



## CABINET

TUESDAY, 20 APRIL 2021

10.00 AM COUNTY HALL, LEWES

**++Please note that this meeting is taking place remotely++**

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

### AGENDA

- 1 Minutes of the meeting held on 2 March 2021 (*Pages 3 - 4*)
- 2 Apologies for absence
- 3 Disclosures of interests  
Disclosures by all members present of personal interests in matters on the agenda, the nature of any interest and whether the member regards the interest as prejudicial under the terms of the Code of Conduct.
- 4 Urgent items  
Notification of items which the Chair considers to be urgent and proposes to take at the appropriate part of the agenda. Any members who wish to raise urgent items are asked, wherever possible, to notify the Chair before the start of the meeting. In so doing, they must state the special circumstances which they consider justify the matter being considered urgent.
- 5 Coronavirus Update (*Pages 5 - 30*)  
Report by Chief Executive
- 6 External Audit Plan 2020/21 (*Pages 31 - 56*)  
Report by Chief Operating Officer
- 7 Internal Audit Strategy and Plan for 2021/22 (*Pages 57 - 74*)  
Report by Chief Operating Officer
- 8 Annual Audit Letter 2019/20 (*Pages 75 - 94*)  
Report by Chief Operating Officer
- 9 Any other items considered urgent by the Chair
- 10 To agree which items are to be reported to the County Council

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12 April 2021

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NOTE: *As part of the County Council's drive to increase accessibility to its public meetings, this meeting will be broadcast live on its website and the record archived. The live broadcast is accessible at: [www.eastsussex.gov.uk/yourcouncil/webcasts/default.htm](http://www.eastsussex.gov.uk/yourcouncil/webcasts/default.htm)*

## CABINET

MINUTES of a meeting of the Cabinet held on 2 March 2021 at Council Chamber, County Hall, Lewes

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

Members spoke on the items indicated

|                           |                      |
|---------------------------|----------------------|
| Councillor Bennett        | - item 5 (minute 44) |
| Councillor Bentley        | - item 5 (minute 44) |
| Councillor Godfrey Daniel | - item 5 (minute 44) |
| Councillor Philip Daniel  | - item 5 (minute 44) |
| Councillor Field          | - item 5 (minute 44) |
| Councillor Galley         | - item 5 (minute 44) |
| Councillor Shuttleworth   | - item 5 (minute 44) |
| Councillor Simmons        | - item 5 (minute 44) |
| Councillor Standley       | - item 5 (minute 44) |
| Councillor Tutt           | - item 5 (minute 44) |
| Councillor Ungar          | - item 5 (minute 44) |

### 42 MINUTES OF THE MEETING HELD ON 26 JANUARY 2021

42.1 The minutes of the Cabinet meeting held on 26 January 2021 were agreed as a correct record.

### 43 DISCLOSURES OF INTERESTS

43.1 Councillor Sylvia Tidy declared a personal non-prejudicial interest in item 6 as a member of the Board of Conservators of Ashdown Forest.

### 44 COUNCIL MONITORING: QUARTER 3 2020/21

44.1 The Cabinet considered a report by the Chief Executive.

44.2 It was RESOLVED to:

1) note the latest monitoring position for the Council; and

2) approve the proposed amendments to performance measures as set out in paragraph 2.1 of the report.

Reason

44.3 The report sets out the Council's position and year end projections for the Council Plan targets, Revenue Budget, Capital Programme, Savings Plan together with Risks for 2020/21 quarter 3.

### 45 CONSERVATORS OF ASHDOWN FOREST - OUTTURN FOR 2020/21 AND INTERIM BUDGET FOR 2021/22

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

45.2 It was RESOLVED to:

1. note the financial outturn position for the Conservators' Core Budget for 2020/21;
2. approve the provision of £69,792 as one-off financial support to meet the overall deficit in 2020/21, arising primarily as a consequence of the Covid-19 pandemic;
3. approve the Conservators' Core interim budget for 2021/22, noting that the Board of Conservators has provided assurance that the balanced budget is deliverable and there is no requirement for the County Council to provide additional funding in 2021/22; and
4. approve the annual grant for 2020/21 from the Ashdown Forest Trust Fund

#### Reason

45.3 While the County Council has a statutory obligation to meet the shortfall between expenditure and income of the Conservators, it also has the responsibility for approving the level of expenditure. It is recognised that the 2020/21 deficit in the Core budget has arisen as a result of the Covid-19 pandemic and was not foreseeable when the budget was agreed.

45.4 The interim budget for 2021/22 has been approved by the Board of Conservators. In doing so, the Board has provided assurance that the balanced budget is deliverable and there is no requirement for the County Council to provide additional funding in 2021/22. The Board has committed to providing quarterly update reports and work to deliver a Medium Term Financial Plan by September 2021, that will support the strategic objectives of the Conservators of Ashdown Forest.

#### 46 ITEMS TO BE REPORTED TO THE COUNTY COUNCIL

46.1 It was agreed that items 5 and 6 should be reported to the County Council.  
*[Note: The items being reported to the County Council refer to minute numbers 44 and 45]*

**Report to:** Cabinet  
**Date of meeting:** 20 April 2021  
**By:** Chief Executive  
**Title:** Coronavirus Update  
**Purpose:** To provide a further update on the measures the Council has taken in response to the coronavirus pandemic.

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## ***RECOMMENDATION***

**Cabinet is recommended to note the report.**

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### **1 Background**

1.1 Since the last Coronavirus update report to Cabinet in November, staff across the Council have continued to deliver a huge amount of work to support the ongoing national and local response to the pandemic. We have continued to adapt services to meet the challenging situation over the winter and we have maintained our focus on looking after the most vulnerable people and preventing Covid-19 transmission wherever possible.

1.2 Since November, the Council has responded to increasing case rates, including the emergence of new variants of Covid-19, the tightening of restrictions locally and subsequent national lockdown, and the second period of schools being closed to most pupils. Although some frontline staff have worked from office bases or directly with clients throughout the pandemic where this has been essential to maintain services, many staff have now been working from home for a year in order to help contain the spread of the virus and to prioritise the use of buildings for essential purposes.

1.3 We undertook our service and financial planning for 2021/22 in the new context. Through our well-established Reconciling Policy, Performance and Resources process we integrated planning for the recovery from Covid-19 with our understanding of other trends and pressures to form an integrated view of future service needs set out in our Council Plan and financial plans for the coming year. Our planning recognises that the changes we have made and the economic upheaval brought about by the pandemic will have profound and potentially permanent impacts on our services and finances.

1.4 We are continuing to monitor closely all the additional costs we have incurred as a result of the decisions we have made in order to respond to the pandemic. Whilst the Government has made additional funding available to reflect the additional costs to local authorities in 2020/21, with some continuing into 2021/22, we will need to continue to lobby strongly for longer-term, sustainable funding to continue to meet residents' needs and to support recovery, particularly in relation to adult social care. We will continue to emphasise the potential for the pandemic and accompanying economic disruption to increase demand for local services in future, and the need for a funding settlement for local government that reflects that in the next Spending Review.

1.5 Members have received regular briefings on the work the Council is undertaking to help tackle the Covid-19 pandemic and progress has been reported through the quarterly monitoring process as well as specific reports to Cabinet. This report provides an update on the latest position to the end of March. Full details of the changes to our services continue to be available on our website.

This report covers:

|  |  |
|--|--|
| <b>2. Covid-19 in East Sussex</b>  | <b>11. Waste Recycling Sites</b>                 |
| <b>3. Vaccination</b>  | <b>12. Highways and Transport</b>                |
| <b>4. Outbreak planning/test and trace</b>                               | <b>13. Active travel programme</b>               |
| <b>5. Adult Social Care</b>  | <b>14. Business Services</b>                     |
| <b>6. Children's Services</b>  | <b>15. Member Meetings and election planning</b> |
| <b>7. PPE</b>  | <b>16. Communications</b>                        |
| <b>8. Practical support to residents who are shielding or vulnerable</b> | <b>17. Financial Implications</b>                |
| <b>9. Trading Standards</b>  | <b>18. Economy</b>                               |
| <b>10. Libraries</b>   | <b>19. Roadmap, recovery and next steps</b>      |

## **2 Covid-19 in East Sussex**

2.1 Until November 2020, East Sussex had a consistently lower rate of Covid-19 compared to England. However, the second wave of infection, from November 2020 to January 2021, had a much greater impact on East Sussex. Whereas previously we were in the lowest 10% for our cumulative cases since the start of the pandemic, the increase in cases recently means that we are now only in the bottom third for our cumulative cases. As of 28 March 2021, East Sussex is currently ranked 112 out of 149 local authorities for our total rate of cases since the start of the pandemic (where 1 has the highest rate of infection and 149 the lowest).

2.2 This second wave of infection was associated with the spread of a new variant which has been shown to be much more transmissible. Kent initially saw a sharp increase in cases, followed by a sharp rise from east to west within East Sussex. At various points during December and January, the Districts and Boroughs had some of the highest weekly rates of infection in the country. During December, Hastings was ranked as high as 8th nationally out of the 315 lower tier local authorities for the weekly rate of infection, followed closely by Eastbourne which ranked as high as 10th in January. The next highest was Rother which ranked as high as 29th, whereas Wealden and Lewes were ranked, at their highest, 80th and 89th in December and January respectively. This led to East Sussex being put into the top tier (Tier 4) of restrictions, followed by national restrictions again being imposed.

2.3 The table below provides an overview of latest weekly data that shows how East Sussex as a whole and the five District and Borough areas compare with each other and against the South East and England: the seven-day rate per 100,000 for East Sussex (20) is well below the rate for England (56) and the South East (34). All District and Borough areas have seen a significant reduction in rates of infection. All Upper Tier and Lower Tier Authorities are ranked, with 1 being the Authority with the highest weekly rate of confirmed cases.

Hastings, Rother and Wealden sit near the bottom of all Lower Tier Authorities for current weekly rates of infection. Eastbourne and Lewes have both shown a week-on-week increase in rates of infection, Eastbourne sits at position 143 and Lewes at 245 of 315 Lower Tier Authorities.

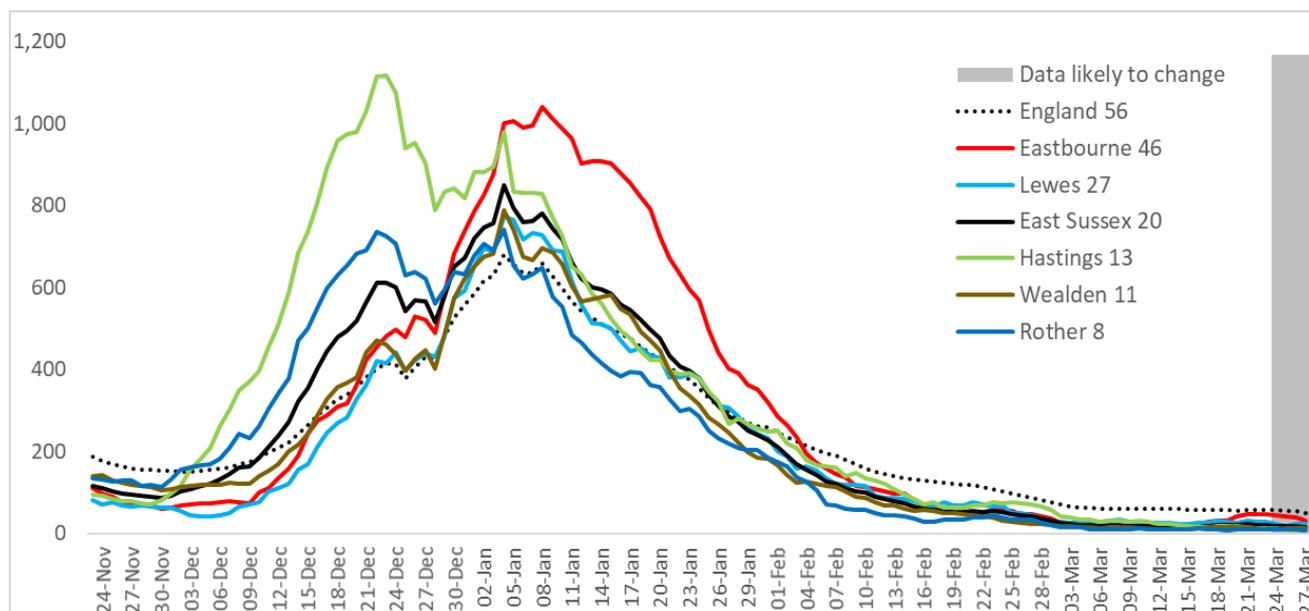
## Confirmed cases between 17 March and 23 March 2021, as at 28 March 2021

| Area        | Cases  | Rate per 100,000 | LA rank* | % change from previous week |
|-------------|--------|------------------|----------|-----------------------------|
| England     | 31,513 | 56               |          | -2%                         |
| South East  | 3,147  | 34               |          | -4%                         |
| East Sussex | 113    | 20               | 143/149  | +16%                        |
| Eastbourne  | 48     | 46               | 143/315  | +109%                       |
| Hastings    | 12     | 13               | 302/315  | -29%                        |
| Lewes       | 28     | 27               | 245/315  | +12%                        |
| Rother      | 8      | 8                | 313/315  | -27%                        |
| Wealden     | 17     | 11               | 307/315  | -19%                        |

\*There are 149 Upper Tier and 315 Lower Tier Authorities. 1 denotes the highest rate.  
Source: <https://coronavirus.data.gov.uk>

The chart below provides a comparison of the rate of Covid-19 over time. Hastings (in green) experienced a first peak during December and a subsequent peak in early January. Since then the rate has declined in line with most other areas. Eastbourne (in red) experienced a later peak and a slower decline. All areas within East Sussex are now below the England rate.

**Seven-day rolling average cases per 100,000 population of all confirmed cases up to 27/3/2021 (as at 28/3/2021) in East Sussex by lower tier local authority.** The grey section shows incomplete data which is liable to change.



Source: <https://coronavirus.data.gov.uk>

2.4 To the week ending 5 March 2021, the ONS reports that there have been 1732 deaths that mention Covid-19 on the death certificate in East Sussex. During the first wave (the period covering 21 March 2020 to 3 September 2020), there were 385 deaths (22% of the total number of East Sussex Covid-19 deaths) and during the second wave (17 October 2020 to 5 March 2021), there were 1339 (77%). This is not a picture that is mirrored when looking at deaths nationally with the second wave peak being just 7.5% higher than the first.

2.5 The *crude* rate for East Sussex Covid-19 deaths (covering the whole pandemic period) is 311 per 100,000 population compared with 229 per 100,000 for England. The impact of these deaths was not shared proportionately across the five districts and boroughs within East Sussex with it being widely reported that Hastings ranked lowest in the

country for *crude* death rate per 100,000 following the first wave, whilst Lewes was 64th highest. During the second wave, all East Sussex District and Boroughs recorded *crude* death rates above the national average, with Rother also having the third highest rate in the country when considering all Covid-19 deaths over the entire pandemic period.

2.6 However, these rates do not consider the aging population that resides within East Sussex. When comparing the latest *age standardised* data (for the period March 2020 to February 2021) the age standardised rate for East Sussex is 182 which is lower than the England rate of 203. Most Districts and Boroughs in East Sussex have lower or similar rates compared to England except for Hastings which has a rate of 232 (higher than England).

|             | Age Standardised Death Rates<br>(March 2020 to February 2021) |          |
|-------------|---|----------|
|             | Rate  | LA rank* |
| England     | 203   |          |
| East Sussex | 182   | 103/149  |
| Eastbourne  | 190   | 163/313  |
| Hastings    | 232   | 105/313  |
| Lewes       | 161   | 213/313  |
| Rother      | 203   | 141/313  |
| Wealden     | 157   | 222/313  |

\* Ranks are out of 149 upper tier local authorities and 313 lower tier local authorities as presented in the ONS age standardised data (note 313 is used here and 315 elsewhere in the report as the ONS deaths data only includes 313 lower tier authorities due to merging of some authorities). 1 denotes the highest rate.

Source: <https://www.ons.gov.uk/>

2.7 Public Health continually monitors the situation in consultation with the National Health Service (NHS) and District and Borough partners, the Police, Trading Standards, Emergency Planning and Public Health England. This includes reviewing recent cases, identifying areas that may not be Covid-19-secure, and proactively supporting businesses and other settings to prevent cases and limit the spread of potential outbreaks. On a weekly basis, this involves key partners understanding the latest Covid-19 infections and agreeing the local operational response.

### 3 Vaccinations

3.1 The NHS has responsibility for the delivery and monitoring of the Covid-19 mass vaccination programme which commenced in early December 2020. Sussex was selected as one of the first tranches, with the first local hospital hub to deliver the vaccine being the Royal Sussex County Hospital (RSCH). Vaccinations began from this hub on 9 December 2020.

3.2 The vaccination programme in East Sussex has since expanded to include:

- Two Hospital hubs (Eastbourne District General Hospital and Conquest Hospital);
- Thirteen GP-led vaccination services (three in Eastbourne; one in Hastings; one in Lewes; two in Rother and six in Wealden);
- Three larger vaccination centers (Eastbourne: Welcome Building; Ore: Laycock Pharmacy; Ticehurst: Ticehurst Pharmacy); and
- Vaccine services in care homes and people's own homes if they cannot attend a vaccination site. (This comprises twelve services led by Primary Care Networks and one roving service for residents who are housebound, led by South Downs Healthcare Federation Trust.)

3.3 To date, the local vaccine programme has met the targets for Priority Cohorts 1 to 4 who were to be vaccinated by 15 February. Priority Group 6 has been the recent focus to

ensure those aged 65 to 69 years and those clinically vulnerable have been offered vaccines. All of those 65 years and over have also received vaccination appointments for their second vaccine, three months after the receipt of the first dose. From week commencing the 1 March 2021, those aged 60 to 65 years are being invited to receive a vaccine. It is the national ambition to vaccinate all adults over the age of 18 years by the end of July 2021.

3.4 Work is being undertaken to ensure the removal of any potential barriers to people who have not taken up the offer of a vaccine. Identified actions include: focused communications; mobile/roaming vaccination services and localised partnership working to identify reasons why some have not taken up the offer of a vaccine and a coordinated approach to target these people in line with respective needs. An action plan has been developed, with a particular emphasis on Hastings which is currently the area in the county with the lowest uptake, in partnership with the NHS Clinical Commissioning Group (CCG), Hastings Borough Council, Primary Care Network and the voluntary sector.

3.5 A vaccine champion programme is also being coordinated at pan-Sussex level to help the NHS in Sussex communicate the benefits of the Covid-19 vaccine and dispel myths relating to the vaccine. Local champions have been sought from the following groups:

- Ethnically diverse communities, including Gypsies, Roma and Travellers;
- Faith groups and communities;
- Older people;
- People with physical and sensory disabilities;
- People living in rural communities;
- Carers and parent carers; and
- People who live in Eastbourne, Hastings, Newhaven and Peacehaven.

3.6 Adult Social Care staff continue to work closely with national and local NHS Vaccination Programme colleagues to ensure the best possible identification of eligible staff and residents and to promote vaccine uptake for those included in Priority Cohorts 1 and 2 which include residents in a care home for older adults and their carers, all those 80 years of age and over and frontline health and social care workers. This work included the identification of approximately 21,000 care workers in private and voluntary sector care homes, domiciliary care agencies, the County Council's own Adult Social Care and Children's Services Departments and a broad spectrum of 'non-regulated' frontline social care, health and other eligible workers. The County Council is continuing to work closely with the NHS on increasing vaccination take-up in workforce groups where take-up is lower.

3.7 The Council has also provided data to the national vaccination programme in relation to 22,470 unpaid carers known to the authority and key local voluntary organisations supporting carers so that they can be contacted with information on how to book a vaccination.

## **4 Outbreak Planning/Test and Trace**

4.1 The East Sussex Local Outbreak Control Plan is regularly updated as guidance changes and lessons are learned and formal updates are approved by the Health and Wellbeing Board. The third version was approved in February 2021. Since then, further national guidance has been issued on updating the plans, including additional sections on variants of concern, surge testing and vaccination. There was also a request for all Outbreak Control Plans to be submitted for review by Public Health England and the Department of Health and Social Care (DHSC) by 12 March and we are currently awaiting feedback on our submission.

4.2 Test and trace activities have seen a significant increase in the role of local authorities including the formation and development of Local Tracing Partnership (LTPs). Currently people with symptoms of coronavirus can access a test through the national website. Results are provided by the national team, however if cases can't be contacted within four hours, LTP processes commence the tracing activity.

4.3 The successful trace rate of national "failed to trace" cases which are passed onto the LTP is 69% (as at 15 March 2021). The total national trace rate for East Sussex is 82%. This is similar to our neighbours with West Sussex achieving 83%, Brighton, 80%, and Kent, 79%. The addition of house calls has resulted in a 25% increase in contacting previously untraceable individuals who had Covid-19. It is likely that that the local authorities will continue to be given further responsibilities for contact tracing over time.

4.4 Covid-19 testing provision has rapidly expanded over recent months. For those with symptoms, Polymerase Chain Reaction (PCR) testing is available at regional drive-through testing sites at Gatwick Airport, Plumpton Racecourse and Bexhill, which also offers a walk-in service. There are also local walk-in testing sites in Eastbourne, Hastings, Crowborough and Hailsham. Mobile Testing Units (MTUs) continue to be used across the county, setting up in locations for one to three days to test local residents. There are a number of sites used by the MTUs including Lewes, Heathfield, Newhaven and Uckfield. All sites offering symptomatic testing require a booked appointment which can be made via the national booking site or by dialling 119. There are additional MTUs which can be deployed if outbreaks occur.

4.5 Several DHSC led programmes of asymptomatic testing have now been introduced, using both PCR and Lateral Flow Tests (LFT). LFTs provide a rapid result within 30 minutes and are important as they help to find cases in people who may have no symptoms but are still infectious and can give the virus to others. Those participating in regular DHSC led asymptomatic testing programmes include care home staff and residents, NHS staff, social care staff, hospice staff, extra care and supported living staff, prison staff, school teachers, early years and day centre staff.

4.6 As part of the Government's Roadmap out of national restrictions, local authorities have been supported to introduce asymptomatic community testing for anyone who cannot work from home and who is not covered by another testing programme. A pan-Sussex Community Testing Programme has been established, offering rapid LFTs across East Sussex, West Sussex and Brighton & Hove. A total of 18 community pharmacies across East Sussex are currently participating in this programme with more expected to join in future weeks. In addition to the supervised Community Testing Programme, the County Council is also proactively engaging with DHSC to enable the collection of home testing kits from sites across the county, as part of the National Community Collect programme.

4.7 There remains a legal requirement for people to self-isolate when they test positive for Covid-19 or are instructed to by NHS Test and Trace. New fines have been brought in to enforce the requirement. People on lower incomes who cannot work from home and have lost income as a result of being asked to self-isolate will receive a payment of £500, administered via District and Borough Councils.

## **5 Adult Social Care**

5.1 Last year, the Government established an Adult Social Care (ASC) Taskforce to oversee delivery of support to the social care sector in its response to Covid-19; and of the DHSC Action Plan. The final report of the Taskforce, published in late September 2020, included 52 recommendations for Government, local authorities, the NHS and others within the health and social care system.

5.2 The Taskforce recommendations informed the Government's Covid-19 ASC Winter Plan, also published in September 2020, setting out its ambitions for and challenges facing the social care sector over winter. The plan outlined actions the DHSC is taking and actions local systems (councils, the NHS and Voluntary and Community Sector) should take to ensure that high-quality, safe and timely care is provided to everyone who needs it, whilst protecting people who need care, their carers and the social care workforce from Covid-19.

5.3 Our response to the Government's Covid-19 ASC Winter Plan was submitted to the Minister for Care on 30 October, to provide assurance that we had plans in place for the winter covering all the elements set out in the Government's Plan. It covers the plans we have in place across the full range of pandemic-related work, including testing, local contact tracing and Outbreak Control, Flu vaccinations, Care Homes Support (including capacity and workforce), Infection Prevention and Control, the Infection Control Fund and support for Shielding and Clinically Extremely Vulnerable (CEV) people. It also incorporates core business such as Social Work and Social Care practice, including safeguarding, the ethical framework for social care and our integration work with NHS partners around hospital discharge, and support to care homes, linking with our joint Winter Plan with the NHS which also took account of the impacts of the pandemic.

5.4 The Government also requested all councils complete a care market sustainability self-assessment to provide the Minister for Care with assurance that care markets were sustainable through the winter period. Alongside this, the County Council has continued to engage and emphasise the need for a sustainable funding settlement for social care, that reflects the scale of investment made in the NHS, and the need to limit Government reporting to free-up fundamental capacity to deliver.

5.5 £588m was provided nationally for the NHS to support people needing additional follow-on care after they have been discharged from hospital. From 1 September 2020 to 31 March 2021, under the Hospital Discharge Scheme 2, the NHS has funded up to the first six weeks of support following hospital discharge, during which time assessments are carried out to determine ongoing care and funding arrangements.

5.6 Work has also taken place to ensure the assessment and appropriate care to support those people moving on from the initial Covid-19 Hospital Discharge Scheme 1. Close system working between ASC and the CCG Continuing Healthcare Team has meant that over 1,000 patients discharged from hospital between March and September 2020, have been appropriately assessed and reviewed, and placed onto their long term pathways and funding streams, ahead of the target completion date of 31 March 2021.

5.7 The Government has recently announced a further £594m nationally to continue the Hospital Discharge Scheme from 1 April so that patients can continue to leave hospital as quickly and safely as possible, with the right community or at-home support, releasing acute capacity to deliver the restoration and recovery phase of the pandemic. Hospital Discharge Scheme 3 will fund up to the first six weeks of care after discharge from an NHS setting from April to June 2021 and up to the first four weeks from July to September 2021.

5.8 ASC continues to work in close partnership with East Sussex Healthcare NHS Trust (ESHT), and the other Acute Trusts that support East Sussex residents, to support the timely discharge of patients from hospital into care homes. Maintaining staffing levels whilst staff are self-isolating; supporting residents to self-isolate (especially residents with dementia); adhering to testing and infection, prevention and control requirements; and facilitating safe visiting arrangements for families and carers all continue to be challenges for care homes.

5.9 ASC continues to support care providers through the provision of up-to-date information and guidance through the regular provider e-bulletin which is circulated to approximately 1200 recipients. In partnership with the East Sussex CCG, ASC and Public Health run weekly care home meetings with provider representatives. These online meetings provide care homes with the opportunity to discuss current issues with health and social care partners, including GP and clinical leads. In addition, the weekly Incident Management Team meetings agree the health and social care system support and response required for care homes where Covid-19 outbreaks have occurred, or where other more general infection, prevention and control support is needed.

5.10 The East Sussex Care Homes Resilience Plan, published in May 2020, has been reviewed and refreshed. It is being delivered by the East Sussex Care Homes Group which has representation from all key stakeholders including the East Sussex Registered Care Association and Healthwatch.

5.11 Throughout the Covid-19 spike from November 2020 to February 2021, ASC and ESHT were significantly challenged, especially over the Christmas and New Year period. At the height (12 January 2021), there were 359 Covid-19 positive patients across the two acute hospitals in East Sussex. This, in turn, impacted on patient flow from hospitals into the community. Care providers struggled with a reduced workforce because of staff testing positive or shielding. Maintaining staffing levels was difficult for all partners but especially within ESHT and our local care providers.

5.12 The ASC and Health system continued to work in partnership to support the timely discharge of patients from hospital into care homes. In December 2020, a major incident was declared by the Sussex Resilience Forum (SRF) and the system escalation status moved to Operational Pressures Escalation Level (OPEL) 4 (the highest level), due to the pressure within the health and social care system continuing to escalate, leaving organisations challenged to deliver comprehensive care. Operational Executive calls were held four times a day, seven days a week with the opportunity to discuss current issues and how, as a system, we could both manage and react appropriately to ease pressure across both ASC and Health.

5.13 During this period, the following measures were introduced within the Department's Directly Provided Services for Older People to support patient flow across the wider system:

- Milton Grange Intermediate Care unit in Eastbourne, provided a dedicated red unit for Covid-19-positive and Covid-19-exposed patients from hospital;
- Firwood House, also in Eastbourne was also temporarily reopened and staffed by the NHS to provide an additional step-down facility for and Covid-19-positive and Covid-19-exposed patients;
- the Joint Community Rehabilitation Team (JCR) flexed their eligibility criteria by reducing the offer of lower level rehabilitation and increasing capacity to provide direct support to adults at home who were discharged from hospital as Covid-19-positive;
- the Department's Hospital Social Work Team continued to work alongside our ESHT colleagues, both within the Hospital Discharge Hub or joining virtual ward rounds to help facilitate hospital timely discharge of patients who were 'medically ready;' and
- Directly Provided Day Services for both Older People and Learning Disabilities adapted their offer to vulnerable adults in the community by providing outreach support whilst day services were closed.

5.14 The Department has also continued to provide support to keep vulnerable adults safe within our communities. Many staff have, by necessity, have continued to work in offices and operational buildings, others have continued to provide support remotely, and face-to-

face Safeguarding, Care Act and Mental Health Act Assessments have continued within our communities, using appropriate infection control measures. Our Community Safety Services including Victim Support, the Domestic Violence and Abuse Support Service and the Refuges have also all remained fully operational throughout the period.

5.15 Despite there being a reduction in contact with the department at the start of the initial lockdown in March 2020, there are now an increasing number of contacts being received through Health and Social Care Connect (HSCC) for both general enquiries and the reporting of safeguarding issues. In total, this has increased by 15.8% from December 2020 to January 2021. Whilst overall contact levels remain lower than in previous years, the introduction of vaccinations, community testing and an overall increase in public confidence as we gradually ease out of lockdown is being demonstrated through increase of contact into HSCC.

### Care Homes

5.16 The challenges faced by care homes have been significant and varied, ranging from the challenge of PPE provision during the first wave; managing significant outbreaks of Covid-19 amongst residents and staff; management of the rigorous and intrusive testing regime on vulnerable people; maintaining all the necessary infection prevention and control measures with depleted staffing numbers and having to support residents, care staff and families through loss and bereavement. There are numerous examples of where care home staff went above and beyond their roles to support the residents in their care, including living on-site at care homes during the first and second waves, unable to see their own families for several weeks. Equally, the immediate and long-term impact on residents who have been unable to see their loved ones for prolonged periods cannot be underestimated.

5.17 The department has supported a range of care homes with the provision of: temporary staff; meals; deep cleaning; infection prevention and control guidance; psychological wellbeing support for staff; regular information bulletins; weekly virtual huddles where current issues are discussed with local clinicians.

5.18 *Discharge to Assess* bed capacity to support the flow of patients being discharged from hospital has been increased during the pandemic from 37 during a normal winter to a maximum of 141 beds, including commissioning an entire care home, Bexhill Care Centre, to provide additional beds. This is in addition to commissioning large blocks of home care hours to support the flow of patients who are able to return home immediately after their acute hospital stay.

5.19 At the peak of the second wave, over 100 care homes (out of a total of 308) were closed to admissions due to Covid-19 outbreaks. Two family-run care homes closed permanently during the pandemic. These home closures inevitably had a significant impact on the residents, staff and owners who lived and worked there. The tragic loss of life during Covid-19 has left many homes with high levels of vacancies. The financial stability of the care home sector over the coming year is an area of national concern and the long-term impact of this remains to be seen.

5.20 In recent weeks, the number of Covid-19 outbreaks in care homes has significantly reduced. In January, the weekly Incident Management Team meeting would review in the region of 35 care homes reporting outbreaks; this has now reduced to 0 to 3 homes, per week. The roll out of the vaccination programme and routine testing regimes in care settings has had a significant impact on the levels of Covid-19 outbreaks and exposures. In the week commencing 22 March, there were 8 confirmed cases of Covid-19 in an East Sussex care home setting, compared to 853 week commencing 4 January.

## Home Care

5.21 ASC has experienced an increase in homecare placements in the region of 15% during the 12 months of Covid-19, which is a reflection of an increase in the use of a 'Home First' approach to hospital discharges (providing patients with support at home or intermediate care) combined with a reduction in the number of care homes able to accept new admissions as a result of Covid-19 outbreaks.

5.22 As a result of furlough and unemployment in other sectors, recruitment to home care roles has increased significantly and the home care market has been able to meet the increased demand. The block hour arrangement with three of the County Council's lead providers, which is usually limited to short term busy periods, has also been in place throughout the pandemic to help facilitate timely hospital discharge of those patients who are medically ready and able to return home.

5.23 The increased levels of Covid-19 across the home care workforce in mid-January meant that business continuity arrangements were put in place across the whole sector for three weeks. Although substantive care requirements continued to be met, new placements were challenging during that period.

## Day services

5.24 At the start of lockdown in March 2020, most independent sector day services suspended use of their facilities. There has inevitably been a negative impact on carers, in particular carers who care for people living with dementia or high care needs, leading to an increase in demands on the carer with no respite for a prolonged amount of time and no, or very limited, access to alternative means of support due to the virus restrictions. This has caused significant strain, isolation and anxiety.

5.25 Since March 2020, a number of resilience payments have been made to day Services in order to maintain the current market capacity. In addition to the resilience payments, a payment of £5,000 was made to each day service provider supporting ASC funded clients, as part of the Infection Control Fund, at a total cost of £245,000. Where resilience payments have been made, providers have been asked to support clients in other ways where possible while their centres remained closed.

5.26 Providers developed robust Covid-safe risk assessments with help and guidance from Public Health and worked closely with ASC operational teams to identify the clients most in need and at risk. Alternative provided support has included: regular telephone calls; virtual contact; sending out resource packs; visiting clients in their gardens or supporting them on socially distanced walks. Some providers have now started to support clients with tasks in their home and to provide carer respite where this has been appropriate, until such time as they can fully support them in the day service again. The pandemic has prompted a *Day Service Provider Network* to be established; this has enabled sharing best practice and enabled services to remain Covid-19 safe.

## Carers services

5.27 During the pandemic Care for the Carers, the Carers Centre for East Sussex, has been offering one-to-one information, advice and support by phone, text, email and Facebook. Support groups moved to online and telephone support including counselling being provided by telephone. They also launched a new service called 'Keeping in touch' with phone calls made by volunteers. The Centre held their annual conference virtually during July with keynote speakers and a range of workshops.

5.28 Young carers and their families have been well supported with good communication with schools during lockdown. IMAGO, a commissioned, social action charity which works

with young carers, have noted an increase in family engagement through the use of digital technology, with social media playing a key part. The Young Carers budget was used to fund devices to support schoolwork and digital inclusion.

5.29 The Association of Carers (AoC) suspended all volunteer home-based respite but continued to provide weekly phone calls to carers and/or the cared for person from their volunteers. They also provided 'remote' visits via FaceTime which particularly supported people living with dementia who were unable to engage over the phone. By being able to recognise the volunteer's face the cared for person was able to participate in a way they couldn't over the phone. AoC are exploring this approach with other carers/cared for persons.

### Mental Health

5.30 The pandemic, and measures put in place to stop it spreading, risks impacting on people's mental health in two distinct ways. Early studies indicate that it has already affected those with pre-existing mental health conditions. Additionally, it is apparent that prolonged social isolation and quarantine can potentially harm people's mental and emotional wellbeing. In this context a comprehensive review of the impact of loneliness and social isolation in East Sussex will shortly commence and will benefit from a Reference Group drawn from Members of the People Scrutiny Committee.

5.31 Local mental health services have assisted in community programmes such as providing mental health knowledge for Community Hubs and supporting telephone calls to the shielded groups. Providers risk assessed their buildings so that services for one-to-one sessions with those people with the higher needs could be opened, including the Personality Disorder Service and Crisis Café Service.

5.32 An NHS commissioned service, the *Dementia Post Diagnostic Support Service* (DPDSS), delivered by the ASC Carers Breaks and Engagement Team, is the main point of contact and support to people diagnosed with dementia and their carers in East Sussex. Throughout the first wave of the pandemic, the service redirected its focus to providing telephone support and regular welfare checks to clients known to the service. Informed by comprehensive risk assessment and following all national guidance, the service continues to provide face-to-face support to clients as and when needed.

## **6 Children's Services**

### Schools

6.1 Since the full return to education on 8 March 2021, attendance figures for individual schools and settings have slowly increased week by week as parent and carer confidence grows with schools and the national public health picture. The average daily attendance as a percentage of registered pupils was as follows during March:

|                     |                                     |
|---------------------|-------------------------------------|
| w/c Monday 8 March  | 67.3% (E. Sussex), 60.8% (National) |
| w/c Monday 15 March | 73.4 % (E. Sussex) 68.2% (National) |
| w/c Monday 22 March | 75.5 % (E. Sussex) 67.5% (National) |

6.2 The figures for East Sussex are based on the total expected cohort and are impacted by the varying rate of schools making returns. In the week beginning 22 March, the percentage of schools not making a return in East Sussex was between 13.4 – 22.5% compared to 23.5-28.4% nationally. The higher percentage of schools not returning, the greater impact on the figures. Secondary schools had a phased return to the classroom in line with government policy.

### Support for schools during lockdown

6.3 The focus of the Standards and Learning Effectiveness Service (SLES) during this academic year from September 2020, has been on:

- close liaison with schools and early years to maintain provision for keyworker and vulnerable pupils during periods of lockdown and support full reopening;
- increased support for schools, through the Primary and Secondary Boards, to support the delivery of high quality remote education;
- increased support for vulnerable pupils, including safeguarding and ensuring attendance;
- working closely with schools and Public Health to support asymptomatic Covid-19 testing and provide clear communications for families;
- planning, preparation and support for schools where 'bubbles' close due to positive cases;
- ongoing co-ordination of services for schools across catering, transport and cleaning;
- managing the impact of Covid-19 on early years providers and ensuring that we maintain sufficient places for the future; and
- supporting young people into education, employment and training during a period of rising unemployment and economic downturn that will disproportionately impact 18-24-year olds

6.4 The twice weekly Message Board has been updated regularly with the latest guidance regarding necessary actions to take when schools are informed of a confirmed or suspected case of Covid-19. Schools have also been provided, through the Message Board, with regularly updated model risk assessments and contingency plans which they have used to inform their own plans for reopening safely.

6.5 Over the course of the academic year, the Primary Board has focused on a number of areas to address the impacts of Covid. Primary schools were able to bid for funding to develop reading to ensure that all pupils continue to make good progress. Funding was allocated, based on pupil premium numbers, to Education Improvement Partnerships (including a contribution from Hastings Opportunity Area) to support Year 6 pupils, where there was most need, to be ready to start secondary education. Leadership development was supported through 'Stepping into Leadership' and subject leader networks were developed across the curriculum. A coaching programme was offered to all headteachers.

6.6 Since the start of this academic year, members of the Secondary Board and the headteachers in their Area Groups have continued to collaborate closely. There is an ongoing focus on maximising the opportunities presented by new ways of working – on-site and online learning; high quality teaching; recognising and supporting students' achievements and needs; and clear evidence of improved engagement with 'hard to reach' families. The Board also has in progress a specific project focused on disadvantage and all schools are working to support these students and those with special educational needs and/or disability.

6.7 The Primary and Secondary Boards are also working together to support schools with the transition for Year 6 pupils into Year 7, looking at opportunities for transition activities in the summer term and improved data sharing. Further discussion is taking place to support the transition of Year 11 students into Post-16 provision.

6.8 The number of Electively Home Educated (EHE) children remains high. Despite 182 EHE pupils being returned to school rolls between 1 September 2020 and 2 March 2021, EHE numbers are currently 1217. The team is also working with an additional 279 children where the family has indicated a desire to electively home educate but the child is still on

the roll of a school. The team has been increased by four EHE Officers in recognition of the historic year on year rise in EHE numbers and the significant additional pressure related to Covid-19.

### Skills, Education, Training and Employment

6.9 The Careers Hub has developed digital programmes and resources to ensure that East Sussex students do not miss out on encounters with employers and further and higher education providers.

6.10 In response to schools having to cancel their face-to-face options evenings the Careers Hub launched 'What's Next Sussex?', a virtual post-16 options evening. Parents/carers and students were able to see live and pre-recorded content and put live chat questions to over 50 post-16 education and apprenticeship providers and employers. At least 10,500 people accessed the event.

6.11 The Open Doors workplace visits programme has adapted to a digital format with seven videos created with employers. The package includes a lesson plan, virtual tour and a task set by the employer.

6.12 For Year 10 students who have been unable to attend physical work experience placements, the Careers Hub and Work Experience team have developed a flexible Virtual Work Experience (VWEX) programme. The programme is comprised of 21 lessons focusing on employability skills. Students have also been able to interact directly with employers and careers advisers through a virtual question and answer panel.

6.13 The Careers Hub YouTube channel continues to grow, with over 70 videos for schools, including a 'Meet an Apprentice' series, 'Apprenticeship Application Tips' and 'How to be Successful in Virtual Interviews'.

### Early Years Sector Providers

6.14 Providers across the whole sector have been working hard to sustain their businesses since the country first went into lockdown in March 2020. Whilst providers have remained open during the most recent lockdown, lower numbers of parents accessing fee-paying places has impacted their income.

6.15 In April 2020 East Sussex had only 40% of its early years provision open, reflecting the national trend. By September 2020 90% of early years providers were open. Since March 2021 100% of the sector in East Sussex has been open, providing funded childcare places for 7,688 two, three and four year olds.

6.16 Over the last year a range of actions have been undertaken to support both early years providers and families. These included:

- confirming the council would continue to pay Early Years Education Entitlement (EYEE) grant to all providers that remained open or closed due to Covid-19 in the summer and autumn 2020 funding periods;
- providing a brokering service to support families of vulnerable/keyworker children who need childcare provision;
- ensuring identified vulnerable children were supported in their childcare place; and
- providing regular and targeted communication, advice and information to early years providers.

6.17 From September 2020, the council continued to provide additional financial support to early years providers where the expected level of funding for two, three and four year olds was lower than their autumn 2019 return. This financial support also included help towards the deficit between 2020 and 2019 non-funded hours accessed by children claiming

the early years entitlement. The council has provided some additional financial support in 2021 to all providers, to assist with the additional costs of obtaining PPE and stricter cleaning regimes.

6.18 When the third lockdown began in January 2021, all Early Years providers were expected to remain open. Those providers that remained open to all children received 100% of their expected EYEE funding. Those who partially closed only received funding for those children in attendance. Due to a lower number of children accessing early years provision, especially in school run settings during January to March 2021, East Sussex has had to record fewer children on the Early Years Census return to the Department for Education.

#### Vulnerable Groups

6.19 From 30 March 2020 to the end of July 2020 the Council set up a Vulnerable Children Risk Assessment Group (VCRAAG) to monitor vulnerable pupils and support their access to learning and safety. For a final, high risk, cohort of pupils who did not return to school in September 2020 the process also ran from 7 September to 9 October 2020. Information was collated in relation to vulnerable groups and was linked to a core attendance recovery offer from Education Support, Behaviour and Attendance Service (ESBAS) for every primary, secondary and special school who submitted a return. 91% of primaries, 58% of secondaries and 100% of special schools engaged with this process.

6.20 In early January 2021, SLES Safeguarding Team worked with the Inclusion and Special Educational Needs and Disability (ISEND) team to inform all schools of revised safeguarding guidance. The Council did not organise a further county-wide VCRAAG as we were mindful of the intense pressures on schools and aimed to minimise workloads. In addition, evidence since March 2020 demonstrated that most schools have excellent systems in place for remote safeguarding and can work positively with partner agencies. The SLES Safeguarding Team revised and updated guidance on schools' responsibilities in relation to remote safeguarding and offered support to schools in implementing this guidance on a request basis

6.21 From 8 March 2021, following a further national lockdown, schools have now fully reopened to all pupils. Government guidance promotes a supportive approach to secure the attendance of pupils. The Council has encouraged and supported this approach and we will consider initiating legal intervention where appropriate after the Easter break.

#### Wellbeing and Mental Health

6.22 From January to March 2021 during the school closures for most children, the Mental Health Support Teams (MHSTs) in East Sussex continued to offer interventions to children and young people who had been referred to the service. Some children and young people were able to access these interventions in person, where they were attending school as the child of a key worker or as a vulnerable child. All other children and young people who were accessing remote learning were offered online sessions.

6.23 Although referrals to the service declined during the 2021 lockdown, our overall contacts with children and young people increased, from 175 in Dec 2020 to 219 by February 2021 half-term. This helped to reduce our waiting lists for the service across all three teams.

6.24 The main reasons for referrals throughout the lockdown were anxiety and low mood/depression. Referrals for girls outnumbered referrals for boys by approximately 2:1. MHST evaluation of this data is at an early stage but will inform future work with schools and other services.

6.25 A number of measures have been put in place by the ISEND team to support emotional wellbeing and mental health.

- The Educational Psychology Service (EPS) has offered a telephone helpline that enables parents/carers to access support for managing the emotional wellbeing and home learning of their children during lockdown. To date, the EPS has received over 100 calls, often focused on supporting children and young people with autism and/or anxiety.
- A confidential telephone service was made available for members of staff in leadership roles in East Sussex schools throughout the Covid-19 pandemic. Some senior leaders have attended virtual group supervision sessions for mental health leads. The EPS created a set of short bite-sized recorded wellbeing webinars for senior leaders in schools.
- The Schools Mental Health and Emotional Wellbeing Adviser has maintained regular communications to schools via School Message Board and Virtual School Bag to promote Mental Health and Emotional Wellbeing toolkits, online resources and training/support.
- The first cohort of 32 schools (nine secondary, 22 primary and the Virtual School) now have an accredited Emotional Literacy Support Assistant (ELSA) who has completed their training and is receiving group supervision led by an educational psychologist. A second cohort is running from January to July 2021, having been postponed due to Covid-19, with 13 secondary and 19 primary school ELSAs. Positive feedback has been received on training, supervision and impact in schools.

6.26 The mental health drop-in service for young people aged 14–25, delivered via i-Rock, moved to a fully online offer. Support is delivered via a combination of subject specific webinars such as ‘coping with anxiety’ and via individual sessions for young people. Both methods of delivery have proved extremely popular with the webinars receiving hundreds of views from families and professionals.

6.27 Staff across a number of services have collaborated to ensure that information on how to respond to mental health and emotional wellbeing issues has been extended and refreshed. Versions are available on the Council’s website for young people, parents/carers, GPs and other professionals.

#### Youth Cabinet ‘Stay’ Campaign

6.28 The Youth Cabinet developed a campaign to support young people through the pandemic. The campaign, ‘Stay informed, Stay well, Stay sunny and Stay safe’ was used to share information, advice and guidance via their social media channels about issues relating to school, health, work, families, leisure and having fun. The Youth Cabinet also organised and hosted a webinar about the return to school anxiety pupils were facing which was shared with schools and relevant managers.

6.29 The Youth Cabinet continues to highlight issues raised by young people during lockdown and the school closures, specifically concerns about changes to exams and teaching and learning formats, and concerns about accessing emotional wellbeing and mental health support for low level concerns they might have.

6.30 Despite lockdown, the Youth Cabinet has continued to meet virtually almost each week, to work on their two campaigns: ‘Protecting the Environment’ and ‘Tackling Domestic Abuse and Violence Against Women and Girls’. Their campaigns during the Covid-19 period are focussing on digital information sharing and using their social media outlets.

### Home to School Transport

6.31 The Transport Team is continuing to manage revised arrangements to support travel to school/colleges and other essential bus journeys according to national guidance issued in 2020, including working with operators to ensure sufficient provision on the network of bus services used by young people travelling to schools/colleges in East Sussex and to other neighbouring authorities.

6.32 The County Council has been allocated up to £1.1m by the Department for Education (DfE) to assist in securing additional transport capacity until the end of the April school term. The position beyond then will be kept under review by the DfE, based on the social distancing guidance in operation for public transport.

### Children's Early Help and Social Care

6.33 The new integrated 0-19 Early Help Service was launched on 1 April 2020 just as lockdown began. We review a suite of performance indicators weekly to keep an overview of what is happening in terms of contacts with children's services teams.

### Front Door contacts

6.34 Both the Single Point of Advice (SPOA) and the Multi-Agency Safeguarding Hub (MASH) teams have had a physical presence in the hub offices since the pandemic began. We saw an initial reduction in activity in the front door teams during the first lockdown. To ensure that children remained safe, the social work teams risk assessed all the vulnerable children on their caseloads. The teams also worked with colleagues in schools and SLES to maintain oversight of a larger group of children. Referrals from the Police to the social work teams were at higher levels during the first lockdown and referrals from schools were at much lower levels. With the return of schools in September 2020, the number of contacts to the SPoA increased to near pre-lockdown levels. From 6 January 2020 to 22 March 2020 the average was 246 per week. The average in the Autumn term, 3 September to 19 December, was 252. The number of contacts from schools increased to near pre-lockdown levels.

6.35 With the new lockdown and the closure of schools in January 2021 the average number of contacts to the SPOA dropped to 206. Since the opening of schools on 8 March this has increased to 248 which is in line with pre Covid-19 levels. Whilst there has been an increase in contacts from schools there has been a reduction in contacts from GPs. There has been a significant increase in the number of contacts for children with emotional wellbeing/mental health difficulties. The number of SPOA contacts resulting in a Child and Adolescent Mental Health Service (CAMHS) referral increased from 299 at Q1 to 600 at Q3.

6.36 A number of Health Visitors who work within the Council's integrated Early Help service were redeployed into acute hospital settings during the first lockdown and the remaining community services were redesigned into a hub-based approach as a result. This was not repeated in subsequent lockdowns. Health Visiting staff continued to deliver the Health Child Programme throughout, completing more than 85 % of all mandatory visits. Family Keyworkers have continued to deliver support to families in a range of ways, using apps and on-line technical solutions where visits couldn't be completed safely.

6.37 The Youth Service continued to operate a limited and targeted service both virtually and face to face throughout. They also created an 'edge of care' service, providing more than 130 individual face to face sessions for the most vulnerable young people to prevent them coming into the care system.

6.38 The Youth Offending Team has continued to both support young people and to service the local Youth Courts effectively.

6.39 Although referrals into the social work teams have remained broadly stable overall, proportions have seen an adjustment as the schools re-opened. Police referrals have decreased and referrals from schools have increased once more. We have maintained contact for Children on Child in Need (CIN) plans at more than 85% throughout. For children subject to Child Protection plans contact levels have been even higher at an average of 95%. Social work staff resumed an expectation of face to face visiting in September 2020.

#### Children on Child Protection (CP) Plans

6.40 The numbers of children subject to CP plans reduced from a rate of 59.9 (637 children) at the end of September to 51.6 (548 children) at the end of December. The reduction was a result of targeted work on safe reduction in the quarter. During the last lockdown there was a rise in numbers through the first school half term of 2021 to a rate of 53.0 (564 children). Targeted work continues to focus on a safe reduction in the number of plans now more children are in school. As at 8 March the number of children on CP Plan had reduced to a rate of 51.0 (542).

6.41 Although numbers have stayed manageable, in common with the wider national picture, the families being worked with are more complex. The adults presented with a range of issues including mental health, substance misuse and domestic violence. This is in line with the national picture. For some families the challenges have resulted in requests for the children to enter care or in the need to intervene via legal proceedings. Again, in line with the wider national picture we have seen more injuries to very young children.

6.42 The numbers of Looked After Children (LAC) have remained broadly stable with the number of care proceedings initiated since April 2020 remaining below 85 sets and within expected levels. The small increases in our LAC population that we have seen are connected to the ongoing commitment to take Unaccompanied Asylum Seeking Children (UASC) either via the National Transfer Scheme or who present spontaneously in East Sussex. Taking UASC during the pandemic has been a particular challenge given the need to ensure isolation for them. The Contact Service has continued to provide contact for children in the care system to see their birth families, using mostly a wide variety of creative virtual methods initially such as video diaries, story reading over Skype etc and then resuming face to face sessions where this could be delivered safely. The service has prioritised physical contact for parents and babies and contact as part of the assessment during care proceedings. Some children have found virtual contact sessions much easier to cope with.

#### Residential Units

6.43 The five children's homes and Lansdowne Secure Unit have remained open throughout, although residential respite support for disabled children had to be severely curtailed and the number of visitors to all the buildings strictly limited. Several of the homes have experienced Covid-19 outbreaks since the lockdowns began, with a number of staff and some children testing positive. We managed this via strict infection control measures. All of the homes have used personal protective equipment and additional hygiene measures to keep children and staff safe.

## **7 Personal Protective Equipment (PPE)**

7.1 Emergency PPE provision via the Sussex Resilience Forum (SRF) ceased on 18 September 2020. The County Council issued over 1.1 million items of SRF-sourced stock to the local health and care system over six months from April 2020. Care Quality Commission registered providers are now able to access PPE through the Government's PPE portal but an emergency provision pathway via the County Council remains in place for providers experiencing supply difficulties.

7.2 The County Council now holds considerable PPE stock available to council services. Over 2 million items of Council stock have been issued to date. Confidence exists that County Council procurement plans can meet future demand based on existing modelling.

7.3 Following a decision by DHSC to offer PPE to non-resident unpaid carers, a process was put in place for the County Council to provide this. Since this went live at the beginning of February 2021 a total of 74 requests have been received for access to PPE and provision of supplies has been made available to all.

7.4 Additionally, all Direct Payment users have been able to apply for a grant of £300 from the Infection Control Fund for the purchase of PPE. To date, 544 Direct Payment clients have been supported.

## **8 Practical support to residents who are shielding or vulnerable**

8.1 The Government advised Clinically Extremely Vulnerable (CEV) people to stop shielding from 1 April, as virus infection rates continue to fall. In line with the national Roadmap, those on the shielded patient list will be subject to the national restrictions alongside the rest of the population but are also advised to take extra precautions to keep themselves safe from Covid-19. The County Council continues to coordinate the support offer to CEV people, in line with the Government's Shielding Framework. This includes ensuring all CEV people are contacted, their support needs are identified, and they are directed to local support networks to meet those needs.

8.2 Community Hubs continue to offer a local point of contact and support for all vulnerable people struggling to cope with the effects of the pandemic. Contact arrangements are still in place in each District and Borough Council and have been absorbed into existing contact centre arrangements. Current call volumes are low, at around 20 per week across East Sussex.

8.3 The definition of people considered CEV has broadened over the past three months as part of the new Risk Model, defined by the Government. Originally, there were 21,672 CEV people registered; a further 5,431 (under 70 years old) and 11,066 (over 70 years old and those under 70 in formal care settings) were added on 15 and 22 February respectively. A CEV Steering Group is established to ensure the CEV cohort is appropriately assisted.

8.4 ASC and Public Health have implemented support to residents required to self-isolate in East Sussex in line with national guidance. The basic support offer is broadly similar to that which is currently offered to CEV individuals (albeit shorter term and potentially more urgent) and covers:

- assisting people with access to food;
- befriending and wellbeing services;
- mental health support; and
- delivery of prescriptions.

8.5 In addition to support offered to CEV and other vulnerable people, a contact strategy specific to ASC clients and carers not contacted through other routes has been devised to offer reassurance and signposting to local support during the current lockdown. We also take the opportunity to share key messages on the Covid-19 vaccination programme, and to collect email addresses for future contacts. 11,000 ASC clients and carers have been contacted to date.

## **9 Trading Standards**

9.1 Both District and Borough Councils (via Environmental Health) and ESCC (via Trading Standards) have been designated by the Secretary of State to enforce emergency regulations regarding business premises closures and other restrictions within their areas. Trading Standards and Environmental Health across East and West Sussex have put in place a Memorandum of Understanding (MOU) to avoid any unnecessary duplication of effort, together with close liaison with Sussex Police who have an enforcement role with individuals. A single point of contact within each service has been established to ensure that wherever complaints are received they are quickly routed to the correct service without needing to re-signpost the person making the complaint. Most recently, during the third national lockdown, Trading Standards has led on business closures. Whilst compliance has generally been high, the service has taken formal enforcement action against a few businesses persistently attempting to operate in breach of restriction. The service is now engaged with partners to plan for the relaxation of restrictions as part of the Government's Roadmap.

9.2 Since March 2020, Trading Standards has received almost 1000 enquiries relating to Covid-19 and has dealt with each in line with the protocols outlined above. They have issued five Prohibition Notices and three Fixed Penalty Notices (£4,000 in total). This action has been taken against barbers, gyms and a car wash.

9.3 Trading Standards has continued its existing investigations and animal health intervention work throughout lockdown, using remote contacts and interviewing as far as is possible. Food sampling and inspection work and has been completed, including investigations into ongoing allergen labelling concerns. We have also been engaged with Government, Port Health Authority and Newhaven Port concerning preparations for inspection obligations as a result of exiting the European Union. The service has inevitably needed to reprioritise work to ensure sufficient capacity for both business as usual and Covid-19 related work but has used the weekly tasking process to allocate resources accordingly.

## **10 Libraries**

10.1 All ESCC libraries are operating under national lockdown restrictions. Currently, customers can reserve books or use our Select and Collect service and pick them up from the front entrance of their nearest library. Throughout lockdown this has been a popular service offer with customers. Our eLibrary services, featuring a wealth of newspapers, magazines, books and audiobooks, have also been extremely popular and our users have grown across these channels.

10.2 The library service has ensured that computers are available for essential use for those customers that need them for services such as universal credit and internet banking. We continue to ensure that our Family Learning and other adult learning courses are being delivered successfully online.

10.3 We expect to reopen all our 17 libraries in April, in line with Government guidance, which will mean that browsing can be resumed and also non-essential use of PCs. We will then work in accordance with national guidance, bringing back previous services and also developing others to support the community throughout the recovery phase.

## **11 Household Waste Recycling Sites (HWRS)**

11.1 Over the course of the winter and until the end of February 2021 there has been no disruption to services at HWRS, transfer stations and treatment facilities.

11.2 The end of the cold weather in mid-February coincided with school half term and saw high demand at the HWRS. Demand escalated again following Government announcements around lifting of restrictions and the return to schools. As a result, a regular traffic management presence was reintroduced at five HWRS w/c 1 March to mitigate safety and operational concerns at Maresfield, Mountfield and Hastings. This will be maintained into April but will be withdrawn if there is no longer a requirement for it; support has already been temporarily suspended at Maresfield.

11.3 The current priority is to manage existing high levels of demand and prepare HWRS for increased visitor numbers over the spring peak season. Sites will continue to operate with reduced capacity because of social distancing, but it is hoped that public demand will not be as high as last year because the HWRS network has remained open during recent lockdowns. Mitigations being taken include:

- Vans will continue to be restricted to Tuesdays, Thursdays and Saturdays;
- Trailers will continue to be temporarily banned;
- Traffic disruption at HWRS is being closely monitored and traffic management will be reviewed and introduced as necessary to mitigate the impact of traffic queues.
- ESCC waste team and Veolia continue to review and increase the number of parking bays where possible;
- A communications campaign focusing on essential travel, managing expectations around queuing, site rules and respect for frontline staff; and
- Reuse shops will remain closed until at 12 April when non-essential retail is expected to be permitted to reopen.

## **12 Highways and Transport**

12.1 Work has continued on highway maintenance and the Highways Service has continued to provide a near normal service, whilst maintaining safe distancing and ensuring the safety of the workforce and public. As we emerge from winter the capital programme of works will commence in April as normal. All other routine maintenance will continue as normal with grass cutting commencing at the end of March.

12.2 Maintenance of the county's public rights of way, bridges and structures has also continued throughout lockdown and again capital programmes will commence shortly.

## **13 Active travel programme**

13.1 We received confirmation of our tranche 2 allocation from the Government's Active Travel programme in November 2020. The funding is focused on improving existing footways and cycleways in the county alongside initiatives to encourage greater levels of walking and cycling to schools and in local communities.

13.2 The School Streets element of the programme started on 15 March and will run as a trial at six schools across the county for a period of six weeks either side of the Easter school holidays. This involves temporarily restricting access for non-essential traffic on the street outside of the school. The road will be open to families on foot, bike or scooter at drop off and pick up times, giving everyone the space they need to get to school and move around their local environment safely.

13.3 We are currently working with East Sussex Highways to programme the delivery of the capital element of the £1.82m package of improvements with the vast majority being delivered in 2021/22. In programming the works, we also need to take into account that we are required to advise the Department for Transport on the outcomes of the consultation on schemes, and how public feedback has influenced the proposed measures, prior to starting

to construction. All measures will be delivered by the end of June 2022 in accordance with the tranche 2 funding requirements.

## **14 Business Services**

14.1 The Business Services Department has continued to support staff to effectively deliver services remotely (where possible) to reduce the risk of coronavirus spread, as well as ensure the safety of those teams who cannot work from home. Across the Council we have seen improvements in productivity due to modernised processes and increased flexibility of working. We are now reflecting on our experiences over the past year and are reviewing how we might work in future to maximise the benefits we have experienced. The corporate steer is that a large-scale return to the office will not happen before September 2021, and we are utilising this time to explore and trial different options for the workplace to support a hybrid working model.

14.2 We continue to share approaches through the SPACES partnership on the management of workplaces and as well as seeking opportunities for collaborative working and sharing learning as we develop our future ways of working.

14.3 Over the past year we have enhanced our wellbeing support for staff and guidance for managers and we continue to develop more targeted virtual training and interactive support sessions for our staff and managers to operate in a remote environment. Further training and support will be developed for working in a hybrid way to support staff once new ways of working are embedded.

14.4 In response to the increased level of remote and digital working we have increased our focus and monitoring on cyber security and maintain strong and active engagement with the National Cyber Security Centre and our local warning advice and reporting group.

## **15 Member Meetings and election planning**

15.1 Member meetings have continued to be held remotely via Microsoft Teams and the public continues to be able to view meetings via our existing webcasting site. The Government has indicated that temporary legislation permitting Members to attend meetings virtually will not be extended beyond its expiry date of 7 May 2021, although views are being sought from local authorities on the longer term future of virtual meetings through a call for evidence which the Council will respond to. There remains uncertainty about arrangements from May onwards however, as ongoing legal action supported by national representative bodies including the Local Government Association is seeking confirmation that virtual meetings could continue lawfully under existing legislation. This action recognises the significant practical challenges faced by local authorities in holding physical meetings while social distancing requirements remain in place, as well as the ongoing benefits of being able to hold meetings virtually where this is considered appropriate locally. The outcome is expected by the end of April.

15.2 Given the uncertainty, we are making provision for future meetings, including the annual Council meeting in May, to be held physically if required with appropriate Covid safety measures in place which reflect recently updated national guidance. We have also installed hybrid meeting equipment in the Council Chamber which can facilitate a level of remote attendance where this is permitted and agreed.

15.3 Additional Covid safety measures are also being put in place as part of planning for the County Council election on 6 May. We have been supporting the District and Borough Councils, who administer the election on behalf of the County Council, to address challenges related to the pandemic context such as securing appropriate venues and the

extra staff required. Planning is also underway for a comprehensive induction programme for Members elected in May, the initial stages of which will take place largely virtually.

## 16 Communicating with partners and residents

16.1 We have built dedicated support and information pages on our website and kept them updated to help businesses, residents and partners get the latest information on the position in East Sussex. These pages have been viewed more than 645,000 times. We have made extensive use of social media, video and traditional media to keep people informed. This has included joint public videos with hospital doctors, nurses and GPs, and advertising (both digital and traditional) targeted to parts of the county with rising infection rates. We have sent regular email bulletins to residents, Members, MPs, partners and staff. We have conducted several surveys and other research projects with residents (to get the views of more than 11,000 people). We work closely with District and Borough Councils to get information to residents, especially about Community Hubs. Special efforts have been made to reach people from potentially marginalised groups, including people of Black, Asian and Minority Ethnic background and those with severe existing health conditions. This is especially important as we support the NHS to increase the uptake of vaccination in East Sussex.

## 17 Financial Implications of Covid-19

17.1 The quarter 3 monitoring report presented to Cabinet in March 2021 reflected the impact of Covid-19 pressures on services and the Council overall. Given current circumstances, finance reporting has been split into Planned Budgets/Business as Usual (non-Covid-19) and Covid-19 related items. The **non-Covid-19 related** total forecast an overspend of £1.7m on service budgets, details of which can be found in the quarter 3 monitoring report. The details of **Covid-19 related** pressures in each department are also set out and estimate a total forecast overspend of £27.6m revenue and £2.8m capital. This was against known general Covid-19 grant funding of £32.7m received in Tranches 1 to 4 plus £1.6m for the first round of the Sales, Fees & Charges Compensation Scheme (SFC); set out in the table below.

|              |               |
|--------------|---------------|
| Tranche 1    | £16.3m        |
| Tranche 2    | £9.8m         |
| Tranche 3    | £3.6m         |
| Tranche 4    | £3.0m         |
| SFC Round 1  | £1.6m         |
| <b>Total</b> | <b>£34.3m</b> |

17.2 The Council submitted a second claim under the SFC Compensation Scheme covering the period Aug-Nov 2020, totalling £1.7m. This has been approved by the Ministry of Housing, Communities and Local Government (MHCLG) and was paid on 31 March 2021. The Round 3 claim will be due in April 2021 and will include a year-end reconciliation based on final outturn.

17.3 Beyond broader Covid-19 grant funding, more specific support has been received, and this has been fully allocated to service departments in line with the terms and conditions of the grant funding. These include:

|   |        |
|---|--------|
| Infection Control Fund - phases 1 & 2                             | £19.1m |
| Contain Outbreak Management Fund / Additional Surge Payments      | £13.2m |
| Infection Control Rapid Test Fund                                 | £2.6m  |
| Test and Trace Service  | £2.5m  |
| Winter Grant Scheme and extension                                 | £2.1m  |
| Workforce Capacity Fund   | £1.3m  |
| Additional Dedicated Home to School and College Transport Funding | £1.1m  |
| Practical Support for those Self-Isolating (Mar to June 2021)     | £0.1m  |
| Emergency Assistance Grant for Food and Essential Supplies        | £0.6m  |
| Bus Service Support Grant   | £0.4m  |
| Support for Clinically Extremely Vulnerable (CEV)                 | £0.3m  |
| Travel Demand Management  | £0.2m  |
| Wellbeing for Education Return                                    | £0.1m  |
| Emergency Active Travel Grant - tranches 1 & 2                    | £2.4m  |

17.4 Where permitted under grant terms and conditions, unapplied funding will be carried forward for use against the continued pressures of the ongoing pandemic in 2021/22. As reported at quarter 3, this includes the estimated £4.0m of general Covid-19 grant funding, with the final amount to be determined based on the final outturn position.

17.5 Services are working to finalise 2020/21 Covid-19 pressures in their areas in order to determine final outturn. Work is also ongoing with our Districts and Boroughs to understand the impact of the loss of income they are experiencing with regard to Council Tax and Business Rates. As a precepting authority, ESCC will not bear the burden of this loss until it materialises through the Collection Fund.

17.6 Monitoring of Covid-19 pressures will continue into 2021/22 and the Government has announced funding for next year, with the impact on the County Council as follows:

|  |        |
|--|--------|
| Covid-19 general funding   | £11.1m |
| Sales, Fees & Charges Compensation Scheme - claims will be required for the first quarter of 2021/22 | Tbc    |
| £341m national allocation to support ASC with costs of infection prevention control and testing      | Tbc    |
| Local Council Tax Support Scheme   | £4.7m  |
| Contain Outbreak Management Fund / Additional Surge Payments   | £2.9m  |
| Local Tax Income Guarantee - will be based on outturn  | Tbc    |

17.7 The updated Medium Term Financial Plan (MTFP) for 2021/22 to 2023/24, approved by Council in February 2021, presents a balanced position for 2021/22, with an aggregate deficit of £14.4m to 2023/4. It assumes, for financial planning purposes, business as usual service provision from 1 April 2021; any ongoing Covid-19 cost pressures or income losses will be managed and reported through the normal quarterly monitoring process.

| <b>Medium Term Financial Plan</b> | <b>2021/22<br/>£m</b> | <b>2022/23<br/>£m</b> | <b>2023/24<br/>£m</b> | <b>Total<br/>£m</b> |
|-----------------------------------|-----------------------|-----------------------|-----------------------|---------------------|
| Deficit / (Surplus)               | 0.000                 | 7.071                 | 7.377                 | 14.448              |

## **18 Economy**

18.1 In April 2020 ESCC co-ordinated the development of an Economy Recovery Plan (“East Sussex Reset”) with partners to provide a clear focus for the economy recovery effort. It is important to note that this is not a plan for the County Council, it is a plan for Team East Sussex (TES), the county’s de-facto Growth Board, and partners to take forward. The plan is complementary and supportive of other activities being progressed at a local level, including climate change and health and wellbeing initiatives.

18.2 A total of approximately £87.85m is being invested into East Sussex as a result of the plan. This is a combination of £53.47m newly secured monies and a further £34.38m aligned from ongoing funding committed or already secured from external sources to support the survival, reset, recovery and growth of businesses in East Sussex. This is up substantially from the initial £45m investment identified.

18.3 A summary of key achievements can be found at on the ESCC website [eastsussex.gov.uk/media/17529/item-8a-stakeholder-reports.pdf](https://eastsussex.gov.uk/media/17529/item-8a-stakeholder-reports.pdf) and an updated version of the full Action Plan can be found under “Partner Updates” at [eastsussex.gov.uk/business/eastsussex/selep/tes/eserp/](https://eastsussex.gov.uk/business/eastsussex/selep/tes/eserp/)

18.4 The Growth Hub, brought in-house in April 2020, has been the front-line support for business owners helping them to understand and access the range of support available. The impact of Covid-19 as expressed by business owners has evolved as successive restrictions on trade have been implemented in response to the pandemic. The most common concerns are finance and employment. Some smaller businesses, particularly those without premises, have been unable to access any or all the financial support made available by Government. These businesses have now exhausted savings, personal credit options or have no further assets to sell and may be unsure that they will survive long enough to re-open at the end of the lockdown. The Job Retention scheme has allowed vital employees to be retained and is generally viewed as a success. Businesses are now planning for the future and, in many cases, do not believe that they will be able to support previous numbers of staff. Serious consideration is being given to reduction in staff numbers and redundancies.

18.5 In terms of enquiries, the Hospitality/Leisure sector has had most engagement with the Growth Hub, followed by the Retail, Business Services and Manufacturing sectors. Over 200 enquiries have been received from outside East Sussex. More businesses in Wealden have contacted the Growth Hub than elsewhere, followed equally by Lewes and Eastbourne, then Hastings and Rother. Businesses making contact are, unsurprisingly, predominantly micro businesses (1-5 employees).

## **19 Roadmap, recovery and next steps**

19.1 The scope of this report reflects the wide ranging and very significant role played by this Council and its services in supporting our residents, communities and businesses through the second peak of the pandemic in recent months. As case rates have declined and the NHS vaccination programme continues to roll out, our focus is shifting to supporting the national exit from lockdown, local recovery and reopening, and dealing with the longer-term impacts of Covid-19 on local people.

19.2 In February, the Prime Minister announced the Government's Roadmap for exiting lockdown. This includes a series of steps with provisional dates for relaxation of restrictions, which are subject to review based on case rates, pressures on health services and the progress of the vaccination programme, amongst other factors.

19.3 We are undertaking ongoing work, in conjunction with our partners, to prepare services to adjust to the stages of lockdown relaxation, and to support communities and businesses with reopening and recovery. Although welcome, the end of lockdown and return to a level of normality will bring new challenges and highlight longer term shifts in behaviour and needs that we will need to respond to.

19.4 The ongoing impact of the pandemic and recovery from it will become clearer over the coming months. Its effects will not be linear or even across our services and communities and the most vulnerable will continue to need our support. We will continue to focus on delivery against our priorities which have been reviewed and adjusted in light of Covid-19 and other pressures. Our evolving assessment of needs will feed into our ongoing planning and monitoring through Reconciling Policy, Performance and Resources.

19.5 We will also ensure that we harness the opportunities to create a positive legacy from the experience of the last year. The pandemic has necessitated new ways of working and has given rise to new and strengthened partnerships. It has shown the strengths in our communities as well as the vulnerabilities and there is much we can learn and build on for the future.

**BECKY SHAW**  
**Chief Executive**

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**Report to:** Cabinet

**Date of meeting:** 20 April 2021

**By:** Chief Operating Officer

**Title:** External Audit Plan 2020/21

**Purpose:** To inform the Cabinet of the content of the Council's External Audit Plan for 2020/21

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## **RECOMMENDATION:**

**The Cabinet is recommended to approve the External Audit Plan for 2020/21**

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### **1. Background**

1.1 The External Audit Plan provides an overview of the planned scope and timing of the statutory audit of the Council's accounts and identifies any significant risks. Grant Thornton (GT), as the Council's external auditors, must form and express an opinion on the financial statements for the Council. The plan also outlines the work that GT will undertake as part of the assessment of whether the Council has proper arrangements in place to secure Value for Money (VfM).

### **2. 2020/21 Financial Statements**

- 2.1 The External Audit Plan for 2020/21 (Appendix 1) identifies a number of risks that require audit consideration as they could potentially cause a material error in the financial statements. These are:
- ISA240: Fraudulent revenue recognition (this presumed risk has been rebutted);
  - Fraudulent expenditure recognition (this presumed risk has been rebutted);
  - Management override of controls (journals, estimates and transactions);
  - Valuation of land and buildings;
  - Valuation of Pension Fund net liability;
  - Accuracy and accounting for Public Finance Initiative (PFI) liabilities.
- 2.2 The new Code of Audit Practice provides a revised approach to the audit of VfM. There are 3 main changes to previous practice:
- A new set of key criteria covering financial sustainability, governance and efficiency & effectiveness;
  - More extensive reporting, with GT required to provide a commentary on arrangements across all the key criteria rather than, as currently, reporting by exception;
  - Replacement of the binary qualified/unqualified approach to VfM conclusions, with a judgement on performance, as well as, key recommendations on any significant weaknesses identified during the audit.
- 2.3 No significant VfM weaknesses have been identified during GT's initial planning work. However, GT have set out 3 areas of additional focus:
- Arrangements for securing financial sustainability, including short term budgeting and medium term financial planning;

- Arrangements for improving economy, efficiency and effectiveness through benchmarking against similar organisations, learning from others and through continued development and modernisation of services;
- Developments and changes in the Orbis shared service arrangements.

2.4 The Audit Committee considered the plan at its meeting on 26 March 2021, where it also received a presentation by GT. The Committee expressed some concern at the move away from a qualified/un-qualified VfM opinion to a broader narrative report. Whilst recognising that this was the first year that GT had to follow this the new national guidance, the Committee was keen to ensure that the VfM report provides a clear message to the wider public. The VfM report would be considered at the Audit Committee's July 2021 meeting.

2.5 The deadlines for the production and audit of the accounts for 2020/21 and 2021/22 have been confirmed. The unaudited draft financial statements have to be prepared and published on the authority's website by 31 July. The audit will be conducted during July through September. For 2021/22, the audited statements will be approved by Governance Committee on 30 September 2021. There is pressure on GT to deliver to these deadlines and given the slippage experienced in the 2019/20 audit and pressures on their resources, there is a risk that these key dates will be missed.

2.6 The planned audit fees for 2020/21 are yet to be confirmed by the Public Sector Audit Appointments (PSAA) but are likely to show an increase on the fees for 2019/20 of £92,403.

### **3. Conclusion and Recommendation**

3.1 The External Audit Plan provides an overview of the planned scope and timing of the statutory audit of the Council's 2020/21 accounts and identifies any significant risks. The Cabinet is asked to approve the External Audit Plan for 2020/21.

**PHIL HALL**  
**Chief Operating Officer**

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Local Member(s): All  
Background Documents  
 None

# East Sussex County Council audit plan

**Year ending 31 March 2021**

East Sussex County Council

26 March 2021



# Contents



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| Key matters  | 3     | The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose. |
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# Key matters

## Factors

### New Code of Audit Practice

On 1 April the National Audit Office introduced a new Code of Audit Practice with effect from the audit year 2020/21. The Code introduces a revised approach to the audit of value for money (VfM). These changes are explained in more detail on page 14, but the key points are: there are a new set of criteria to assess against; more extensive reporting requirements and the replacement of the binary qualified approach to VfM conclusions; and reporting key recommendations on any significant weaknesses in arrangements identified during the audit.

### Council developments and the Impact of the Covid-19 pandemic

The financial position for 2020/21 and the medium term continues to be challenging in particular due to the COVID-19 pandemic, which is presenting all councils with unprecedented pressures. For East Sussex County Council, the key challenges have been maintaining the provision of adult social care and children's services which have become more complex and expensive to deliver, the closure of schools, and the necessary redesign of the Council's service delivery to operate alongside the impacts of the pandemic. The Council has continued to work closely with the local Integrated Care System to address these needs. The government's roadmap to the relaxation of restrictions has allowed the Council to plan with increased certainty and start to anticipate and plan for the potential long term impacts of the pandemic on the mental and physical health of adults and children, and where demand for services may therefore increase.

Financially, as the Council has received significant additional government funding during the pandemic year and has been compensated for much of the revenues lost, the real financial impact is more likely to be felt in the medium term as the real economic effects come about with the end of the furlough scheme. At Quarter 3 of the year, there was a projected underspend position forecast for the full 2020/21 year. A balanced budget has been set for the 2021/22 year.

### Other matters

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures includes significant enhancements in respect of the audit risk assessment process for accounting estimates. As part of this process auditors also need to obtain an understanding of the effectiveness of the role of those charged with governance relating to accounting estimates adopted by management, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Although the implementation of IFRS 16 has been delayed, audited bodies still need to include disclosures in their 2020/21 statements to comply with the requirements of IAS 8.

## Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Fee discussions are currently in progress between audit firms and PSAA. Our audit plan sets out the starting point based on the 2019/20 proposed audit fee recognising there are further additional cost pressures in 2020/21.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- We will continue to provide you with sector updates via our Audit Committee updates.
- There is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. We have rebutted this risk for all types of revenue. We have also considered the risk of material misstatement due to fraud related to expenditure, and concluded that this is not a significant risk for the Council.
- There is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We have therefore identified a significant risk in regards to management override of control – refer to page 6.
- The Council's valuer reported a material uncertainty in regards to the valuation of properties in 2019/20 due to the Covid-19 pandemic and we expect significant uncertainty will continue in 2020/21. We identified a significant risk in regards to the valuation of properties – refer to page 6.
- A material uncertainty was also declared in 2019/20 by an investment manager for pooled property investments underlying the net pension liability. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions, and we have also identified a significant risk in this area of the accounts – refer to page 7.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of East Sussex County Council ('the Council') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as your auditor. We draw your attention to both of these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

## Significant risks

For the Council, those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management over-ride of controls
- Valuation of land and buildings
- Valuation of the pension fund net liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £13.4m (PY £13m) for the Council statements (equating to 1.5% of your prior year gross expenditure). We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.7m (PY £0.7m).

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not initially identified any risks of significant weakness. We have however identified several areas of focus under the increased scope of the VFM work in 2020/21 onwards. These are detailed on pages 14-15.

## Audit logistics

Our interim visit will take place in March 2021 and our final visit will take place between July and September 2021. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report. Our audit logistics and planned timings are on page 16.

Our fee for the audit is still being assessed. Since appointment as your auditor, there have been a number of developments, particularly in relation to the revised Code and updated ISAs which are relevant for the 2020/21 and subsequent audits. These together with the findings of the recent Redmond Review mean that we expect the fee to be in excess of the 2019/20 audit fee. Discussions with PSAA are currently ongoing. The 2019/20 fee was £92,403 (pending approval of a fee variance by PSAA).

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

| Risk                                  | Risk relates to | Reason for risk identification   | Key aspects of our proposed response to the risk |
|---------------------------------------|-----------------|--|--|
| ISA240 fraudulent revenue recognition | The Council     | <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. We have considered all revenue streams of the Council and we have rebutted this risk for all revenue streams.</p> <p>For revenue streams that are derived from Council Tax, Business Rates and Grants we have rebutted this risk on the basis that they are income streams primarily derived from grants or formula based income from central government and tax payers and that opportunities to manipulate the recognition of these income streams is very limited.</p> <p>For other revenue streams, we have determined from our experience as your auditor from the previous 2 years, and through our documentation and walkthrough of your business processes around revenue recognition that the risk of fraud arising from revenue recognition could be rebutted, because:</p> <ul style="list-style-type: none"> <li>- there is little incentive to manipulate revenue recognition;</li> <li>- opportunities to manipulate revenue recognition are very limited;</li> <li>- the culture and ethical frameworks of local authorities, including East Sussex County Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> | Significant risk rebutted.                       |
| Fraudulent expenditure recognition    | The Council     | <p>We have also considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition.</p> <p>We were satisfied that this did not present a significant risk of material misstatement in the 2020/21 accounts as:</p> <ul style="list-style-type: none"> <li>- The control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be strong;</li> <li>- We have not found significant issues, errors or fraud in expenditure recognition in the prior 2 years audits;</li> <li>- Our view is that, similarly to revenues, there is little incentive to manipulate expenditure recognition.</li> </ul>   | Significant risk rebutted.                       |

# Significant risks identified

| Risk                             | Risk relates to | Reason for risk identification   | Key aspects of our proposed response to the risk   |
|----------------------------------|-----------------|--|--|
| Management over-ride of controls | The Council     | <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>  | <p>We will:</p> <p>Evaluate the design effectiveness of management controls over journals;</p> <p>Analyse the journals listing and determine the criteria for selecting high risk unusual journals;</p> <p>Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</p> <p>Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and</p> <p>Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</p>  |
| Valuation of land and buildings  | The Council     | <p>You revalue your operational land and buildings on a rolling three yearly basis and your investment properties every year. The valuation of these assets represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of land and buildings as a significant risk.</p> <p>You have engaged a new valuer Bruton Knowles in the 2020/21 year and therefore this increases the risk of misstatement, as they apply potentially different methods and assumptions. You are revaluing all of your land and buildings in the 2020/21 year, therefore there should not be a risk that assets not revalued in the year would be materially different from the current value or fair value. However, if any assets are not revalued in the year management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for investment properties and surplus assets) at the financial statements date.</p> | <p>We will:</p> <p>Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</p> <p>Evaluate the competence, capabilities and objectivity of the valuation expert;</p> <p>Write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met and discuss this basis where there are any departures from the Code;</p> <p>Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding;</p> <p>Assess how management have challenged the valuations produced by the professional valuer to assure themselves that these represent the materially correct current value;</p> <p>Test revaluations made during the year to see if they are input correctly into the Authority's asset register;</p> <p>Evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value; and</p> <p>Engage an auditor's expert professional valuer to supplement our own auditor knowledge and expertise with qualified valuer expert insight and challenge into the valuation process, methods and assumptions used.</p> |

# Significant risks identified

| Risk  | Risk relates to | Reason for risk identification  | Key aspects of our proposed response to the risk  |
|---|-----------------|---|---|
| Valuation of the pension fund net liability | The Council     | <p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (approximately £416 million in the Authority's balance sheet at the 31 March 2020) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter. You have engaged a new actuary Barnett Waddingham in the 2020/21 year and therefore this increases the risk of misstatement, as they apply potentially different methods and assumptions.</p> | <p>We will:</p> <ul style="list-style-type: none"> <li>update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>obtain assurances from the auditor of East Sussex Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul> |

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

# Other audit risks

| Risk   | Risk relates to | Reason for risk identification   | Key aspects of our proposed response to the risk   |
|--|-----------------|--|--|
| Accuracy and accounting for Private Finance Initiative (PFI) liability | The Council     | <p>You have assets financed through PFI schemes (Peacehaven Schools and waste management services).</p> <p>PFI schemes are complex and involve a degree of subjectivity in the measurement of financial information.</p> <p>We therefore identified the accuracy and presentation of your PFI schemes as a risk for the audit.</p> | <p>We will:</p> <ul style="list-style-type: none"> <li>Review your PFI models and assumptions contained therein;</li> <li>Obtain an understanding of any changes to PFI contracts made since the prior year;</li> <li>Compare your PFI models to the prior year to identify any changes;</li> <li>Review and test the output produced by your PFI models to generate the financial balances within the financial statements; and</li> <li>Review the disclosures relating to your PFI schemes for compliance with the Code and the International Accountancy Standard IFRIC 12.</li> </ul> |

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

# Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

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## Introduction

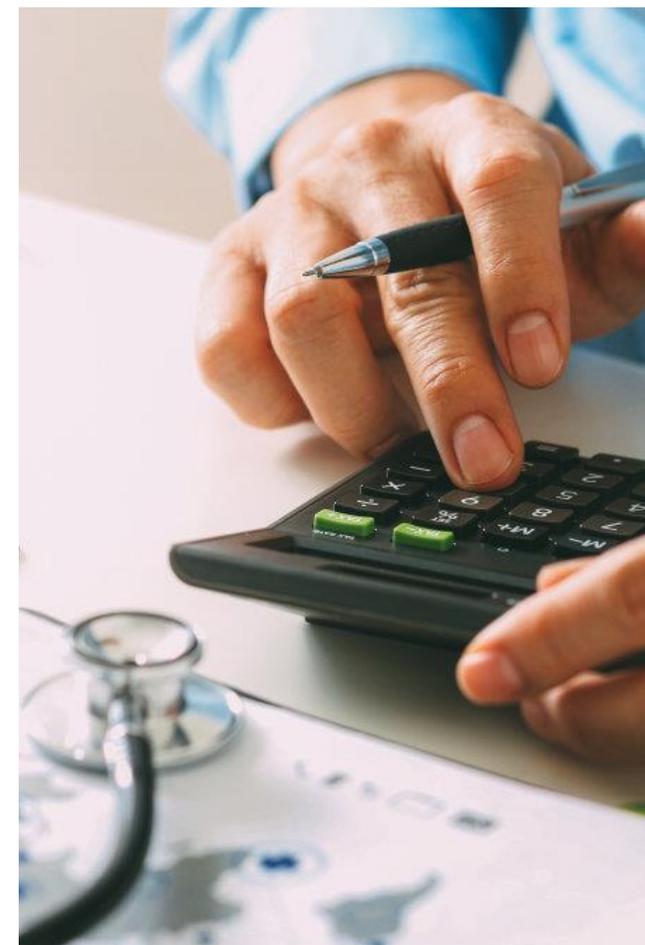
Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



# Accounting estimates and related disclosures

## Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings and investment properties;
- Depreciation;
- Year end provisions and accruals, specifically for demand led services such as Adult's and Children's services;
- Credit loss and impairment allowances;
- Valuation of defined benefit net pension fund liabilities;
- Fair value estimates;
- PFI liability estimate.

## The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations, pensions liabilities and some fair value estimates. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



### Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- **What the assumptions and uncertainties are;**
- **How sensitive the assets and liabilities are to those assumptions, and why;**
- **The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and**
- **An explanation of any changes made to past assumptions if the uncertainty is unresolved.**

### Planning enquiries

As part of our planning risk assessment procedures we are addressing additional written enquiries to management and to those charged with governance in order to obtain the expanded understanding of the entity's internal controls required under ISA (UK) 540. We would appreciate a prompt response to these enquires in due course.

### Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540-Revised-December-2018-final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540-Revised-December-2018-final.pdf)

# Other matters

## Other work – for the County Council Audit

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council;
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA;
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions;
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

## Going concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. Applying such an approach should enable us to increase our focus on wider financial resilience (as part of our VfM work) and ensure that our work on going concern is proportionate for public sector bodies. We will review the Council's arrangements for securing financial sustainability as part of our Value for Money work and provide a commentary on this in our Auditor's Annual Report (see page 16).

# Materiality – the Council

## The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

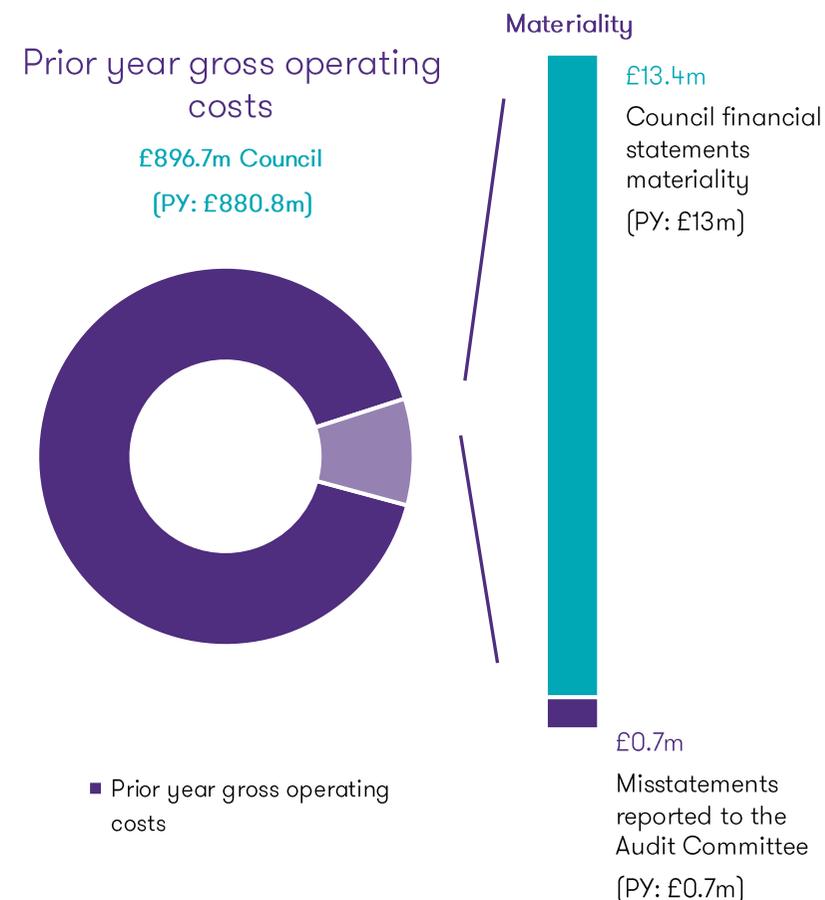
We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £13.4m (PY £13m) for the Council, which equates to 1.5% of your forecast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £500k for cash and cash equivalents and £50k for Senior officer remuneration disclosures.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

## Matters we will report to the Audit Committee

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) '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) 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 Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.7m (PY £0.7m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



# Value for Money arrangements

## Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness;
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach;
- The replacement of the binary qualified/unqualified approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



# Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. Whilst our planning assessment did not identify any significant weaknesses in arrangements, we have highlighted further key areas of focus which are listed below. We may be required to raise recommendations as a result of our findings. The potential different types of recommendations we could make are set out in the second table below.

As part of our planning work, we have considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. We have:

- Met with your Chief Executive Officer and your Chief Finance Officer to discuss the current risk profile and outlook for the Council and to discuss and understand any recent changes to the Council's arrangements for securing VFM;
- Reviewed publicly available reports and documentation (including minutes of all significant Council meetings), relating to both financial and operational areas of the Council's functions;
- Reviewed risk registers to understand the Council's own view and assessment of the severity of the risks it faces in the current unprecedented times.

We have not identified any risks of significant weaknesses from our initial planning work. We have however identified areas of focus where we would set out to update and deepen our understanding of your arrangements in order to conclude on your arrangements across all the key criteria. These areas of focus are:

- The entity's arrangements for securing financial sustainability, including short term budgeting and medium term financial planning;
- The entity's arrangements for improving economy, efficiency and effectiveness through benchmarking against similar organisations, learning from others, and through continued development and modernisation of services;
- Developments and changes in the Orbis shared service arrangements.

We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.

We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table:

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

# Audit logistics and team



## Darren Wells, Key Audit Partner

Darren will be the main point of contact for the Chair, the Chief Executive and Members. Darren will share his knowledge and experience across the sector providing challenge, sharing good practice, providing pragmatic solutions and acting as a sounding board with the Corporate Management Team and Audit Committee. Darren will ensure our audit is tailored specifically to you and is delivered efficiently. Darren will review all reports and the team's work focussing his time on the key risk areas to your audit.

## Andy Conlan, Audit Senior Manager

Andy will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Andy will attend Audit Committee, undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable to all. Andy will work with Internal Audit to secure efficiencies and avoid duplication.

## Ezgi Aslan, Audit In-charge

Ezgi will lead the onsite team and will be the day to day contact for the audit. Ezgi will monitor the deliverables, manage the query log with your finance team and highlight any significant issues and adjustments to senior management. Ezgi will undertake the more technical aspects of the audit, coach the junior members of the team and review the teams work.

## Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

# Audit fees

In 2018, PSAA awarded a contract of audit for East Sussex County Council to begin with effect from 2018/19. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2020/21 audit.

As referred to on page 14, the 2020/21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging for audited bodies, involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years.

As communicated on pages 9-11, the new ISA540 also requires significant enhancements in respect of the audit risk assessment process for accounting estimates.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as noted in the number of revised ISA's issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed in Appendix 1..

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. We have engaged an audit expert to improve the level of assurance we require for property valuations estimates, which has been included in our proposed audit fee. Our proposed fee for 2020/21, as a result of the additional work above, and the impact of the Redmond Review, is still being fully assessed. We will communicate the fee with your Chief Finance Officer and subsequently with the Audit Committee when this fee has been assessed:

|                                  | Actual Fee 2018/19 | Actual Fee 2019/20 | Proposed fee 2020/21 |
|----------------------------------|--------------------|--------------------|----------------------|
| Council Audit                    | £75,350            | £92,403            | £TBC                 |
| Total audit fees (excluding VAT) | £75,350            | £92,403            | £TBC                 |

## Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Audit fees –detailed analysis

|   |                |
|---|----------------|
| Scale fee published by PSAA   | £64,350        |
| <i>Ongoing increases to scale fee first identified in 2019/20</i>   |                |
| Raising the bar/regulatory factors  | £3,000         |
| Enhanced audit procedures for Property, Plant and Equipment   | £10,000        |
| Enhanced audit procedures for Pensions  | £3,000         |
| Fee variance - additional work which was necessary to be carried out during the audit due to the added complexities of the impact of Covid-19. Communicated in the Annual Audit Letter. | 12,053         |
| <b>Audit fee 2019/20</b>  | <b>£92,403</b> |
| <i>New issues for 2020/21</i>   |                |
| Additional work on Value for Money (VfM) under new NAO Code   | £TBC           |
| Increased audit requirements of revised ISAs  | £TBC           |
| <i>Proposed increase to agreed 2019/20 fee</i>  | £TBC           |
| <b>Total audit fees (excluding VAT)</b>   | <b>£TBC</b>    |

# Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

## Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

## County Council

| Service   | Fees £ | Threats   | Safeguards  |
|---|--------|---|---|
| Audit related   |        |   |   |
| Certification of Teachers Pension Return                                  | 7,000  | Self-Interest (because this is a recurring fee) | The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,000 in comparison to the total fee for the audit of £92,403 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. |
| Non-audit related   |        |   |   |
| Report on Certificate of Expenditure on Strategic School Improvement Fund | 5,000  | Self-Interest (because this is a recurring fee) | The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £92,403 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. |

# Appendix 1: Revised Auditor Standards and application guidance

## FRC revisions to Auditor Standards and associated application guidance

The following Auditing Standards and associated application guidance that were applicable to 19/20 audits, have been revised or updated by the FRC, with additional requirements for auditors for implementation in 2020/21 audits and beyond.

|  | Date of revision | Application to 2020/21 Audits   |
|--|------------------|---|
| ISQC (UK) 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements                         | November 2019    |    |
| ISA (UK) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)                         | January 2020     |    |
| ISA (UK) 220 – Quality Control for an Audit of Financial Statements  | November 2019    |    |
| ISA (UK) 230 – Audit Documentation   | January 2020     |  |
| ISA (UK) 240 – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements  | January 2020     |  |
| ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements   | November 2019    |  |
| ISA (UK) 250 Section B – The Auditor’s Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector | November 2019    |  |

# Appendix 1: Revised Auditor Standards and application guidance continued

|   | Date of revision | Application to 2020/21 Audits   |
|---|------------------|---|
| ISA (UK) 260 – Communication With Those Charged With Governance   | January 2020     |    |
| ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment | July 2020        |   |
| ISA (UK) 500 – Audit Evidence   | January 2020     |    |
| ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures  | December 2018    |    |
| ISA (UK) 570 – Going Concern  | September 2019   |   |
| ISA (UK) 580 – Written Representations  | January 2020     |  |
| ISA (UK) 600 – Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)             | November 2019    |  |
| ISA (UK) 620 – Using the Work of an Auditor’s Expert  | November 2019    |  |
| ISA (UK) 700 – Forming an Opinion and Reporting on Financial Statements   | January 2020     |  |

# Appendix 1: Revised Auditor Standards and application guidance continued

|   | Date of revision | Application to 2020/21 Audits   |
|---|------------------|---|
| ISA (UK) 701 – Communicating Key Audit Matters in the Independent Auditor’s Report            | January 2020     |  |
| ISA (UK) 720 – The Auditor’s Responsibilities Relating to Other Information                   | November 2019    |  |
| Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom | December 2020    |  |



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Report to: **Cabinet**

Date: **20 April 2021**

By: **Chief Operating Officer**

Title of report: **Internal Audit Strategy and Annual Plan 2021/22**

Purpose of report: **To present the Council's Internal Audit Strategy and Annual Plan 2021/22**

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## **RECOMMENDATIONS**

**Cabinet is recommended to review and endorse the Council's Internal Audit Strategy and Plan 2021/22**

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### **1. Background**

1.1 The Council's Internal Audit Strategy and Annual Plan 2020/21 (Annex A/Appendix A) sets out how the Council will meet its statutory requirements for internal audit, as defined within the Accounts and Audit Regulations 2015. Due to the uncertainty created by the impact of Covid 19, the 2021/22 plan focusses primarily on the core assurance areas (such as all key financial systems), the highest priority reviews across the Council, grant claims and known key priority projects/programmes, with the remainder of the direct audit days earmarked as emerging risks/contingency.

1.2 A workshop was held with Members of the Audit Committee in January 2021 and comments made have been fed into the planning process.

### **Supporting Information**

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

2.2 The Internal Audit Charter sets out the scope and responsibility of internal audit.

### **3. Conclusions and Reasons for Recommendations**

3.1 Cabinet is asked to review and endorse the Internal Audit Strategy and Plan 2021/22 which was endorsed by the Audit Committee at its meeting on 26 March 2021.

Phil Hall, Chief Operating Officer  
Contact Officers: Russell Banks Tel No. 01273 481447

## **BACKGROUND DOCUMENTS**

Internal Audit Strategy and Annual Audit Plan 2021/22

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# Internal Audit Strategy and Annual Audit Plan 2021-2022

## 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 (attached as Appendix B).

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

1.3 The organisation's response to internal audit activity should lead to a strengthening of the control environment, thus contributing to the overall achievement of organisational objectives.

## 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 Due to the uncertainty created by the impact of Covid 19, the 2021/22 plan focusses primarily on the core assurance areas (such as all key financial systems), the highest priority reviews across the Council, grant claims and known key priority projects/programmes, with the remainder of the direct audit days earmarked as emerging risks/contingency. Appropriate provision will also be made for counter fraud activities, which will continue in 2021/22 as normal. By adopting this approach, as well as delivering the planned work on core assurance areas, we will add internal audit activities to our plans throughout the year as new risks and priorities emerge. All of this will be regularly and comprehensively reported to CMT and the Audit Committee and will enable us to maximise our responsiveness and focus our resources on the most relevant and priority areas.

2.3 It is important to note that this slightly revised planning strategy for the year ahead will not result in any reduced internal audit coverage for the Council. The approach is simply intending to help ensure we remain as reactive as possible to the rapidly changing risk landscape across the Authority in such unprecedented times.

2.4 The annual planning process has once again involved consultation with a range of stakeholders, to ensure that their views on risks and current issues, within individual departments 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, efforts will continue to be 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 2021/22 audit planning process:



2.5 In order to ensure audit and assurance activity is properly focussed on supporting the delivery of the Council’s priorities, the audit plan has taken into account the key corporate priority outcomes of the Council as set out within the Council Plan. These are:

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

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

- All key financial systems are subject to a cyclical programme of audits covering, as a minimum, compliance against key controls;
- Previous reviews which resulted in ‘minimal assurance’ audit opinions will be subject to a specific follow-up review to assess the effective implementation by management of agreed actions. This will also include a number of previous reviews with a ‘partial assurance’ opinion where deemed necessary or where the area under review is considered to be of a higher risk nature;
- Any reviews which we were unable to deliver during the previous financial year will be considered once again as part of our audit planning risk assessment, and prioritised as appropriate.

2.7 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 CMT and the Audit Committee on a quarterly basis.

2.8 During the last four years, East Sussex County Council, Surrey 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. This provides 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 2021/22, a number of major organisational initiatives will feature 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 the:

- Ongoing impact of Covid 19 and associated recovery programmes;
- Adult Social Care Transformation programme;
- Modernising Back Office Systems (MBOS) programme;
- Highways Maintenance Contract Re-procurement programme;

3.3 As explained above, in recognition of current uncertainties and that in some cases, sufficient information regarding the full extent of future changes and associated risks may not yet be known, the 2021/22 audit plan will, as in previous years, include 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 The results of all audit work undertaken will be summarised within quarterly update reports to CMT and the Audit Committee, 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. This will include leading on the National Fraud Initiative data matching exercise on behalf of the Council.

## 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 governance, risk and control framework.

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 the Council in 2021/22 (expressed in days), compared to the equivalent number of planned days in previous years. The overall level of resource has increased compared with the previous year as a result of efficiencies generated from within the service, particularly associated with successful recruitment processes and the associated reduction in reliance on more expensive external contractors/agency staff. The level of resource is considered to be sufficient to allow Internal Audit to deliver its risk based plan in accordance with professional standards<sup>1</sup> and to enable the Chief Internal Auditor to provide his annual audit opinion.

**Table 1: Annual Internal Audit Plan – Plan Days**

|                  | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|------------------|---------|---------|---------|---------|---------|
| <b>Plan Days</b> | 1,583   | 1,417   | 1,400   | 1,450   | 1,595   |

<sup>1</sup> Public Sector Internal Audit Standards (PSIAS)  
East Sussex County Council

## 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.

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 increasing 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 2020/21 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 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 as well as several members of the team continuing new apprenticeship training and professional training during 2021/22.

## 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 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 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 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 Local Authority 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  |
|---|---|---|
| <b>Quality</b>                                | <ul style="list-style-type: none"> <li>Annual Audit Plan agreed by Audit Committee</li> <li>Annual Audit Report and Opinion</li> <li>Satisfaction levels</li> </ul>   | <p>By end April</p> <p>To inform Annual Governance Statement (AGS)</p> <p>90% satisfied</p> |
| <b>Productivity and Process Efficiency</b>    | <ul style="list-style-type: none"> <li>Audit Plan – completion to draft report stage by 31 March 2022</li> </ul>  | 90%   |
| <b>Compliance with Professional Standards</b> | <ul style="list-style-type: none"> <li>Public Sector Internal Audit Standards</li> <li>Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act</li> </ul> | <p>Conforms</p> <p>Conforms</p>   |
| <b>Outcomes and degree of influence</b>       | <ul style="list-style-type: none"> <li>Implementation of management actions agreed in response to audit findings</li> </ul>   | 95% for high priority   |
| <b>Our Staff</b>                              | <ul style="list-style-type: none"> <li>Professionally Qualified/Accredited</li> </ul>   | 80%   |

Russell Banks  
Orbis Chief Internal Auditor

# INTERNAL AUDIT PLAN

## 2021/22



### Planned Audit Reviews

| Review Name                       | Outline Objective   |
|-----------------------------------|---|
| Accounts Payable (Procure to Pay) | To review the processes and key controls relating to the accounts payable system, including those in place for ordering, the creation and maintenance of vendor details, the payment of invoices, goods receipting and promptness of payments.  |
| Accounts Receivable               | To review the processes and key controls relating to the accounts receivable system, including those in place for ensuring the accuracy of customer details, completeness, accuracy and timeliness of invoicing, recording and matching payments to invoices, and debt recovery.  |
| Payroll                           | To review controls in relation to the staff payment system, including those relating to starters, leavers, temporary and permanent payments, variations of pay, and pre-employment checks.  |
| Treasury Management               | To assess the adequacy of key controls and procedures across the Council's Treasury Management arrangements, including cash flow forecasting, segregation of duties, financial investments and use of treasury advisers.  |
| East Sussex Pension Fund          | The following audits will be completed in relation to the East Sussex Pension Fund in accordance with the Internal Audit Pension Fund Strategy and Plan: <ul style="list-style-type: none"> <li>• Governance.</li> <li>• Investments and External Control Assurance.</li> <li>• Compliance with Regulatory Requirements.</li> <li>• Pension Administration – People, Processes and Systems.</li> <li>• Altair Application Audit (see below).</li> </ul> |
| Direct Payments                   | To examine the system of control associated with the administration, payment and monitoring of direct payments to adult social care clients.  |
| Capital Project Management        | To review the adequacy and effectiveness of project management arrangements for a sample of critical Council capital projects, where inadequate arrangements could impact on the Council's ability to deliver key services in accordance with its core offer.   |

# INTERNAL AUDIT PLAN

## 2021/22



| Review Name                       | Outline Objective  |
|-----------------------------------|--|
| Contract Management               | To assess the adequacy and effectiveness of contract management arrangements within the Council, specifically in relation to reviewing the adequacy of any contract management frameworks, guidance and training for Council staff to ensure contracts are managed appropriately and in line with best practice.   |
| Revenue Budget Management         | A review of the Council's budget management arrangements, including in relation to the setting and monitoring of budgets across the Council.   |
| LAS/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).   |
| LCS/Controcc                      | 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).   |
| Risk Management                   | To assess the arrangements in place to identify, assess and mitigate risk across the organisation.   |
| Corporate Governance              | To review the adequacy of corporate governance arrangements within the Council, including assessing the extent to which previously identified governance improvement actions have been implemented.  |
| Health and Safety                 | This review, potentially utilising specialist external expertise, will cover the adequacy of arrangements for ensuring that the Council provides a safe working environment for all staff, contractors and others affected by the services it provides. This will include reviewing the Council's health and safety policies and procedures, communication and awareness arrangements, compliance with health and safety legislation and arrangements in relation to Covid-19. |
| 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. We will also work with our Orbis partners to provide information bulletins and guidance for schools on risk, governance and internal control matters.   |
| Property Transformation Programme | To provide a watching brief over the arrangements for the transformation programme within Property, advising on risk, governance and internal control matters as they arise.   |

# INTERNAL AUDIT PLAN

## 2021/22



| Review Name                                  | Outline Objective   |
|--|---|
| Adult Social Care Transformation Programme   | The objective of the transformation programme is to develop and coordinate a coherent response to Covid-19 which has fundamentally changed the way Adult Social Care and Health operates. Where appropriate, we will continue to support the programme through providing advice on risk and control issues, specifically in relation to individual projects within the programme.   |
| Highways Maintenance Contract Reprocurement  | To provide advice and support in relation to the arrangements for the re-procurement of a new highways maintenance contract, advising on risk, governance and internal control matters as they arise.   |
| Electronic Signatures                        | Electronic signatures deliver a way to sign documents online and their use is increasing across the organisation. This review will seek to identify and review the arrangements in place within the Council over the use of these to ensure any associated risks are being appropriately managed.   |
| ERP Replacement Programme (MBOS)             | We will continue to attend programme board and working group meetings to provide independent advice, support and challenge on risk, control, probity and governance issues. In addition, our work will focus on providing assurance over key areas such as: <ul style="list-style-type: none"> <li>• programme governance/risk management</li> <li>• business processes (both on and off system)</li> <li>• system security</li> <li>• user access, authentication and authorisations</li> <li>• testing arrangements</li> <li>• data cleansing and migration</li> <li>• interfaces and reconciliation</li> <li>• disaster recovery and business continuity</li> <li>• training.</li> </ul> |
| Property Asset Management Replacement System | To continue to attend project board and working group meetings to provide independent advice, support and challenge on risk, control, probity and governance issues and to provide assurance over key areas as per the ERP replacement programme above.   |
| Children's Safeguarding Data Handling        | Social workers/safeguarding teams often use video to record interviews and other interactions with children. This audit will seek to ensure there is an appropriate Data Protection Impact Assessment (DPIA) in place and being complied with, appropriate permissions are sought, and data is encrypted in transit and deleted as appropriate.   |

## INTERNAL AUDIT PLAN 2021/22



| Review Name   | Outline Objective   |
|---|---|
| Email Communication (Personal and Sensitive Encryption)     | This audit will seek to provide assurance over the effectiveness of the arrangements for email communication involving personal and sensitive information. The audit will consider the methods used to encrypt emails, training/awareness of staff and a high-level review of compliance across the Council.  |
| Post Brexit Information Governance Arrangements             | Following the Brexit transition period ending, this audit will seek to provide assurance that Council data is being stored appropriately and in-line with relevant legislation. The review will also consider the guidance being provided to members of staff across the Council to help ensure continued compliance.   |
| IT&D Strategic and Operational Risk Management Arrangements | With organisations placing an even greater reliance on IT and the support provided by their IT departments, the Council needs to adapt to address the risks accordingly and ensure that ownership is appropriate. This audit will seek to provide assurance that appropriate risk management arrangements are in place across the Council in relation to IT&D with awareness and ownership of risks across all departments, including within IT&D.  |
| Digital Postal Hub Application Audit                        | The Digital Postal Hub (DPH) is a Council service allowing all inbound post to go to one place where it will be scanned and directly sent to the addressee via SharePoint. Similarly, outgoing post can be sent through a 'print and post' function, allowing post to be automatically printed, enveloped and franked in the post room and then sent via Royal Mail. This application audit will review all major input, processing and output controls, will review the controls in place to interface with any other systems and ensure appropriate system ownership and responsibilities are in place. |
| Access Management   | This audit will seek to provide assurance over access management to the Council's network. This will include a review of controls used to manage users' network accounts and their access to systems and data, in particular for new starters, department movers and those leaving. It will also consider the Council's Active Directory and how this is managed, the content contained within it and controls in place to ensure that it is accurate.  |

## INTERNAL AUDIT PLAN 2021/22



| Review Name   | Outline Objective  |
|---|--|
| Accessibility Audit                                       | The Council has a requirement to comply with the Public Sector Bodies (Website and Mobile Applications) Accessibility Regulations 2018 and failure to do so will mean it will be in breach of the Equality Act 2010 and Disability Discrimination Act 1995. The new regulations mean that the Council has a legal duty to make sure all its websites and applications meet accessibility requirements. This audit will review the action taken and controls in place to ensure that all internal and externally facing websites and applications meet and continue to comply with the new regulations. |
| Pension System – Altair Application Audit                 | Altair is the Council’s platform for managing all pension administration elements. It covers the needs for all types of schemes including: Defined Benefit, Defined Contribution, Career Average, Cash Balance and AVCs. This application audit will review all major input, processing and output controls, will review the controls in place to interface with any other systems and ensure appropriate system ownership and responsibilities are in place. This audit forms part of the Pension Fund Internal Audit Strategy.   |
| Buzz Active Follow-Up                                     | A follow-up of the previous audit completed which received an audit opinion of partial assurance.  |
| Libraries Asset Management Follow-Up                      | A follow-up of the previous audit completed which received an audit opinion of partial assurance.  |
| Contract Management Group Cultural Compliance Follow-Up   | A follow-up of the previous audit completed which received an audit opinion of partial assurance.  |
| Building Condition Asset Management Follow-Up             | A follow-up of the previous audit completed which received an audit opinion of partial assurance.  |
| Social Value in Procurement Follow-Up                     | A follow-up of the previous audit completed which received an audit opinion of partial assurance.  |
| Home Care Contract Management Follow-Up                   | A follow-up of the previous audit completed which received an audit opinion of partial assurance.  |
| Robertsbridge Capital Project Follow-Up                   | A follow-up of the audit work previously undertaken in relation to this particular project.  |
| Commissioning and Delivery of Property Projects Follow-Up | A follow-up of the previous audit completed which received an audit opinion of partial assurance.  |
| Transport Capital Grant Certification                     | To check and certify the grant in accordance with the requirements of the Department for Transport.  |

## INTERNAL AUDIT PLAN 2021/22



| <b>Review Name</b>                                   | <b>Outline Objective</b>   |
|--|--|
| Troubled Families Grant Certification                | Certification of periodic grant claims returns in-year on behalf of Children's Services to enable the release of funds from the Ministry of Housing, Communities and Local Government (MHCLG). |
| Bus Subsidy Grant Certification                      | To check and certify the grants (including Covid 19 related grants) in accordance with the requirements of the Department for Transport.   |
| Home to School Transport Grant Certification         | To check and certify the grants (including Covid related grants) in accordance with the requirements of the Department for Education.  |
| Track and Trace Grant Certification                  | To check and certify the grant in accordance with the requirements of Public Health England.   |
| Public Health Prep Grant (HIV) Certification         | To check and certify the grant in accordance with the requirements of Public Health England.   |
| Covid-19 Emergency Active Travel Grant Certification | To check and certify the grant in accordance with the requirements of the Department for Transport.  |
| European Social Fund Transform Project               | To check and certify the grant in accordance with the requirements of the European Social Fund.  |

# INTERNAL AUDIT PLAN

## 2021/22



### Service Management and Delivery

| Review Name                              | Outline Objective   |
|--|---|
| Action Tracking                          | Ongoing action tracking and reporting of agreed, high risk actions.   |
| Annual Internal Audit Report and Opinion | Creation of Annual Report and Opinion.  |
| Audit and Fraud Management               | Overall management of all audit and counter fraud activity, including work allocation, work scheduling and Orbis Audit Manager meetings.  |
| Audit and Fraud Reporting                | Production of periodic reports to management and Audit Committee covering results of all audit and anti-fraud activity.   |
| Audit Committee and other Member Support | Ongoing liaison with Members on internal audit matters and attending Audit Committee meetings and associated pre-meetings.  |
| Client Service Liaison                   | Liaison with clients and departmental management teams throughout the year.   |
| 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).   |
| 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.   |
| <b>Contingencies</b>                     |   |
| Anti-Fraud and Corruption                | To cover the investigation of potential fraud and irregularity allegations as well as proactive counter fraud activities, including the National Fraud Initiative (NFI) data matching exercise. |
| Emerging Risks                           | A contingency budget to allow work to be undertaken on new risks and issues identified by Orbis IA and/or referred by management during the year.   |
| Contingency                              | A contingency budget to allow for effective management of the annual programme of work as the year progresses.  |

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**Report to:** Cabinet

**Date of meeting:** 20 April 2021

**By:** Chief Operating Officer

**Title:** Annual Audit Letter – 2019/20

**Purpose:** To inform Cabinet of the Annual Audit Letter and fee outturn for 2019/20

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## **RECOMMENDATION:**

**Cabinet is recommended to note the Annual Audit Letter and the fee update for 2019/20**

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### **1. Supporting Information**

- 1.1 The Grant Thornton Annual Audit Letter (AAL), attached at Appendix 1, summaries the work undertaken by Grant Thornton (GT) and the key issues raised as part of the external audit of the 2019/20 Statement of Accounts. The report raises no new issues or findings and reflects the recommendations that were reported to Audit Committee and Governance Committee within the “Independent Auditor’s Report to those charged with Governance and Statement of Accounts 2019/20” report.
- 1.2 GT issued an unqualified opinion on the Council’s financial statements on 31 January 2021. This was later than the deadline of 30 November 2020 due issues internal to GT, which impacted on their ability to review and sign off the audit working papers to their required standards. The delay was no reflection on East Sussex and no further audit evidence was sought.
- 1.3 The AAL will be circulated to all Councillors and published on the Council’s website.

### **2. External Audit Fees**

- 2.1 The external audit fee for 2019/20, as advised by Public Sector Audit Appointments (PSAA), was £107,837 (County Council of £80,350 and East Sussex Pension Fund of £27,487). The AAL sets out, on pages 17-18, proposed additional fees of £16,176 (County Council of £12,053 and East Sussex Pension Fund of £4,123), which represent an increase of 15% on the original fees.
- 2.2 The increase has been put down to the complexities of COVID-19 which required additional work to be undertaken regarding management assumptions and estimates within the accounts, particularly for pensions, investments and property valuations, together with further work to provide financial resilience assurance. Remote working brought challenges to the audit work, together with the need to revisit planning assumptions, including the assessment of risk and materiality. There was no additional charge for the period between November 2020 and January 2021. The PSAA will assess these additional charges, which will not be paid until confirmation from the PSAA is received.

### **3. Conclusion and Recommendation**

- 3.1 The report and AAL summarise the key findings from the external audit of the 2019/20 Statement of Accounts for the Council and the East Sussex Pension Fund, together with the 2019/20 Value for Money conclusion and recommendations to management.
- 3.2 The Cabinet is asked to note the report and the update regarding the 2019/20 audit fees.

**PHIL HALL**  
**Chief Operating Officer**

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# The Annual Audit Letter for East Sussex County Council and Pension Fund

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Year ended 31 March 2020  
March 2021



# Contents



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- A Reports issued and fees

# Executive Summary

## Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at East Sussex County Council (the Council) for the year ended 31 March 2020.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit Committee as those charged with governance in our Audit Findings Report on 6 November 2020.

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## Our work

## Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two);
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

|   |   |
|---|---|
| <b>Materiality</b>                        | We determined materiality for the audit of the Council's financial statements to be £13m which is 1.5% of the Council's gross cost of services.   |
|   | We determined materiality for the audit of the Pension Fund's financial statements to be £36m, which equates to approximately 1% of your prior year net assets for the year.  |
| <b>Financial Statements opinion</b>       | We gave an unqualified opinion on the Council and Pension Fund's financial statements on 31 January 2021.   |
| <b>Whole of Government Accounts (WGA)</b> | We have completed work on the Council's consolidation return following guidance issued by the NAO, however have not been able to issue the assurance statement due to a technical issue with the government managed online submission system. We will submit these returns as soon as possible. |
| <b>Use of statutory powers</b>            | We did not identify any matters which required us to exercise our additional statutory powers.  |

# Executive Summary

|                                     |   |
|-------------------------------------|---|
| <b>Value for Money arrangements</b> | We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 6 November 2020.   |
| <b>Certificate</b>                  | We are unable to certify that we have completed the audit of the financial statements of the Council until we have submitted our Whole of Government Accounts (WGA) assurance statement. This cannot currently be submitted due to a technical issue with the government managed online submission system. We expect this issue to be resolved in February 2021 and we will then issue our certificate of completion for the audit. |

## Working with the Council

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. Particularly the provision of adult social care and children's services have become more complex and expensive to deliver, the closure of schools, and the necessary redesign of the Council's service delivery have presented substantial challenges. We updated our audit risk assessment to consider the impact of the pandemic on our audit and we reported a financial statement level risk in respect of Covid-19 and highlighted the impact on our VfM approach.

Restrictions for non-essential travel meant both Council and audit staff worked remotely, including the remote accessing of financial systems, video calling, and verifying the completeness, accuracy of information produced by the entity through online screensharing.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

**Grant Thornton UK LLP**  
February 2021

# Audit of the Financial Statements

## Our audit approach

### Materiality

In our audit of the Council's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Council's financial statements to be £13m, which is 1.5% of the Council's gross cost of services. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year. We also set a lower level of specific materiality for cash and cash equivalents of £500k.

We set a lower threshold of £0.7m, above which we reported errors to the Audit Committee in our Audit Findings Report.

We determined materiality for the audit of the Pension Fund's financial statements to be £36m, which equates to approximately 1% of your prior year net assets for the year. We used this benchmark as, in our view, users of Pension Fund's financial statements are most interested in the Pension Fund's level of assets held.

We set a lower threshold of £1.8m, above which we reported errors to the Audit Committee in our Audit Findings Report.

### The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts to check it is consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

# Audit of the Financial Statements

## Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

| Risks identified in our audit plan   | How we responded to the risk  | Findings and conclusions  |
|--|---|---|
| <p><b>Covid-19</b></p> <p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. The current circumstances have had an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> <li>- Remote working arrangements and redeployment of staff impact potentially impacting on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation</li> <li>- Volatility of financial and property markets increased the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates</li> <li>- Financial uncertainty has required management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and</li> <li>- Disclosures within the financial statements have required significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.</li> </ul> <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | <p>We :</p> <ul style="list-style-type: none"> <li>• worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported;</li> <li>• liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council's property valuation expert;</li> <li>• evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;</li> <li>• evaluated whether sufficient audit evidence could be obtained through remote technology;</li> <li>• evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations;</li> <li>• evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment;</li> <li>• discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence.</li> <li>• engaged the use of an auditor experts in PPE our valuations work.</li> </ul> | <p>As a result of the Covid-19 pandemic, the property market remains very uncertain. As a result of this, material uncertainties have been declared by the professional valuer relating to land and buildings, and also by an investment manager for pooled property investments underlying the net pension liability.</p> <p>These material uncertainties have been accurately disclosed in Note 5 Assumptions made about the future and other major sources of estimation uncertainty. We included an 'Emphasis of Matter' in our audit opinion to ensure that users of the accounts are aware of these material uncertainties.</p> |

# Audit of the Financial Statements

## Significant Audit Risks - continued

| Risks identified in our audit plan  | How we responded to the risk   | Findings and conclusions   |
|---|--|--|
| <p><b>Valuation of land and buildings</b></p> <p>The Authority revalues its land and buildings on a three-yearly rolling basis to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for investment properties and surplus assets) at the financial statements date. This valuation is carried out by the professional valuers contracted by the Council. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management needed to ensure the carrying value in the Authority financial statements was not materially different from the current value or the fair value (for investment properties and surplus assets) at the financial statements date.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | <p>We:</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert;</li> <li>written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met and discuss this basis where there are any departures from the Code;</li> <li>challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;</li> <li>assessed how management have challenged the valuations produced internally, by professional valuers and by independent property managing consultants to assure themselves that these represent the materially correct current value;</li> <li>tested revaluations made during the year to see if they had been input correctly into the Authority's asset register;</li> <li>evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value;</li> <li>engaged an auditor's expert professional valuer to supplement our own auditor knowledge and expertise with qualified valuer expert insight and challenge into the valuation process, methods and assumptions used.</li> </ul> | <p>Aside from the issue detailed on the page above in relation to the Covid-19 risk, our audit work did not identify any issues in respect of valuation of land and buildings.</p> |

# Audit of the Financial Statements

## Significant Audit Risks - continued

| Risks identified in our audit plan   | How we responded to the risk  | Findings and conclusions  |
|--|---|---|
| <p><b>Valuation of net pension liability</b><br/>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p> | <p>We :</p> <ul style="list-style-type: none"> <li>• updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls;</li> <li>• evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>• assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>• tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertaken procedures to confirm the reasonableness of the actuarial assumptions made by using an auditor's expert; and</li> <li>• obtained assurances from the auditor of East Sussex Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul> | <p>Aside from the issue detailed on the page above in relation to the Covid-19 risk, our audit work did not identify any issues in respect of valuation of the net pension liability.</p> |

# Audit of the Financial Statements

## Significant Audit Risks - continued

| Risks identified in our audit plan  | How we responded to the risk   | Findings and conclusions   |
|---|--|--|
| <p><b>Management override of internal controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>  | <p>We :</p> <ul style="list-style-type: none"> <li>evaluated the design effectiveness of management controls over journals;</li> <li>analysed the journals listing and determined the criteria for selecting high risk unusual journals;</li> <li>tested unusual journals recorded during the year and as part of accounts production for appropriateness and corroboration;</li> <li>gained an understanding of the accounting estimates and critical judgements made by management and considered their reasonableness with regard to corroborative evidence;</li> <li>evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> | <p>Our audit work did not identify any issues in respect of management override of controls.</p> |
| <p><b>Income from fees, charges and other service income</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>For East Sussex County Council, we have concluded that the greatest risk of material misstatement relates to fees, charges and other service income where the timing of income recognition could be via subjective criteria determined by management.</p> <p>We therefore identified the occurrence and accuracy of fees, charges and other service income as a significant risk, which was one of the most significant assessed risks of material misstatement</p> <p>We rebutted this presumed risk for your other revenue streams because other income streams are primarily derived from grants or formula based income which limits the opportunity to manipulate revenue recognition.</p> | <p>We :</p> <ul style="list-style-type: none"> <li>evaluated your accounting policy for recognition of income for appropriateness and compliance with LG Code of Practice;</li> <li>updated our understanding of your system for accounting for income and evaluate the design of the associated controls;</li> <li>reviewed and sample tested income to supporting evidence corroborating the occurrence of the service/good delivered and the accuracy of the amount recognised; and</li> <li>evaluated and challenged significant estimates and the judgments made by management in the recognition of income.</li> </ul>   | <p>Our audit work did not identify any issues in respect of revenue recognition.</p>             |

# Audit of the Financial Statements

## Significant Audit Risks - continued

| Risks identified in our audit plan  | How we responded to the risk   | Findings and conclusions   |
|---|--|--|
| <p><b>Accuracy and accounting for Private Finance Initiative (PFI) liability</b><br/>           You have assets financed through PFI schemes (Peacehaven Schools and waste management services).</p> <p>PFI schemes are complex and involve a degree of subjectivity in the measurement of financial information.</p> <p>We therefore identified the accuracy and presentation of your PFI schemes as a significant risk.</p> | <p>We:</p> <ul style="list-style-type: none"> <li>• reviewed your PFI models and assumptions contained therein;</li> <li>• obtained an understanding of any changes to PFI contracts made since the prior year;</li> <li>• compared the your PFI models to the prior year to identify any changes;</li> <li>• reviewed and tested the output produced by your PFI models to generate the financial balances within the financial statements;</li> <li>• reviewed the disclosures relating to your PFI schemes for compliance with the Code and the International Accountancy Standard IFRIC 12.</li> </ul> | <p>Our audit work did not identify any issues in respect of the PFI liability.</p> |

# Audit of the Financial Statements

## Significant Audit Risks – continued Pension Fund Risk

| Risks identified in our audit plan   | How we responded to the risk   | Findings and conclusions   |
|--|--|--|
| <p><b>Level 3 Asset Valuation</b><br/>You revalue your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date.</p> <p>By their nature level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilised the services of investment managers and custodians as valuation experts to estimate the fair value as at 31 March 2020.</p> <p>We therefore identified valuation of Level 3 investments as a significant risk.</p> | <p>We:</p> <ul style="list-style-type: none"> <li>gained an understanding of your process for valuing Level 3 investments and evaluating the design of the associated controls;</li> <li>reviewed the nature and basis of estimated Level 3 valuations and considered what assurance management has over the year end valuations provided for these investments, against the requirements of the Code;</li> <li>independently requested year-end confirmations from investment managers and custodian;</li> <li>for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2020 with reference to known movements in the intervening period;</li> <li>in the absence of available audited accounts, we evaluated the competence, capabilities and objectivity of the valuation expert;</li> <li>tested revaluations made during the year to see if they had been input correctly into the Pension Fund's asset register; and</li> <li>where available reviewed investment manager service auditor report on design effectiveness of internal controls.</li> </ul> | <p>Aside from the issue detailed on the page above in relation to the Covid-19 risk, our audit work did not identify any issues in respect of valuation of Level 3 Assets.</p> |

# Audit of the Financial Statements

## Significant Audit Risks – continued Pension Fund Risk

| Risks identified in our audit plan  | How we responded to the risk   | Findings and conclusions   |
|---|--|--|
| <p><b>Management override of internal controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.</p> | <p>We :</p> <ul style="list-style-type: none"> <li>• evaluated the design effectiveness of management controls over journals;</li> <li>• obtained a full listing of journal entries which was then analysed to identify and test high risk unusual journals;</li> <li>• tested unusual journals recorded during the year and post year end for appropriateness and corroboration;</li> <li>• considered the reasonableness of significant accounting estimates and critical judgements made by management; and</li> <li>• evaluated the rationale for any changes in accounting policies or significant transactions.</li> </ul> | <p>Our audit work did not identify any issues in respect of management override of controls.</p> |

# Audit of the Financial Statements

## Audit opinion

We gave an unqualified opinion on the Council and Pension Fund's financial statements on 31 January 2021.

## Preparation of the financial statements

We were presented with draft financial statements in July 2020 in accordance with the agreed timescale, and we were provided with a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Restrictions for non-essential travel and home working during the pandemic have meant both Authority and audit teams had to perform the audit entirely remotely. This has required the audit team to use regular video calls to keep in close contact, to consider alternative approaches to obtaining audit evidence to corroborate transactions, estimates and judgements in the financial statements and to carry out additional tests to corroborate the completeness and accuracy of information produced by the Council which we would otherwise have performed in person on site.

As communicated in our Audit Findings Report, the additional complexities of conducting the audit during the pandemic caused additional work for which we have raised an audit fee variation. See page 14 for further details.

## Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Audit Committee on 6 November 2020.

## Annual Governance Statement and Narrative Report

We are also required to review the Council's Annual Governance Statement and Narrative Report. Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

## Whole of Government Accounts (WGA)

We have carried out work in line with instructions provided by the NAO. Our work did not identify any issues for the group auditor to consider. We have not been able to issue the assurance statement due to a technical issue with the government managed online submission system. As soon as this issue is resolved we will make the submission.

## Certificate of closure of the audit

We are unable to certify that we have completed the audit of the financial statements of the Council until we have submitted the WGA assurance statement as above. We will certify the closure of the audit as soon as this submission is made.

# Value for Money conclusion

## Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 which specified the criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

## Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work. We identified medium term financial sustainability as the significant risk around Value for Money for the authority. The work we set out to address the risk was:

- ▶ review your 2019-20 outturn, including details of performance against both your revenue and capital budgets;
- ▶ review progress against your 2020-21 financial plan up to the completion of our audit;
- assess the reasonableness of assumptions made in your MTFP;
- assess your reserve levels;
- review documentation and discuss your progress and plans to address the budget gap in coming years.

## Overview

The financial resilience of the Council depends on its ability to balance income and expenditure, without over-reliance on reserves to fund the day to day cost of services. Despite challenging conditions, in particular the impact of COVID-19 in the last part of the year, the Council achieved an underspend of £0.9m in 2019/20 primarily from unused budgeted contingencies. In our view, this reflects steady financial performance in line with underlying financial plans.

In February 2020, the Council set a balanced budget for the financial year 2020/21, including £3.5m of savings. Following the significant financial impact of COVID-19 that became apparent in March 2020 and the lockdown period spanning the first financial quarter, the Council is currently anticipating a budget gap of £2.9m in 2020/21, after government COVID-19 support funding to date is taken into account. The Council has sufficient strategic reserves balance to meet this gap in 2020/21 but is intending to minimise the impact on reserves through use of budgeted contingencies and other measures. In our view, the significant achievements in prior years to reduce spend in line with the core offer, leaving relatively small savings requirement in the medium term, has put the Council in a relatively strong position to face the challenges posed by COVID-19.

The original Medium Term Financial Plan published in February 2020, anticipated a funding deficit building to £9.3m by 2022/23. The MTFP to 2023/24 was updated in October 2020 to reflect the post-COVID position and the current projection shows a cumulative budget gap of £11.5m in 2021/22 rising to £23.9m up to 2023/24. This position assumes that services will return to business as usual from 1 April 2021 and does not take into account any additional COVID-19 funding which may be forthcoming from government. The Council has undertaken scenario analysis to look at various potential outcomes and settled on this as the likely case. We are satisfied that the Council has taken appropriate steps to understand the challenge and considered an appropriate range of outcomes.

The Council continues to be guided by its 'Core Offer', which underpins business and financial planning and represents a level of service below which the Council should not go in order to meet the needs of residents. This has been reviewed in the context of COVID-19 impact with the update published in October 2020, including the extent to which further savings could be made.

# Value for Money conclusion

## Overall conclusion

The Council continues to demonstrate good financial stewardship in line with delivery of the core offer. As for all councils across the country, COVID-19 had presented a major challenge to the Council's financial position and its future financial sustainability. However, we are satisfied that the Council has put in place adequate arrangements to understand and secure its financial sustainability in the short to medium term.

We made one recommendation as a result of the work carried out:

**While the available strategic reserves and budgeted contingency provide some financial security, once the government funding settlement is finalised, the Council will need to review the need to make further savings and protect reserves when setting the forthcoming 2021/22 budget. This may include the need for further consideration of the ability to deliver services in line with the Core Offer.**

## Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

## A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services.

### Reports issued

| Report                | Date issued   |
|-----------------------|---------------|
| Audit Plan            | April 2020    |
| Audit Findings Report | November 2020 |
| Annual Audit Letter   | February 2021 |

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### Fees

|                   | Planned        | Actual fees    |
|-------------------|----------------|----------------|
|                   | £              | £              |
| Statutory audit   | 80,350         | 92,403         |
| Pensions Fund     | 27,487         | 31,610         |
| <b>Total fees</b> | <b>107,837</b> | <b>124,013</b> |

### Audit fee variation

There is additional work which was necessary to be carried out during the audit due to the added complexities of the impact of Covid-19. This fee variation has been communicated with your Chief Finance Officer, and is also subject to approval by Public Sector Audit Appointments (PSAA).

## A. Reports issued and fees continued

### Fees for non-audit services

| Service   | Proposed fee   | Final fee      |
|---|----------------|----------------|
| <b>Audit related services</b>   |                |                |
| Certification of Teachers Pension Return                                  | 7,000          | 7,000          |
| Provision of IAS 19 Assurances to Scheme Employer auditors                | 5,000          | 5,000          |
| <b>Non-Audit related services</b>   |                |                |
| Report on Certificate of Expenditure on Strategic School Improvement Fund | 5,000          | 5,000          |
| <b>Total non-audit fees (excluding VAT)</b>                               | <b>£12,000</b> | <b>£12,000</b> |

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### Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.



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