services to the local community.</p>	<p>We employ a robust Reconciling Policy, Performance and Resources (RPPR) process for business planning. We have adopted a commissioning approach which means evaluating need and considering all methods of service delivery, which includes working with partner organisations to deliver services and manage demand. The Council Plan sets out targets for a 'One Council' approach to deliver our priorities and is monitored quarterly. The plans take account of known risks and pressures, including demographic changes and financial risks, to design mechanisms to deliver the Council's priorities. Central Government's plans for the future funding of local government services remain undeveloped. It is prudent therefore to continue to plan on the basis of current assumptions.</p>	A
8	<p>CAPITAL PROGRAMME</p> <p>As a result of current austerity, the capital programme has been produced to support basic need only and as a result of this there is no resource for other investment that may benefit the County e.g. that may generate economic growth. Additionally there is a risk, due to the complexity of formulas and factors that impact upon them, that the estimated Government Grants, which fund part of the programme, are significantly reduced. There continues to be a high level of annual slippage.</p>	<p>Delivery of the programme is much more robust as a result of the high level Capital Programme Management Review. Governance arrangements have been reviewed and developed with Property for the delivery of Schools Basic Need and capital property works in support of this. This includes the Education Sub Board, which in part focuses on future need for schools places, and will focus on better forecasting of DfE grant. Regular scrutiny by the Capital and Strategic Asset Board, of programme and project profiles (both in year and across the life of the programme) has also been timetabled. Work in other areas is now needed to consolidate these arrangements across the programme. The Board also proactively supports the seeking of other sources of capital funding, including Local Growth Fund and European grants.</p>	A

Ref	Strategic Risks	Risk Control / Response and Post Mitigation RAG score	RAG
9	<p>WORKFORCE Stress and mental health are currently the top two reasons for sickness absence across the Council, potentially leading to reduced staff wellbeing, reduced service resilience, inability to deliver efficient service and / or reputational issues.</p>	<p>The 2016/17 sickness absence outturn for the whole authority (excluding schools) is 8.73 days lost per FTE employee, which represents a decrease of 4.0% since the previous year. However, the last two quarters have seen an increase in absence levels, primarily due to stress.</p> <p>Over the last six months, a range of initiatives to address this have been implemented, including:</p> <ul style="list-style-type: none"> - introduction of an automated process to contact managers with employees off for stress related reasons; - targeted signposting of advice and guidance for these managers; - implementation of a new dynamic 'Return to work' form, which provides tailored questions for specific conditions; - identification of Teams with high levels of stress absence to enable targeted HR interventions such as coaching and bespoke training sessions; - provision of training from a specialist Nurse for managers of Teams with high levels of stress related sickness absence, - commissioning of a new 'Managers managing stress' course; - the first ESCC Mental Health Awareness workshop was held on 10 October 17; - development of a half-day session on Mental Health awareness as part of the corporate training programme, and - consideration of introducing 'Mental Health First Aiders' into workplaces 	A
10	<p>RECRUITMENT Inability to attract high calibre candidates, leading to limited recruitment choices and therefore lack of the expertise, capacity, leadership and/or innovation required to deliver services and service transformation.</p>	<p>The jobs pages of the ESCC corporate website have been comprehensively re-designed and re-branded and all imagery and content has been refreshed as part of a joint project between HR and the Web/Digital Team. The review was informed by user analytics, feedback from a range of internal users and external job seekers who regularly use our site. Re-branding and review of department specific promotional content for job seekers which aligns with the work undertaken to the general jobs pages has also been carried out by ASC and CSD and work is underway to create similar content for CET and Orbis in due course. Social media channels, specifically Facebook and Twitter at present, are now used to promote all ESCC job vacancies. Work continues to identify areas of recruitment difficulty at a corporate and department specific level. A Recruitment and Retention Board has been established within CET to provide a strategic forum to discuss and identify solutions to key workforce challenges similar to groups that already exist within ASC and CSD to give ownership to recruitment related initiatives.</p> <p>A new recruitment advertising services provider was appointed in January 2017 and has been working with us to advise on appropriate attraction and engagement channels for some hard-to-recruit roles as part of our wider recruitment strategy. The Council's entire employee benefits provision is currently out to tender with contract award/s anticipated in summer 2018. The specifications for the lots within this tender were informed in part by the requirement to secure the most diverse, attractive and useful benefits for the Council's staff in future, within an affordable financial envelope, so as to best maximise our appeal as an employer in the competitive recruitment market. These benefits sit alongside existing provisions for the strategic use of recruitment and retention incentives where appropriate.</p>	A
6	<p>LOCAL ECONOMIC GROWTH Failure to deliver local economic growth, and failure to maximise opportunities afforded by Government proposal to allocate Local Growth Funding to South East Local Enterprise Partnership, creating adverse reputational and financial impacts.</p>	<p>The County Council and its partners have been successful in securing significant amounts of growth funding totalling £110m, via both the South East and Coast 2 Capital Local Enterprise Partnerships, to deliver a wide range of infrastructure projects in East Sussex. We have also secured outgoing EU funding for complementary economic development programmes supporting businesses to grow, including South East Business Boost, LoCASE and inward investment services for the county.</p> <p>Government is working on a new Shared Prosperity Fund, which seeks to combine growth funding and outgoing EU funding into one, and as a consequence we are working with partners to develop a pipeline of projects to ensure we are well-placed to capitalise when the fund is released, and calls for projects are issued.</p>	A
2	<p>ORDINARY RESIDENCE Risk from other areas placing clients in receipt of social care services in East Sussex, and transferring to ESCC the commissioning, care management and funding responsibility for the individual as a result of a successful Ordinary Residence claim.</p>	<p>Dedicated Ordinary Residence Panel set up. The Panel discusses and agrees strategic and legal responses to Ordinary Residence claims from and to other Local Authorities, and directs reporting content. Panel members contact other Local Authorities directly where appropriate, and instruct Legal Services representation (including Counsel, and applications for Secretary of State determination) on behalf of ESCC.</p> <p>Continued awareness raising for ASC operational staff (and particularly Social Care Direct) in line with published guidance on Ordinary Residence, resulting in earlier case referrals to Ordinary Residence team. Guidance for frontline staff was written and issued followed by panel members visiting all ASC Operational teams to deliver presentation and Q&A. OR Inbox established to provide advice to staff and monitor all known incoming/outgoing OR queries and claims.</p> <p>Regular information gathering and reporting to DMT on all Ordinary Residence case referrals and financial projections.</p>	A

Report to:	Audit, Best Value and Community Services (ABVCS) Scrutiny Committee
Date of meeting:	22 March 2018
By:	Chief Executive
Title:	Reconciling Policy, Performance and Resources
Purpose:	To review scrutiny's input into the Reconciling Policy, Performance and Resources process during 2017/18.

RECOMMENDATIONS

The Committee is recommended to:

- 1) Review its input into the Reconciling Policy, Performance and Resources process;**
 - 2) Identify any lessons for improvement of the process in future; and**
 - 3) Note the response to the RPPR Board's comments on the budget.**
-

1 Background

1.1 Reconciling Policy, Performance and Resources (RPPR - i.e. aligning the Council's budget setting process with service delivery plans) has established an effective and transparent business planning process.

1.2 Scrutiny committees actively engage in the process, firstly to allow them to bring the experience they have gained through their work to bear and, secondly, to help inform their future work programmes.

2 Reconciling Policy, Performance and Resources and scrutiny in East Sussex

2.1 In September 2017 each scrutiny committee considered extracts from the *State of the County* report and the existing departmental savings and Portfolio Plans. Requests for further information or reports were made to help the scrutiny committee gain a full understanding of the context for budget and service planning.

2.2 The scrutiny committees established scrutiny boards to provide a more detailed input into the RPPR process. These met in December 2017 to consider the draft 2018/19 Portfolio Plans and the impact of proposed savings. The boards:

- considered any amendments to the Portfolio Plans and how priorities were reflected against the proposed key areas of budget spend for the coming year;
- assessed the potential impact of proposed savings on services provided to East Sussex County Council customers.
- made comments and recommendations to Cabinet on the budget proposals for 2018/19.

2.3 Appendix 1 summarises the comments and recommendations made by the Audit, Best Value and Community Services Scrutiny Committee RPPR Board to Cabinet together with the response where appropriate.

3. Conclusion and reasons for recommendations

3.1 The committee is recommended to review its input into the RPPR process, establish whether there are lessons for improvement for the future and to note the response to comments made by the RPPR Board. Where relevant, comments relating to the RPPR process will also be fed into the ongoing review of scrutiny arrangements in East Sussex.

BECKY SHAW Chief Executive

Contact Officer: Martin Jenks

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LOCAL MEMBERS

All.

BACKGROUND DOCUMENTS

None.

APPENDICES

Appendix 1. Comments and recommendations made by the Audit, Best Value and Community Services Scrutiny Committee RPPR Board together with the response where appropriate.

Responses to scrutiny comments/recommendations from RPPR process in 2017/8

Audit, Best Value and Community Services Scrutiny Committee

Scrutiny comment / suggestion / recommendation at December 2017 RPPR Board and Libraries Review Board	Response
<p><u>ABVCS Scrutiny Committee RPPR Board 12 December 2018</u></p> <p>Attendees: Councillors Colin Swansborough (Chair), John Barnes (Vice Chair), Matthew Beaver, Philip Daniel and Francis Whetstone (substituting for Councillor Pragnell).</p> <p>Comments to Cabinet:</p> <p><u>Treasury Management Strategy</u> The Board recommended a re-assessment of the Treasury Management Strategy, putting more emphasis on medium term investment vehicles, such as Mixed Asset Bonds, as a way of providing a return without overly affecting liquidity. Such a re-assessment should also take into account a jadding of short term investments, to provide an even income stream. The Board also noted the funds available for investment would diminish over the next three years.</p> <p><u>Property Asset and Investment Strategy</u> The Board welcomed the proposed prioritising of income generation from assets over capital receipts, and noted the current low volume of East Sussex assets.</p> <p>The Board supported key principles 1, 2 and 4 of the Property Asset and Investment Strategy, but recommended a revision to principle 3: “Invest in income producing assets within County creating a diversified portfolio to manage risks and secure an annual return”, to reflect the financing requirements and risks of such investment for the County Council better and the Board recommended a cautious approach to direct investment in commercial property.</p>	<p>A revised Treasury Management Strategy was developed and subsequently agreed by Cabinet at its meeting on 23rd January 2018. This revision incorporated feedback from ABVCSSC.</p> <p>A Property Asset Disposal and Investment Strategy is on the forward plan for Cabinet in April 2018. The draft strategy incorporates the feedback from ABVCSSC. The priority for the strategy is investment to support service need and therefore the purpose being to support the Councils priorities with a commercially acceptable return so that the development, management and return could contribute to the strategic aims of the council.</p>

Scrutiny comment / suggestion / recommendation at December 2017 RPPR Board and Libraries Review Board	Response
<p><u>Direct Property Investment</u> In respect of the Property Asset and Investment Strategy and Treasury Management Strategy, the Board recommended a cautious approach to borrowing to invest directly in property with a view to income generation, as the two Strategies are linked, and a vigorous investment in property may require an equivalent cautious approach to other investments.</p>	<p>See above.</p>
<p><u>Libraries Review Board</u> Board Members: Councillors Colin Swansborough (Chair), John Barnes, Peter Pragnell and Richard Stogdon.</p> <p>The libraries scrutiny review board met on 5 March and commented on the final proposals contained in the revised Libraries Strategic Commissioning Strategy (LSCS) that was submitted to the Cabinet. A report was then circulated for consideration at the Cabinet meeting on 6 March 2018.</p>	

Report to: Audit, Best Value and Community Services Scrutiny Committee

Date of meeting: 22 March 2018

By: Chief Property Officer

Title: St. Anne's Rotten Row Lewes

Purpose: To provide an update, review and position statement on the St. Anne's site Lewes

RECOMMENDATIONS

- 1) The Committee is recommended to note the current context for the site, activities in hand and indicative timelines proposed with regard to future engagement.**
 - 2) The Committee is asked to note that formal proposals will be submitted in due course initially to the Lead Member and then through Cabinet Briefings before any further scrutiny**
-

1 Background

- 1.1 The St. Anne's former school site off Rotten Row Lewes has been the subject of extensive debate over many years. Since the school closed in 2003, there has been a range of options considered with regard to future use of the land.
- 1.2 Despite a formal procurement exercise in 2012 seeking to transfer the asset for community uses, a transaction failed to materialise and in April 2016 the Lead Member for Resources revised the decision to pursue the transfer to a community group in order to enable wider development of the site that would both support the County Council priorities, whilst taking into account local considerations. The site is not listed as an asset of community value.
- 1.3 Over the past two years there has been a set of activities on the site, as noted within this report, and an evolving picture on town planning policy that will continue to support future direction and decision making.
- 1.4 This report provides a key summary of recent activities, all undertaken as a precursor to support future decisions for the site. Whilst the County Council is aware of the community's interest in the future of the site, it remains a requirement that best value be pursued and the County Council will be undertaking appropriate consultation with its key stakeholders over coming months, working closely with the South Downs National Park, Lewes District and Town Councils.

2 Supporting Information

- 2.1 The land and buildings, shown hatched black on the attached plan (Appendix 1), comprise approximately 1.8 hectares (4.4 acres) and form the site of the former St. Anne's School.

- 2.2 To support any consultation and delivery programme, it has been necessary to update and refresh core information on elements of the site to ensure it remains robust to support options to be taken forward and for governance approvals. Below is a summary context and position statement

Town Planning

- 2.3 The site falls within the South Downs National Park, where planning matters are primarily dealt with by the National Park Authority. Working with Lewes District Council, the parties have adopted a Joint Core Strategy which is Lewes District Council's central planning policy document. This Document sets out the long term spatial vision for the district and will guide development and change up to 2030. The Core Strategy was adopted by Lewes District Council in May 2016 and by the South Downs National Park Authority in June 2016. This Document will ultimately be replaced by the South Downs Local Plan when adopted by the Park Authority.
- 2.4 In addition, Lewes Town Council have been working on a draft Neighbourhood Plan which will seek to align housing allocations and policies with the core strategy policies.
- 2.5 The St. Anne's site is now identified for housing development within core policy papers, but will still be subject to finalising agreement on development densities and the level of affordable housing provision. The County Council's focus for the site will remain for residential development.

Health and Safety

- 2.6 There remains a considerable concern over the safety of the site arising from various occurrences of trespass, and illegal entry into the extant building.
- 2.7 Despite a regime of site inspections, and security measures, the site boundaries have been regularly damaged with the site often used by local residents as a pathway link between Rotten Row and St. Anne's Crescent, or for general dog walking despite the formal adopted footpaths to the east of the site. In addition, and arising from recent tree surveys undertaken, site security and notices have recently been reinforced given further safety issues noted.

Application for partial demolition

- 2.8 An application was recently submitted to the South Down National Park and Lewes District Council for demolition of the annexe to the main building (only) and a preferred contractor has been procured for this work. Whilst we anticipate works being instigated shortly after Easter, the works and method statements remain subject to ongoing discussion and feedback with the planners.
- 2.9 As part of this work and application, various site surveys have been concluded covering environmental, tree and ecology matters to ensure compliance with any planning conditions attached to consents.

The Flint Wall

- 2.10 The flint wall that runs the length of the Rotten Row frontage has been subject to a recent condition survey, and is monitored on at least a monthly basis. There is no current intent to replace the wall at this stage, as we would anticipate it being part of any wider development scheme arising on St. Anne's. Recent cut back of overgrowth has been concluded, and whilst some significant movement has been noted in a small section of the wall, this may have been caused by the recent frost; alternatively, there have been some earth works in the property opposite, so the wall may have been struck by a vehicle. We have nevertheless instructed some temporary works to prevent any further deterioration.

Site Survey work

- 2.11 To inform any future development it has been necessary to commence a range of site survey activities, and as part of this early stage activity, including the application for demolition, topographical, environmental and tree survey reports have been commissioned. The reports indicate some protected species (slow worms) on site which will be subject to further Natural England guidance, and the tree survey has reported on over 217 trees, of which approximately 40 are recommended for major surgery and/or removal due to condition, squirrel damage etc. Approximately 50 are noted as offering high amenity value, with tree preservation orders already protecting a core of these trees. Over half of the trees on site are otherwise noted as "adequate" in terms of condition. Given the details within the survey, a wider programme of site/tree management will be undertaken over coming months, taking into account any seasonal restrictions.

3 Consultation and Indicative Programme

- 3.1 The County Council acknowledge that timely and regular communication with key stakeholders at all project stages is critical to successful delivery. In fully recognising the importance of engagement, the County Council will pursue a Stakeholder Engagement Plan, which will also allow for wider public consultation throughout the process.

- 3.2 Any development proposals brought forward will need to follow a staged process, and the indicative Programme over the next 12 months suggests:-

June 2018 (Q1 18/19)	Appointment of a team of advisors and consultants.
During Q2 18/19	Stakeholder Engagement plan.
During Q2 18/19	Options appraisals to include feasibility.
During Q3 18/19	Site investigations, planning advice, highway assessment, programme of seasonal and physical site surveys.
By end Q3 18/19	Concept and pre application submissions, stakeholder workshops.
During Q4 18/19	Planning submission and determination.

4. Conclusion and reasons for recommendations

- 4.1 This report provides a high level position statement on current and recent activity across the St. Anne's former school site, and fully acknowledges the need to undertake appropriate consultation with a number of key stakeholders, working alongside Lewes District Council and those parties already expressing an interest in the site.
- 4.2 This Position Statement outlines recent and current management activities and suggests an indicative timeline that would support Stakeholder engagement and consultation on any proposals brought forward. It is emphasised that no decisions have been made, and that whilst a number of parties have approached the Council, the indicative programme would enable all proposals to be reviewed and discussed, with the ultimate decision being for the Lead Member for Resources.
- 4.3 The Committee is invited to note the report and comment on any actions taken.

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Chief Property Officer

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LOCAL MEMBERS

Councillor Ruth O'Keeffe

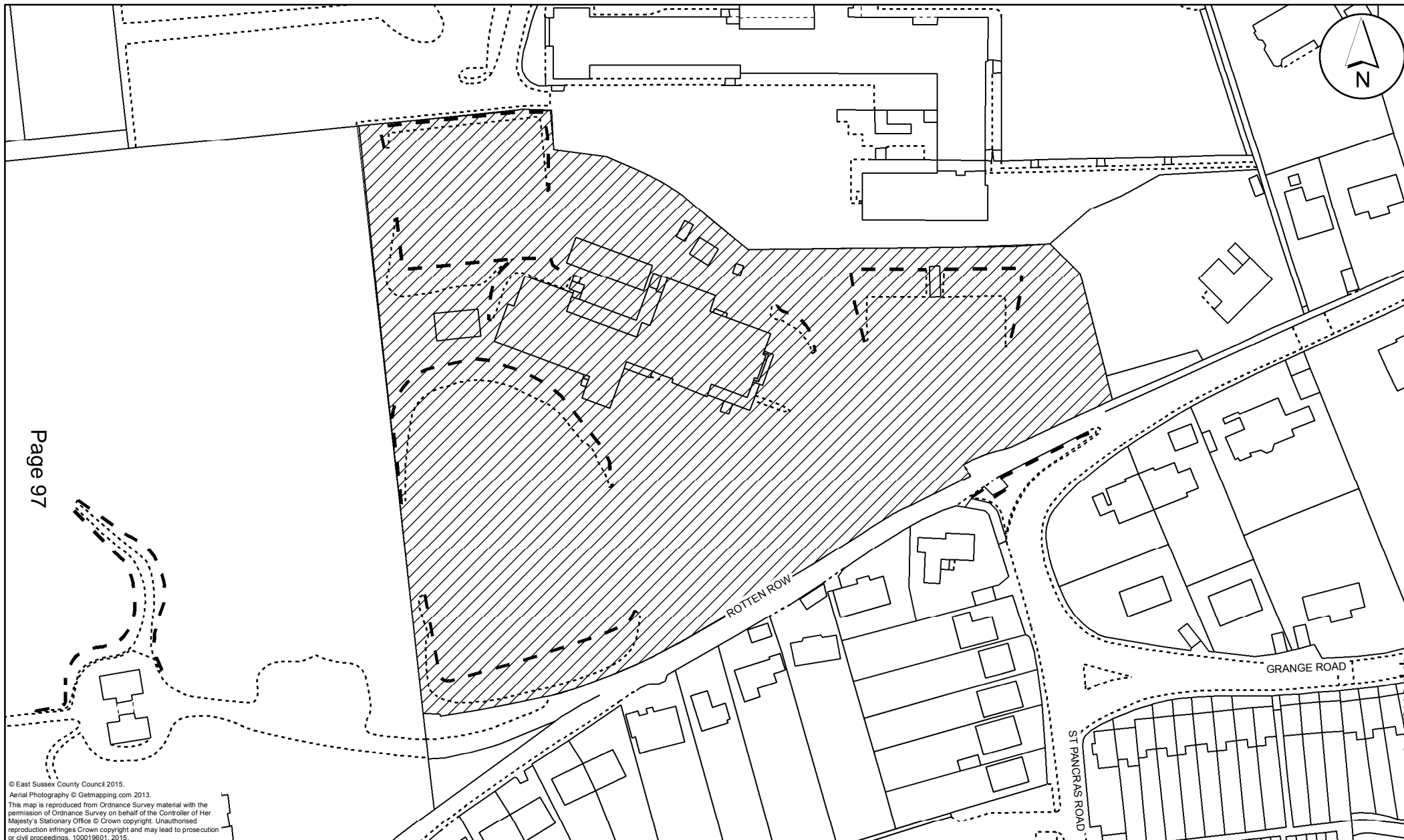
BACKGROUND DOCUMENTS

Adopted Joint Core Strategy 2016 - Lewes DC and South National Park Authority

<http://www.lewes-eastbourne.gov.uk/planning-policy/lewes-core-strategy-local-plan-part-1/?assetdetb15f5c56-9bf9-4867-b307-cdbef931760d=257159>

Lewes Town Council - Neighbourhood Plan 2015-2033 Pre Submission Draft

<http://www.lewes4all.uk/>



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Map Title: St Annes Former School Site, Rotten Row

Date: 12.03.18

Map No: 017

Scale: 1:1,250

Author: KVN



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Report to: Audit, Best Value and Community Services Scrutiny Committee

Date of meeting: 22 March 2018

By: Chief Operating Officer

Title: Property Asset Disposal and Investment Strategy

Purpose: To provide the Audit Best Value and Community Services Scrutiny Committee with a draft Investment Strategy that supports the Council's four priority outcomes. The strategy will be presented to the Cabinet meeting on 24 April 2018.

RECOMMENDATIONS: The Committee is recommended to:

1) Receive and provide feedback on the draft Property Asset Disposal & Investment Strategy contained 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 report 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 report 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 report, with differentiation recognising the existing delegated powers held by the Chief Operating Officer and Chief Property Officer, and the proposal to establish an Investment Board 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 Investment Board), and the performance of investments will be subject to the scrutiny of the Audit, Best Value and Community Services Scrutiny 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 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 Investment Board will be subject to scrutiny by the Audit, Best Value and Community Services Scrutiny 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 Councils 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 officer 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.

KEVIN FOSTER Chief Operating Officer

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LOCAL MEMBERS

All

BACKGROUND DOCUMENTS

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PROPERTY ASSET AND INVESTMENT STRATEGY 2018/19



CONTENTS

1. INTRODUCTION
2. THE ROLE OF PROPERTY
3. ASSET & INVESTMENT STRATEGY
4. OPERATIONAL ASSETS
5. OPTIMISE RECEIPT / REVENUE FROM DISPOSALS
6. DEVELOPMENT FOR CORPORATE PRIORITIES /SERVICE NEED
7. DIRECT DEVELOPMENT OR PROVISION OF EQUITY OR DEBT FINANCE
8. DIRECT ACQUISITIONS OF EXISTING LET INVESTMENTS
9. LEGAL FRAMEWORK
10. FINANCIAL FRAMEWORK
11. GOVERNANCE
12. RESOURCE IMPLICATIONS
13. RISKS AND RISK MITIGATION
14. CONCLUSION AND RECOMMENDATIONS

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. ASSET & INVESTMENT STRATEGY

- 3.1 This strategy seeks to position an Asset & 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)
 - 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. 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 insure 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 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 DC and Hastings BC, 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 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.
- 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 and 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 and 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 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 the Corporate Management Team (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 and 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 and Investment Board, its decisions and the performance of the investments and developments will be subject to the scrutiny of the Audit, Best Value and Community Services Scrutiny Committee, supported by key officers as outlined above.

12. RESOURCE IMPLICATIONS

- 12.1 The Property Asset 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 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 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 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 Investment Board (AIB), the Membership of which is referenced in section 11 of this strategy.

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Report to: Audit Best Value and Community Services Scrutiny Committee

Date of meeting: 22 March 2018

By: Chief Operating Officer

Title: General Data Protection Regulation (GDPR) Preparedness

Purpose: Update on the Council's preparedness for new data protection legislation (GDPR)

RECOMMENDATIONS

1) The Committee are asked to note the contents of this report

1 Background

1.1 New data protection legislation is due to come into force in May 2018 and an 'Action Plan' is being implemented to deliver required change. A cross-departmental steering group, chaired by the Information Manager, has been created to support delivery of the action plan and sub groups established to focus on specific work-streams within the plan.

1.2 This report summarises requirements of the new legislation, associated risks and progress to date in preparing for the change.

2 Supporting information

2.1 The General Data Protection Regulation (GDPR) is European legislation that will apply in the UK from 25th May 2018. The UK is additionally looking to replace the current Data Protection Act (1998) and a Bill is currently being considered by parliament. This Bill includes requirements of the GDPR (and applicable derogations) and the Law Enforcement Directive. The East Sussex County Council (ESCC) GDPR Action Plan is being updated, where information on the new Data Protection Act is known, to ensure the Council is able to respond to the wider legislation.

2.2 Failure to reach an adequate level of compliance with the new legislation risks reputational damage and significant fines. The monetary penalties that the Information Commissioner's Office (ICO) can administer rise from a maximum of £500,000, under the current legislation, to €20 million (or 4% of turnover – whichever is greatest) under GDPR.

2.3 Whilst the GDPR (and associated legislation) mirrors current law to a large degree, it requires organisations to put additional safeguards in place to meet privacy obligations and enhances the rights of individuals where personal data is processed. **A summary of the Council's response to these requirements can be found in Appendix 1.**

2.4 ESCC's preparedness for GDPR/Data Protection Law is the subject of a current internal audit exercise. The report and findings are due by 31st March 2018 and will be reported in the Audit report to this committee at its meeting on 13th July 2018.

2.5 In order to ensure consistency of approach in response to the new legislation, ESCC is working closely partners including Health, Orbis Councils and Sussex Police.

2.6 One key requirement of the GDPR is the appointment of a Data Protection Officer (DPO). The Orbis partnership is currently working to appoint a DPO in advance of May 2018.

3. Conclusion

3.1 ESCC has made good progress in preparing for the change in Data Protection legislation and whilst much work is still to be done, all required elements (summarised in Appendix 1) are being addressed to enable requirements for compliance to be in place by 25th May 2018.

KEVIN FOSTER
Chief Operating Officer

Contact Officer: Heidi Judd (Information Manager)
Tel. No. 01273 482184
Email: heidi.judd@eastsussex.gov.uk

Privacy Impact Assessments (PIA)

Progress

- PIA Template and Guidance published on the intranet

Next Steps

- Align corporate Project and Change Management processes with PIA process



Privacy Notices (PN)

Progress

- Draft Privacy Notice guidance/graphics complete
- Privacy Notice template created and web form nearing completion
- Current Privacy Notices – updates nearing completion
- Privacy Notice area created on ESCC website



Lawful Processing

Progress

- Guidance on applicable conditions for processing personal data complete
- Consent guidance nearing completion



Information Asset Register (IAR)

Progress

- IAR Update - in progress
- Personally Identifiable Information (PII) Data Flow Mapping – in progress

Next Steps

- Ongoing maintenance and development plan



Data Subject Requests

Progress

- Rights review complete
- Guidance for customers complete
- Guidance for customers nearing completion
- Gap analysis – IT systems review: ability to meet Data Subject Rights – in progress
- Data Subject Rights request process agreed



Procurement and Contracts

Progress

- New contract T&Cs in place
- Contract variations being prepared
- Procurement checklist nearing completion



Policy/Governance Review

Progress

- Gap analysis – complete
- Policy update – nearing completion

Next Steps

- Decision log creation
- Process change



Breach handling

Next Steps

- Review and update procedures (if required)
- 72 hour breach response – ‘rapid response team’



Communications Plan

Progress

- Communications plan and comms. team support in place
- High level cross-council awareness – intranet content, yammer, CMT Brief and posters
- Targeted departmental and specific service area communications – in progress
- ESCC Website content update including GDPR guidance for Data Subjects - nearing completion



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Audit, Best Value and Community Services (ABVCS) Scrutiny Committee



Future work at a glance

Updated: March 2018

This list is updated after each meeting of the scrutiny committee
Follow us on Twitter for updates: @ESCCScrutiny

Items that appear regularly at committee	
Internal Audit Progress Reports	Summary of quarterly key audit findings, highlighting significant control issues and reporting on delivery of the audit plan and internal audit services' performance against performance indicators.
Strategic risk monitoring log	The latest version of the County Council's strategic risk register.
The Council's Forward Plan	<p>The latest version of the Council's Forward Plan is included on each scrutiny committee agenda. The Forward Plan lists all the key County Council decisions that are to be taken within the next few months together with contact information to find out more. It is updated monthly.</p> <p>The purpose of doing this is to help committee Members identify important issues for more detailed scrutiny <i>before</i> key decisions are taken. This has proved to be significantly more effective than challenging a decision once it has been taken. As a last resort, the call-in procedure is available if scrutiny Members think a Cabinet or Lead Member decision has been taken incorrectly.</p> <p>Requests for further information about individual items on the Forward Plan should be addressed to the listed contact. Possible scrutiny issues should be raised with the scrutiny team or committee Chairman, ideally before a scrutiny committee meeting.</p>
Committee work programme	This provides an opportunity for the committee to review the scrutiny work programme for future meetings and to highlight any additional issues they wish to add to the programme.

Page 123

Agenda Item 14

Future committee agenda items		Presenting officer
13 July 2018		
Internal Audit Services Annual Report and Opinion 2017/18	An overall opinion on the Council's framework of internal control, summarises the main audit findings and performance against key indicators (includes Internal Audit Progress report – Quarter 4, 2017/18, 01/01/18 – 31/03/18).	Russell Banks, Chief Internal Auditor / Nigel Chilcott, Senior Audit Manager
Strategic Risk Monitoring	Strategic risk monitoring report – Quarter 4, 2017/18 (01/01/17 – 31/03/18)	Rawdon Phillips, Risk & Insurance Manager /Russell Banks, Chief Internal Auditor
Review of Annual Governance Report & 2017/18 Statement of Accounts	Report of the external auditors following their audit of the Council's statutory accounts. It allows the committee to review the issues raised and assess the management response.	External Auditors/ Ian Gutsell, Chief Finance Officer / Ola Owolabi, Head of Accounts and Pensions
Review of Pension Fund Annual Governance Report and 2017/18 Statement of Accounts	Report of the external auditors following their audit of the Pension Fund. It allows the committee to review the issues raised and assess the management response.	External Auditors/ Ian Gutsell, Chief Finance Officer / Ola Owolabi, Head of Accounts and Pensions
Monitoring Officer's Annual Review of the Corporate Governance Framework	Sets out an assessment of the effectiveness of the Council's governance arrangements and includes an improvement plan for the coming year, and the corporate assurance statement which will form part of the statement of accounts.	Philip Baker, Assistant Chief Executive
Job Vacancy Rate	A report providing details of the job vacancy rate within East Sussex County Council	Ian Gutsell, Chief Finance Officer
20 September 2018		
Internal Audit Progress Report	Internal Audit Progress report – Quarter 1, 2018/19 (01/04/18 – 30/06/18)	Russell Banks, Chief Internal Auditor/Nigel Chilcott, Senior Audit Manager

Future committee agenda items		Presenting officer
Strategic Risk Monitoring	Strategic risk monitoring report – Quarter 1, 2018/19 (01/04/18 – 30/06/18)	Rawdon Phillips, Risk & Insurance Manager /Russell Banks, Chief Internal Auditor
Reconciling Policy, Performance and Resources (RPPR)	RPPR 2019/20. The Committee will start the process of examining the savings plans and Portfolio Plans for those services within the remit of the Committee.	Scrutiny / Chief Executive / Senior Officers
22 November 2018		
Internal Audit Progress Report	Internal Audit Progress report – Quarter 2, 2018/19 (01/07/18 – 30/09/18)	Nigel Chilcott, Senior Audit Manager/Russell Banks, Chief Internal Auditor
Strategic Risk Monitoring	Strategic risk monitoring report – Quarter 2, 2018/19 (01/07/18 – 30/09/18)	Rawdon Phillips, Risk & Insurance Manager/Russell Banks, Chief Internal Auditor
Annual Audit Letter	To consider the Annual Audit letter and fee update from the External Auditor	Ian Gutsell, Chief Finance Officer / Ola Owolabi, Head of Accounts and Pensions
Treasury Management	To consider a report on the review of Treasury Management performance for 2017/18 and for outturn for the first six months of 2018/19, including the economic factors affecting performance, the Prudential Indicators and compliance with the limits set within the Treasury Management Strategy.	Ian Gutsell, Chief Finance Officer / Ola Owolabi, Head of Accounts and Pensions
Annual update on usage of Agency Staff	Annual update on the usage of agency staff at East Sussex County Council and progress on establishing the bank of casual staff.	Sarah Mainwaring, Head of HR and Org Development
Reconciling Policy, Performance and Resources (RPPR)	RPPR 2019/20. The Committee will consider additional information requested at the September meeting.	Scrutiny / Senior Officers

Current scrutiny reviews and other work underway	Date available

Potential future scrutiny work
(Proposals and ideas for future scrutiny topics appear here)

Treasury Management Strategy. The Committee has considered the Treasury Management Strategy and how ESCC structures its investments at the RPPR Board in December. A revised Treasury Management Strategy was agreed by Cabinet and Full Council in February. The Committee will consider whether further scrutiny work required on the Treasury Management Strategy.

Community Asset Transfer (CAT) policy. The Committee will consider whether to undertake further scrutiny work on the Community Asset Transfer (CAT) policy for council owned land and buildings, once it has examined the existing policy.

Page 126

Background / information reports circulated to the Committee (Items in this list are circulated to Members by email and appear on committee agendas only when proposed for scrutiny by committee members)	Date to be circulated

Enquiries: Democratic Services
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Version number: v.56

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EAST SUSSEX COUNTY COUNCIL'S FORWARD PLAN

The Leader of the County Council is required to publish a forward plan setting out matters which the Leader believes will be the subject of a key decision by the Cabinet or individual Cabinet member in the period covered by the Plan (the subsequent four months). The Council's Constitution states that a key decision is one that involves

- (a) expenditure which is, or the making of savings which are, significant having regard to the expenditure of the County Council's budget, namely above £500,000 per annum; or
- (b) is significant in terms of its effects on communities living or working in an area comprising two or more electoral divisions.

As a matter of good practice, the Council's Forward Plan includes other items in addition to key decisions that are to be considered by the Cabinet/individual members. This additional information is provided to inform local residents of all matters to be considered, with the exception of issues which are dealt with under the urgency provisions.

For each decision included on the Plan the following information is provided:

- Page 129 -
- the name of the individual or body that is to make the decision and the date of the meeting
 - the title of the report and decision to be considered
 - groups that will be consulted prior to the decision being taken
 - a list of other appropriate documents
 - the name and telephone number of the contact officer for each item.

The Plan is updated and published every month on the Council's website two weeks before the start of the period to be covered.

Meetings of the Cabinet/individual members are open to the public (with the exception of discussion regarding reports which contain exempt/confidential information). Copies of agenda and reports for meetings are available on the website in advance of meetings. For further details on the time of meetings and general information about the Plan please contact Andy Cottell at County Hall, St Anne's Crescent, Lewes, BN7 1UE, or telephone 01273 481955 or send an e-mail to andy.cottell@eastsussex.gov.uk.

For further detailed information regarding specific issues to be considered by the Cabinet/individual member please contact the named contact officer for the item concerned.

EAST SUSSEX COUNTY COUNCIL
 County Hall, St Anne's Crescent, Lewes, BN7 1UE

For copies of reports or other documents please contact the officer listed on the Plan or phone 01273 335274.

FORWARD PLAN – EXECUTIVE DECISIONS (including Key Decisions) –1 March 2018 TO 30 June 2018

Additional notices in relation to Key Decisions and/or private decisions are available on the [Council's website](#).

Cabinet membership:

- Councillor Keith Glazier - Lead Member for Strategic Management and Economic Development
- Councillor David Elkin – Lead Member for Resources
- Councillor Bill Bentley – Lead Member for Communities and Safety
- Councillor Rupert Simmons – Lead Member for Economy
- Councillor Nick Bennett – Lead Member for Transport and Environment
- Councillor Carl Maynard – Lead Member for Adult Social Care and Health
- Councillor Sylvia Tidy – Lead Member for Children and Families
- Councillor Bob Standley – Lead Member for Education and Inclusion, Special Educational Needs and Disability

Date for Decision	Decision Taker	Decision/Key Issue	Decision to be taken wholly or partly in private (P) or Key Decision (KD)	Consultation	List of Documents to be submitted to decision maker	Contact Officer
6 Mar 2018	Cabinet	Council Monitoring: Quarter 3 2017/18 To consider the Council Monitoring report for Quarter 3, 2017/18.			Report, other documents may also be submitted	Jane Mackney 01273 482146
6 Mar 2018	Cabinet	Fair Funding Review Consultation Response To consider East Sussex County Council's response to the Secretary of State for Communities and Local Government consultation on the Fair Funding Review.			Report, other documents may also be submitted	Ian Gutsell 01273 481339

6 Mar 2018	Cabinet	Libraries Transformation Programme revised Libraries Strategic Commissioning Strategy To seek Cabinet approval of the revised Libraries Strategic Commissioning Strategy.	KD	12 week Public Consultation Local Members	Report, other documents may also be submitted	Nick Skelton 01273 482994
6 Mar 2018	Cabinet	Proposals for the creation of a Major Road Network - consultation response Cabinet is asked to review and approve the Council's response to the Government consultation on the creation of a Major Road Network.			Report, other documents may also be submitted	Jon Wheeler 01273 482212
16 Mar 2018	Lead Member for Communities and Safety	Road Safety Policies Update To consider a report regarding the updates to Road Safety Policies.			Report, other documents may also be submitted	Claire Scriven 0345 6080193
19 Mar 2018	Lead Member for Transport and Environment	Capital Programme for Transport Improvements 2018/19 To approve the list of transport schemes and associated expenditure in 2018/19 to be included in the programme	KD		Report, other documents may also be submitted	Andrew Keer 01273 336682
19 Mar 2018	Lead Member for Transport and Environment	East Sussex Statement of Community Involvement adoption The Statement of Community Involvement (SCI) and its accompanying publicity is a statutory requirement under the Planning and Compulsory Purchase Act 2004 and associated regulation	KD		Report, other documents may also be submitted	Sarah Iles 01273 481631

23 Mar 2018	Lead Member for Resources	Annual write off of debts Annual report to request formal approval to write-off debts over a certain value.	P KD		Report, other documents may also be submitted	Janyce Danielczyk 01273 481893
23 Mar 2018	Lead Member for Resources	Hailsham - Delivery of school sites Exercise of options in relation to two schools in Hailsham	KD	Local Members	Report, other documents may also be submitted	Graham Glenn 01273 336237
23 Mar 2018	Lead Member for Resources	Petition - to save the small separately fenced area at the far end of the Pells School site on Landport, Lewes for continued use as a forest school To consider the petition to save the small separately fenced area at the far end of the Pells School site on Landport, Lewes for continued use as a forest school, the area to be given into the care and ownership of the Landport Community Hub charity, or other suitable arrangements made by agreement with the lead petitioners to achieve the same end, that this tiny percentage of the site be kept for local children to have Forest School opportunities.		Lead Petitioner Local Members	Report, other documents may also be submitted	Kate Nicholson 01273 3396487
29 Mar 2018	Lead Member for Education and Inclusion, Special Educational Needs and Disability	Planned Admission Number (PAN) for Ninfield CE Primary School with effect from September 2019 The Lead Member is asked to determine the appropriate PAN for Ninfield CE Primary School following public consultation. This decision was deferred from the Lead	KD	Public consultation between 7 February and 21 March 2018.	Report, other documents may also be submitted	Jo Miles 01273 481911

		Member meeting in February as a result of the decision not to proceed with the building project at the school. This means that the school will be unable to accommodate more than fifteen children in each year group following withdrawal of the temporary classrooms currently on site.				
16 Apr 2018	Lead Member for Transport and Environment	Alexandra Park and St Helen's Road cycle route review To report the outcome of a feasibility study to consider an alternative route alignment on St Helen's Road, as requested by the Lead Member	KD	Hastings Borough Council information exercise June 2015 Local Members	Report, other documents may also be submitted	Tracey Vaks 01273 482123
16 Apr 2018	Lead Member for Transport and Environment	Proposed pedestrian crossing in Belgrave Road, Seaford To consider feedback received in response to a local consultation on a proposal to introduce a pedestrian crossing and determine whether the scheme should continue.		Local residents School Community Local Members	Report, other documents may also be submitted	Andrew Keer 01273 336682
24 Apr 2018	Cabinet	CQC Area Review Report and Action Plan Cabinet is asked to note and receive an update on the CQC Area Review Report and Action Plan.			Report, other documents may also be submitted	Samantha Williams 01273 482115 Bianca Byrne 01273 336656
24 Apr 2018	Cabinet	External Audit Plan 2017/18 To consider the work to be carried out by			Report, other documents may	Ola Owolabi 01273 482017

		the Council's External Auditors for the financial year 2017/18.	KD		also be submitted	
24 Apr 2018	Cabinet	Internal Audit Strategy and Annual Plan 2018/19 To consider the Internal Audit Strategy and Plan for 2018/19.			Report, other documents may also be submitted	Russell Banks 01273 481447
24 Apr 2018	Cabinet	Property Asset Disposal and Investment Strategy To approve the Property Asset Disposal and Investment Strategy for East Sussex County Council.	KD		Report, other documents may also be submitted	Tina Glen 01273 335819
26 Apr 2018	Lead Member for Communities and Safety	Update on East Sussex Road Safety Programme To note the progress made in the East Sussex Road Safety Programme to reduce Killed and Seriously Injured on East Sussex Roads			Report, other documents may also be submitted	Charlotte Marples 01273 482824
30 Apr 2018	Lead Member for Education and Inclusion, Special Educational Needs and Disability	Request to publish statutory notices regarding lowering the age range at Langney Primary School To seek Lead Member approval to publish statutory notices in respect of a proposal to lower the age range at Langney Primary School to enable the school to take 2 year olds in their current nursery provision		Local Members	Report, other documents may also be submitted	Jane Spice 01273 747425

21 May 2018	Lead Member for Transport and Environment	Allocation of the 2018/19 Community Match Funding to a number of community led local transport schemes To seek approval of the proposed allocation of match funding to a number of community led transport improvement schemes	<i>KD</i>	Draft circulated to all Members, and cross party Member Panel to consider draft schemes.	Report, other documents may also be submitted	Sarah Valentine 01273 335724
21 May 2018	Lead Member for Transport and Environment	Review of grass cutting policy and proposed reduction to urban grass cutting To consider the reduction of the minimum urban grass cuts from five to two per annum, and to seek approval for minor updates to the policy to reflect current best practice.		Local Members	Report, other documents may also be submitted	Dale Poore 01273 482207

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