



CABINET

TUESDAY, 18 APRIL 2023

10.00 AM COUNCIL CHAMBER, COUNTY HALL, LEWES

MEMBERSHIP - Councillor Keith Glazier (Chair)
Councillors Nick Bennett (Vice Chair), Bob Bowdler, Claire Dowling,
Carl Maynard and Bob Standley

A G E N D A

1. Minutes of the meeting held on 7 March 2023 (*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.
- 5.1 Scrutiny Review of Procurement of Social Value and Buying Local - Report of the Place Scrutiny Committee (*Pages 5 - 44*)
Report by Assistant Chief Executive.
- 5.2 Scrutiny Review of Procurement of Social Value and Buying Local - Observations on the Place Scrutiny Committee's report (*Pages 45 - 50*)
Report by the Chief Operating Officer.
6. Value for Money External Auditors Report (*Pages 51 - 84*)
Report by Chief Finance Officer.
7. Internal Audit Strategy and Plan 2023/24 (*Pages 85 - 104*)
Report by Chief Operating Officer.
8. Any other items considered urgent by the Chair
9. To agree which items are to be reported to the County Council

PHILIP BAKER
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6 April 2023

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CABINET

MINUTES of a meeting of the Cabinet held at Council Chamber, County Hall, Lewes on 7 March 2023.

PRESENT Councillor Keith Glazier (Chair), Nick Bennett (Vice Chair), Bob Bowdler, Claire Dowling, Carl Maynard, Rupert Simmons and Bob Standley

Members spoke on the items indicated:

Councillor Bennett	- item 5 (minute 44)
Councillor Collier	- item 6 (minute 45)
Councillor Daniel	- item 5, 6 (minute 44 and 45)
Councillor Field	- item 5 (minute 44)
Councillor Maples	- item 5, 6 (minute 44 and 45)
Councillor Stephen Shing	- item 5 (minute 44)
Councillor Standley	- item 5 (minute 44)
Councillor Tutt	- item 6 (minute 45)
Councillor Ungar	- item 5 (minute 44)

42. MINUTES OF THE MEETING HELD ON 24 JANUARY 2023

42.1 The minutes of the Cabinet meeting held on the 24 January 2023 were agreed as a correct record.

43. REPORTS

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

44. COUNCIL MONITORING: QUARTER 3 2022/2023

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) Note the deletion of the Post European Union (EU) Transition risk from the Strategic Risk register.

Reason

44.3 The report sets out the Council's position and year-end projections for the Council Plan targets, Revenue Budget, Capital Programme, and Savings Plan, together with Risks at the end of December 2022.

45. TRANSPORT FOR THE SOUTH EAST - FINAL STRATEGIC INVESTMENT PLAN

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

45.2 The Cabinet RESOLVED to:

- 1) Support Transport for the South East's (TfSE) final draft Strategic Investment Plan (SIP); and
- 2) As a constituent authority, to TfSE's Partnership Board signing off the final SIP in March 2023 and submitting to Government in Spring 2023.

Reason

45.3 The transport and global policy interventions identified in the TfSE Strategic Investment Plan will deliver significant change in the County and support our key priorities specifically the levelling up of our communities who are most at need and importantly accelerate the delivery of the decarbonisation of transport. This will support greater strategic connectivity and resilience of our networks across the county and unlock opportunities for localised transport measures for public transport and active travel to support greater social inclusion, health, and wellbeing. The TfSE Strategy and SIP will also support policy development and the identification of strategic transport interventions as part of the current review of our Local Transport Plan, which is currently underway.

45.4 Following consultation in summer 2022, TfSE have revised their draft SIP and are seeking the constituent authorities consent to sign off the SIP in March 2023. Overall, the County Council is supportive of TfSE's draft final SIP which has been amended to reflect some of the comments we made in our consultation response and makes the best case possible for long term investment in multi-modal transport infrastructure in East Sussex to support our local and TfSE's priorities.

46. TO AGREE WHICH ITEMS ARE TO BE REPORTED TO THE COUNTY COUNCIL

46.1 It was agreed that item 5 should be reported to the County Council.

[Note: The items being reported to the County Council refer to minute number 44]

Report to: Cabinet

Date of meeting: 18 April 2023

By: Assistant Chief Executive

Title: Scrutiny Review of Procurement: Social Value and Buying Local – Report of the Place Scrutiny Committee

Purpose: To provide an opportunity for the Cabinet to consider the report of the Place Scrutiny Committee.

RECOMMENDATION:

To consider any comments the Cabinet wishes to make to the County Council on the report of the Place Scrutiny Committee.

1 Background

1.1 In March 2022 the Place Scrutiny Committee established a Review Board to examine the Council's approach to social value in procurement and Buying Local initiatives.

1.2 The scope of the review included an investigation of various aspects of the current policy and approaches including:

- Examining how well social value principles are communicated and understood by departments.
- Examining the processes used and in particular the handover from the Procurement Team to the service department contract managers who are responsible for monitoring and ensuring the social value measures are delivered.
- Looking at the engagement with the Council's supply chain: do they understand the requirement and what we are trying to achieve; what help and support might they need.
- Exploring whether it is possible/beneficial to move away from the use of proxy values in the current quantitative approach to measuring social value to a more outcome focussed qualitative approach and what this could look like.
- Review and comment on the draft Social Value Policy.
- Examine whether narrowing down and prioritising what social value the Council asks for from suppliers, would be beneficial in achieving the Council's objectives. This may already be taking place to some extent when using the Social Value Charter (e.g. through the use of tailored advice for specific or larger contracts).
- Explore opportunities to use social value to support action on climate change and a sustainable local economy.
- Consideration of the Orbis Environmentally Sustainable Procurement Policy

1.3 The Place Scrutiny Review addressed the following lines of enquiry:

- How can we improve the current approach to Social Value and Buying Local?
- How can Social Value and Buying Local be used to achieve the Council's objectives and support action on climate change and a sustainable local economy?

2 Supporting information

2.1 The Place Scrutiny Committee has completed its review of Procurement: Social Value and Buying Local. The review makes nine recommendations which address the areas covered by the review. A copy of the report is attached at appendix 1.

2.2 Overall the Review Board finds that a great deal of work has been undertaken to make sure the Council's social value requirements are well understood and considered at an early stage of the procurement process. However, there is more work to do on the handover to service departments and the monitoring of the delivery of social value commitments.

2.3 The Council's current approach to measuring social value using quantitative measures is quite mature. The Board therefore focused on developing recommendations which improve the existing policies and procedures and recommends establishing a business case for more resources to support contract management including monitoring social value. The Board considers that there may be an opportunity now to move to a more qualitative approach to measuring social value, which may provide wider community benefits, that may in turn help support our Voluntary, Community and Social Enterprise partners, Small and Medium-sized Enterprises and deliver the Council's objectives. The review also makes a recommendation to conduct a trial of a more qualitative approach to measuring social value requirements in contracts, which it considers has the potential to yield benefits across the Council.

2.4 The Committee's report will be submitted to the County Council on 9 May 2023. The Cabinet has the opportunity to comment to the County Council on the recommendations in the Scrutiny Committee's report, although it cannot alter the report. Elsewhere on this Cabinet meeting agenda (item 5b) there is a separate report by the Chief Operating Officer commenting on the Scrutiny Committee's report and recommendations.

3. Conclusion and reasons for recommendations

3.1 Cabinet is invited to consider any comments it wishes to make to the County Council on the report of the Place Scrutiny Committee.

PHILLIP BAKER

Assistant Chief Executive

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Local Members: All

Background Documents: None

Scrutiny Review of Procurement: Social Value and Buying Local

Report by the Review Board:

Councillor Chris Collier (Chair)

Councillor Julia Hilton

Councillor Paul Redstone

March 2023

Place Scrutiny Committee – 28 March 2023

Cabinet – 18 April 2023

Full Council – 9 May 2023

The report of the Scrutiny Review of Procurement: Social Value and Buying Local

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Recommendations

Recommendation		Page
1	<p>The Review Board recommends that the Council undertakes further communications, training and engagement activity, informed by feedback from the Board's survey, with:</p> <p>a) departments – focused on social value requirements and using the Social Value Charter including examples of what 'good' looks like; and</p> <p>b) with organisations in the supply chain, including providing case studies to ensure the Council's approach to social value requirements is well understood.</p>	10
2	The Board recommends that social value commitments are recorded in future via the PM3 procurement software system, to better enable monitoring of what is delivered.	11
3	The Board Recommends a service-based reporting requirement is introduced on the delivery of social value commitments which is reviewed quarterly at departmental management team meetings.	11
4	The Review Board recommends that the Business Services Department assesses the business case for providing additional resources to monitor, track and support the delivery of contractual commitments including social value through enhanced contract management support.	12
5	The Board recommends that suppliers are required to monitor and report on their delivery of social value as part of their contract through the use of Key Performance Indicators (KPIs).	12
6	The Review Board recommends that service leads, commissioners and staff involved in contract management are included in the review process of Needs and Strategies document which sets out priority areas for social value offers.	13
7	The Board Recommends guidance is given on narrowing the focus or number of social value measures included in contract specifications to support the Council's priorities and promote a collaborative approach within the Council.	13
8	<p>The Review Board recommends that:</p> <p>a) Clear guidance is given to suppliers and commissioners on where to include carbon reductions measures in contracts and bids.</p> <p>b) Consideration is given to amending the Orbis Social Value Measurement Charter to make it clear that carbon reduction measures should be included in the specification of contracts in the first instance, rather than including them as social value measures, except where using social value measures would be more appropriate for smaller suppliers.</p> <p>c) The Council explores ways of continuing to provide support to local suppliers, such as training, to help them develop carbon reduction measures and adopt carbon reduction pathways, thereby promoting a more sustainable supply chain.</p>	14

9	<p>The Review Board recommends that:</p> <p>a) The Procurement Team explores in more detail how the Council could move to a more qualitative approach to measuring social value by conducting a sector based 12 month trial with the ASCH department to pilot a more qualitative approach that might be more suitable for VCSE organisations, including the development of evaluation criteria for the trial (e.g. comparison with the previous 12 month period).</p> <p>b) Once the trial has been completed and evaluated, a report on the next steps in moving to a qualitative approach across the Council is produced.</p>	16
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Introduction

1. Social value includes the consideration of social, economic or environmental benefits when commissioning and procuring goods, services and works. Achieving social value through procurement has been a priority for the Council for some time. The Council's suppliers have been helping to deliver apprentices, community value and engaging with skills initiatives for many years.

2. Through procurement and commissioning activity the Council increasingly works with communities to design solutions and support existing projects and initiatives with its resources, networks and expertise where possible. Social value in this context means working together and using resources to maximise the impact for local communities. The key benefits of social value include:

- Delivering better value for money by requiring our suppliers to do more than deliver the core services or goods in a contract;
- Increasing local spend by rewarding local organisations or those that employ a local supply chain, especially with the use of Small and Medium Enterprises (SMEs) or Voluntary, Community and Social Enterprises (VCSEs);
- Increasing opportunities for disadvantaged people and promoting social mobility;
- Helping to address specific skills gaps within a variety of sectors; and
- Promoting a responsible supply chain which leads to greener, cleaner areas and greater innovation.

3. The Place Scrutiny Committee was made aware of the work being undertaken to further develop the Council's approach to social value in procurement and Buying Local initiatives. The Committee identified that there was an opportunity for scrutiny to add value to this work and to review the policy and processes in this area of the Council's operations to help identify and support improvements. A scoping board meeting was held on 22 February 2022 which examined information on:

- The legislative background to the requirement to include social value in procurement;
- The current East Sussex County Council (ESCC) approach to social value in procurement and Buying Local; and
- How the scrutiny review could assist in improving the delivery of social value requirements and meeting the organisation's objectives.

4. Following consideration of this information the scoping board agreed to recommend proceeding with a review and this was agreed by the Place Scrutiny Committee on 23 March 2022. The agreed lines of enquiry for the review were:

- How can the Council improve the current approach to social value and Buying Local?
- How can social value and Buying Local initiatives be used to achieve the Council's objectives and support action on climate change and a sustainable local economy?

5. The desired outcomes from the review were to improve the Council's approach to social value including reviewing and endorsing the draft Social Value Policy; ensure the approach to social value supports the Council's objectives including those on sustainability, climate change and carbon reduction; and review the arrangements for supporting the local economy by Buying Local.

6. The review took place alongside the development of policies in this area and the Review Board had the opportunity to provide input into them as they were developed. The review looked at a range of evidence on the Council's approach to social value to see how well established the principles of social value are within the Council's procurement activity. It also looked at the policies, processes and procedures in place and suppliers' attitudes to the social value requirements in order to develop recommendations for improvements.

7. During the course of the review of evidence, the Review Board found that the Buying Local policy area and processes were well developed and meeting the Council's targets. As a result, the review primarily focussed on the social value policies and requirements.

8. The Review Board were mindful of the uncertain financial outlook the Council faces based on the current local and national position. Therefore, in developing recommendations from the review, the Board has sought to suggest ways of making improvements without significantly increasing the costs of the Council.

Background

9. Contract procurement activity in the Council is supported by the Orbis Procurement Team, which is a shared service between East Sussex County Council (ESCC), Surrey County Council (SCC) and Brighton and Hove City Council (BHCC). The Procurement Team, which is part of the Business Services Department, provides specialist support to all the Council's departments to help them procure contracts for goods and services and to comply with Procurement Regulations which encompass the requirement to include social value in contracts.

Social Value

10. In 2012 the Government brought into law the Public Services (Social Value) Act, to ensure the application and consideration of social, economic or environmental benefits when commissioning and procuring a service. When the Act was originally introduced, it applied to service based contracts with a value over the Regulatory Threshold (currently £213,477 inclusive of VAT as at 1/1/2022). However, ESCC has since moved to apply the same approach to all contracts, regardless of type, where the value is in excess of £100,000. This is a local choice and is in line with the approach taken by other similar local authorities. It widens the application of social value to lower value contracts and those that are for goods as well as services.

11. Procurement Regulations have for some time allowed contracting authorities, such as ESCC, to take into account as part of any procurement, socio, economic and environmental factors. The Public Services (Social Value) Act 2012 requires the Council to consider:

- How what is proposed to be procured might improve the economic, social and environmental well-being of the area where it exercises its functions, and
- How, in conducting the process of procurement, it might act with a view to securing that improvement.

12. Social value plays an important part in enabling procurement activity to deliver not just cost or service specific benefits, but also to deliver additional value against the Council's aims and objectives. The Council's corporate target is to deliver an additional 10% of the contract value in social value commitments, for all contracts procured which are over £100,000 in value. In 2021/22 the Council secured 11% economic, social and environmental social value commitments through contracts with its suppliers.

13. ESCC may require suppliers, when bidding for contracts over Regulatory Threshold, to include in their bids social value commitments or 'offers' to meet the Council's policy and the requirements of the Social Value Act. This is done using the Orbis Social Value Measurement Charter where contractors can make offers against the measures in the Charter, or the Social Value Market Place and ESCC Crowdfunder websites. The social value 'offers' are then assessed against the contract evaluation criteria as set out in the contract specifications and using the monetary proxy values in the Orbis Social Value Measurement Charter.

14. The Social Value Market Place and ESCC Crowdfunder websites provide alternative ways of contractors making social value commitments. The Social Value Market Place is a web-based portal which enables local community organisations to make requests for something which contractors can then offer to provide as part of their social value commitments. It is a non-financial way of getting social value and is a matching service between local organisations and contractors offering social value help. The ESCC Crowdfunder website was developed in partnership with Crowdfunder UK and enables local organisations to use a different way of raising and getting funding. It is a way that contractors and suppliers can make financial contributions to charities and Voluntary Community and Social Enterprise (VCSE) organisations in East Sussex that can be included as part of their social value offer. Both are linked to and signposted in the Charter and tender documentation.

15. The Orbis Social Value Measurement Charter contains 39 measures, that are based on national Themes, Outcomes and Measures (TOMs) of social value. The measures are split across the four themes of Economy, Social, Environment and Other Initiatives. The Themes, Outcomes and Measures assign a proxy monetary value that can be used to evaluate, on an objective basis, the proposed social value that has been offered by bidders. Examples of the sort of measures that are in the Charter include:

- the amount of the contract value spent with local small and medium sized businesses;
- commercial support or facilities offered to local voluntary and community organisations;
- the number of apprenticeships offered to local people; or
- resources dedicated to increase the biodiversity of local green spaces.

Buying Local – using local suppliers

16. The Council is committed to encouraging businesses in East Sussex to compete for contract opportunities in order to support the development of the local economy. The Council actively encourages the use of locally based suppliers where they can offer best value for money, where 'local' is defined as within the county boundaries of East Sussex.

17. The Council's corporate target for the percentage of Council procurement expenditure with local suppliers is 60%. In 2021/22 the percentage expenditure achieved with local suppliers was 67.9%. This figure includes Tier 2 supplier data (i.e. the direct expenditure with the Council's suppliers that is then sub-contracted by them to a local supplier). The national Government target for contracts being delivered by local small businesses is 33% (2019 figure).

18. There are linkages between social value measures and the use of local suppliers, including VCSE organisations. For example, social value measures include using local suppliers and VCSE organisations to deliver contracts, and employing or training local people which benefits the local economy. The use of Buying Local initiatives and social value both aim to support the local economy and the local communities of East Sussex, as well as being linked to the Council's priority outcomes.

Review Board Findings

Social Value

Social Value policies, processes and procedures

19. The Review Board examined a range of evidence on the Council's current social value policies, processes and procedures to explore how well understood the requirement to include social value in contracts is, and whether there is any scope for making improvements. This included departmental attitudes to social value within the Council, and those of organisations in the Council's supply chain.

20. The Board saw and heard evidence of the extensive range of work the Procurement Team has undertaken to embed social value principles with contract commissioners, and those staff who have a contract management role across the Council, to ensure social value requirements are built into contracts at an early stage and their delivery is monitored. This included follow up work from an Internal Audit report on the Management of Social Value Requirements, the development of new contract handover documentation and the adoption of an ESCC Social Value Policy. As part of the review the Board were able to comment on and endorse the draft Social Value Policy prior to its adoption in September 2022. The Board also indicated that it would welcome the opportunity for scrutiny to be involved in any future updating or review of this policy.

21. The Review Board also conducted a short survey of Council staff involved in commissioning and those with a contract management role or responsibility, to explore staff views and levels of understanding of social value requirements, receiving responses from 12 officers out of 40 invited to complete the survey. A full summary of the results from the survey can be found in appendix 2 of this report.

22. The Board found that there is a focus on early engagement with departments and suppliers to ensure that social value requirements are well understood. However, there is an acknowledgement by the Procurement Team that there is more to do to improve the level of understanding. Some of the suggestions made by respondents of what would improve their knowledge of social value included:

- Providing updates on what social value ESCC is achieving through contracted services across departments and examples of what good looks like.
- Collective discussions in teams about how best to use the social value approach.
- An on-line guide to social value and some guidance on what is realistic and appropriate to expect from small VCSE organisations.
- Short training sessions and support for contract managers on how to achieve social value in practice.
- Short written guide or PowerPoint guide highlighting key/essential points with examples of good practice, including priorities and how it is measured.

23. The results of the survey also illustrate that the majority of the smaller group of officers who had used the Charter rated it as difficult to use. Some of the suggestions for improvement included:

- Having examples of social value gained from contracts by service area would enable commissioners to better understand the art of the possible.
- Having discussions in teams about how best to use the social value approach, including what has worked and not worked against the specific TOMs.

- Having more flexibility in the approach, ensuring commissioners are aware that the Charter can be tailored to individual contract requirements.

24. When asked if the policies and procedures for social value are clear and easy to understand there was an even split in the survey between those that agreed, disagreed or neither agreed or disagreed. In contrast, all respondents rated their understanding of social value as ok, good, or very good. Respondents were split on how well they thought social value principles are communicated and understood within the Council, with 50% saying it was poorly or very poorly communicated and understood, and 50% saying it was neither poorly nor well, or well understood. In this respect, continuing with communications, training for staff and engagement activity will be important.

25. Examples of suggestions from respondents to the survey for improvements to the Council's current procedures for securing social value in contracts included:

- Targeting social value requirements at much larger, commercial contracts.
- A move to more qualitative measures for social value is developed, which can be adapted for different markets and service areas.
- More emphasis on the social value aspect of procurement, to help the contractor and the end user in procurement projects and making it clear that the Social Value Charter tool can be edited for individual projects.
- The Procurement Team to remind commissioners to view the suite of documents available (including examples) when starting a procurement process, and the requirement to monitor and measure social value once the contract is awarded.
- Provide examples of the difference social value makes and how it can be used imaginatively in procurement processes – i.e. what 'good' looks like.

26. The Board heard from the Procurement Team and other witnesses that there are also uneven levels of understanding of the Council's approach to social value in the supplier base. This was supported by the views of commissioners and contract managers or those with contract management responsibility who responded to the survey. When asked how well they thought organisations in the supply chain understood the social value requirements; 25% thought organisations in the supply chain poorly understand the requirements; 58% neither poorly or well; and 17% well.

27. There are differing levels of understanding in different industry sectors. Some sectors (e.g. construction) are more mature in their understanding and approach to making social value offers than others. It is therefore important to engage with the supply chain on our approach to social value through communications and to encourage them to think about it early in the procurement process.

Recommendation 1

The Review Board recommends that the Council undertakes further communications, training and engagement activity, informed by feedback from the Board's survey, with:

- a) departments – focused on social value requirements and using the Social Value Charter including examples of what 'good' looks like; and**
- b) with organisations in the supply chain, including providing case studies to ensure the Council's approach to social value requirements is well understood.**

Monitoring the delivery of Social Value commitments

28. Once a contract has been awarded, it is the responsibility of the client department, rather than the Procurement Team, to ensure the social value commitments made as part of the contract are delivered. This is an important part of maintaining a robust procurement process. The Board heard that at present there is no overall system for recording and monitoring the implementation of the social value commitments that have been made, but this is likely to change with the introduction of a new procurement software system PM3, which has the ability to record benefits such as the social value commitments for each contract. Management reports can then be created to help senior managers monitor the delivery of commitments. The Board considered that recording and tracking social value commitments is essential so that monitoring of what is actually being delivered can take place.

Recommendation 2

The Board recommends that social value commitments are recorded in future via the PM3 procurement software system, to better enable monitoring of what is delivered.

29. The Board considered that introducing a reporting requirement for social value commitments may also be helpful, especially where the Procurement Team is not involved in the procurement. For example, this could be a quarterly dashboard report reviewed by departmental management teams, which would increase the visibility of contracts requiring further action and would enable resources to be focussed on where additional contract management support may be needed. This could help ensure that the social value benefits secured as part of the procurement process are delivered.

Recommendation 3

The Board recommends a service-based reporting requirement is introduced on the delivery of social value commitments which is reviewed quarterly at departmental management team meetings.

30. The Board heard evidence from the Procurement Team that it would be beneficial to be able to provide some additional contract management resource to support those staff in contract management roles to monitor and ensure the delivery of social value commitments. This may be especially helpful for smaller contracts where there is no dedicated contract management function or resource, or where there may be work pressures around service delivery.

31. The Procurement Team provided information to the Board on the Contract Management Advisory Service being developed in Surrey County Council (one of the Orbis partners) which aims to provide enhanced overall contract management support to ensure all contracts are performing and obligations are delivered, including social value. The business case for this service looked at the benefits to the organisation of having an efficient and effective end to end contract management and better procurement outcomes. This includes the efficient use of resources already being employed to secure social value commitments.

32. Members of the Social Value Review Group, which is an officer group comprised of subject and sector specialists, outlined that they provide support to ESCC departments where they can, but have limited capacity. They agreed that having some additional resource to support contract managers would be helpful in delivering the Council's policy on social value. The responses to the survey of commissioners and contract managers suggests that some staff are having difficulties and are struggling to monitor social value commitments. A third (33%) of respondents said they 'Rarely' had time to monitor the delivery of social value commitments; just over 40% replied 'Sometimes' and 25% 'Often'. Just over 90% of respondents said they would find the provision of additional resources to help with monitoring and implementation of social value commitments beneficial. Some of the stated reasons from the survey for needing support, or ways of providing additional support for monitoring, included:

Monitoring

- All teams are stretched with staff retention an issue. This can often leave little time for anything above and beyond service delivery. Monitoring social value delivery during covid has been difficult, with some providers experiencing significant staffing pressures.
- The Procurement Team could share rolling updates on social value gained across service areas, highlighting successes and difficulties in specific Themes, Outcomes and Measures. This will enable commissioners and the Procurement Team to know what works and doesn't work in relation to gaining good social value.
- Social value could be added to regular contract review meetings, but at present the focus is on delivering Key Performance Indicators and outcomes set out in the service specification.
- It would be useful to measure social value and review where it is met to inform future social value opportunities. This could be shared so it is possible to understand across the organisation the impact this is making and how the approach can be improved.

Support

- There is very little assistance after contracts have been procured. Support to help contract managers understand how to gain social value and embed within the organisation would be time well spent if the Council wants to lever in and maximise social value. It would be helpful to be guided on what 'good' looks like.
- Currently, all input from the Procurement Team ceases at the point of contract award, and sometimes Procurement have had the most involvement in evaluating social value responses from bidders. It can then be difficult to monitor and evaluate the real impact and delivery of social value throughout the life of the contract, especially if the successful bidder does not have the relevant people to monitor and review social value commitments.

33. The Review Board considers there is a potential business case for some additional resource to support the monitoring and delivery of social value commitments and that it would be worth exploring whether it is possible to provide extra support as part of enhanced contract management similar to the Surrey County Council model. It would also be helpful to require suppliers to report on the delivery of the social value commitments as part of the contract specification.

Recommendation 4

The Review Board recommends that the Business Services Department assesses the business case for providing additional resources to monitor, track and support the delivery of contractual commitments including social value through enhanced contract management support.

Recommendation 5

The Board recommends that suppliers are required to monitor and report on their delivery of social value as part of their contract through the use of Key Performance Indicators (KPIs).

Social Value and the Council's priorities

34. The Review Board explored the way in which the social value policies and procedures enable the Council's priorities to be supported. There is a strategic procurement 'thread' which links the social value requirements in procurement to the Council's objectives. The Social Value Policy links the Council's priority objectives to the Social Value Charter and the measures contained in the Charter. The social value Needs and Strategies document provides a further emphasis on those social value measures that closely support the Council's priorities and current issues (e.g. helping people into work).

35. The evidence heard by the Board suggests that it is currently possible to narrow down or focus the social value measures to support the Council's priorities. The Board found that the social value themes in the Orbis Social Value Measurement Charter and the Needs and Strategies document which sets out priority areas for social value offers, provide enough flexibility to ensure that social value offers closely support the Council's priorities. For example, the Board heard that a survey of some commissioners in the Adult Social Care and Health department indicated that they see the two most important priorities as supporting people with a disability and/or care and support needs, care leavers and those not in employment, education and training (NEETs) into employment, and carbon reduction measures.

36. The Board heard that the Needs and Strategies document is reviewed quarterly by the Social Value Review Group and consider that it would be beneficial to include service leads, commissioners and those involved in the contract management function in the quarterly review process of the Needs and Strategies document to help ensure that the priority areas set out remain current and appropriate. There are also opportunities to take a whole council, collaborative approach to social value. As an example, commissioners in Adult Social Care and Health identified measures to employ people with a disability and/or care and support needs, and care leavers as a priority which could be applied in contracts across the Council. This would materially contribute to increasing the wellbeing of these groups and the Council's priority of helping people to help themselves.

Recommendation 6

The Review Board recommends that service leads, commissioners and staff involved in contract management are included in the review process of Needs and Strategies document which sets out priority areas for social value offers.

Recommendation 7

The Board recommends guidance is given on narrowing the focus or number of social value measures included in contract specifications to support the Council's priorities and promote a collaborative approach within the Council.

Social Value and climate change

37. The Review Board examined how social value can be used to help the Council achieve its climate change objectives, and specifically whether it would be better to specify carbon emission reduction measures within core contract specification requirements rather than using social value measures. At present it would appear that there is a choice of approach.

38. The Board heard that the Environment theme within the Orbis Social Value Measurement Charter includes measures to reduce operational carbon emissions, as well as measures to dedicate resources to the sustainability of local green areas (e.g. improving biodiversity and improving habitats) and environmental programmes with local groups. Evidence provided by the Procurement Team and the Environment Team Manager indicated that including carbon reduction measures in core contracts rather than using social value measures, would enable more precise specification of what the Council requires (e.g. carbon reduction plans and carbon reduction targets) and better monitoring and delivery. This view was also supported by the evidence given to the Board by Strategic Commissioning Managers.

39. The Board also reviewed the Orbis Environmentally Sustainable Procurement Policy which was adopted in October 2022. This provides for the inclusion of carbon reduction and other sustainability measures within core contracts. The Board considered that it would be helpful for the policy to include a number of case studies and for scrutiny to be involved in the evaluation and updating of the policy.

40. The Board found that based on the evidence given to the Board and with the introduction of the Orbis Environmentally Sustainable Procurement Policy, there is a clear case that it would be better to include carbon reduction measures in core contract requirements and not use social value measures for this purpose. The only exception would be where it is a very small supplier who may not be able to afford to produce a carbon reduction plan or offer carbon reduction measures as part of the core contract. The Orbis Social Value Measurement Charter will need to be altered to reflect this, so suppliers and commissioners are clear where they should include carbon reduction measures in future contracts and bids.

41. The Board heard that the LoCASE (Low Carbon Across the South and East) scheme (which finishes in April 2023) provides business support to the supply chain and small and medium-sized enterprises (SMEs) to help them develop measures to reduce carbon emissions and costs. The Review Board heard that suppliers may need support in developing carbon reduction plans and knowing which carbon reduction measures to prioritise. This was confirmed in evidence given by commissioners. One option could be for larger suppliers, in other non-competing sectors, to offer support on carbon reduction measures to smaller suppliers as part of their social value offer. Examples of measures or suggestions such as this will need to be included in tender documentation or as a measure in the social value Charter.

42. The Review Board considered that it is important to ensure there is some support for the Council's suppliers and local potential bidders to help them develop carbon reduction measures, such as the support provided by the current LoCASE Scheme. This could be considered as part of the Council's work to decarbonise its scope 3 emissions.

Recommendation 8

The Review Board recommends that:

a) Clear guidance is given to suppliers and commissioners on where to include carbon reductions measures in contracts and bids.

b) Consideration is given to amending the Orbis Social Value Measurement Charter to make it clear that carbon reduction measures should be included in the specification of contracts in the first instance, rather than including them as social value measures, except where using social value measures would be more appropriate for smaller suppliers.

c) The Council explores ways of continuing to provide support to local suppliers, such as training, to help them develop carbon reduction measures and adopt carbon reduction pathways, thereby promoting a more sustainable supply chain.

Quantitative vs. qualitative approach to measuring social value

43. The Review Board heard evidence from the Procurement Team that a quantitative approach to measuring social value tends to focus on the monetary value of the offer (e.g. number of jobs). Whereas a qualitative approach could be used more flexibly to construct tenders to reflect wider, longer term benefits such as long term employment opportunities (e.g. permanent contracts on the national living wage). The current approach which seeks a social value offer of 10% of the value of the contract can lead to a focus on measures like apprenticeships, the provision of laptops etc. as they are easier to deliver and quantify. The ESCC approach to social value to date has been good (it has won two awards) and is now at a stage of maturity where there is an opportunity to evaluate whether a more qualitative approach would provide wider community wellbeing benefits.

44. The current quantitative approach is based on widely used national guidelines which use social value Themes, Outcomes and Measures (TOMs) and assigns proxy monetary values to social value commitments. However, it is possible to use a more nuanced qualitative approach which may have wider benefits for the Council and communities in East Sussex. The review Board heard there are challenges in moving to a more qualitative approach as this may be perceived as being more subjective and potentially more open to challenge when evaluating and scoring bids. Some commissioners like the quantitative approach as it is easy to quantify the social value commitments and it is an approach they are comfortable with. It is also more difficult to provide monetary values for performance measures using a qualitative approach. However, there are examples where a qualitative approach has successfully been used without challenge, such as by Brighton and Hove City Council, which demonstrates it is possible to do so without there being challenges to the outcome of the procurement.

45. The Board heard there are also examples from other local authorities such as Herefordshire Council and Durham and Leicestershire County Councils where a hybrid approach has been taken. In these examples qualitative measures are used and specified in contracts. The social value delivered is then assessed and a monetary value attributed. Essex County Council has developed a 'Social Return on Investment' measure to assess the amount of social value delivered.

46. Evidence from the Procurement Team highlighted that the original Social Value Act sought benefits for community wellbeing and that the development of a more qualitative approach may more closely meet the requirements of the Act. The introduction of the Social Value Model for use in central Government contracts also advocates a more qualitative approach. This measures social value through use of method statements submitted by potential bidders describing how and what social value they will provide. The Board heard that the Procurement Team would support developing a trial or pilot for a more qualitative approach, provided this could be done carefully and following consultation with commissioners. This approach has been tested with some commissioners in the Adult Social Care and Health (ASCH) department. The Procurement Team also confirmed that this approach would be suitable for contracts across the organisation.

47. The Review Board heard evidence from the Third Sector Policy Manager that the Voluntary Community and Social Enterprise (VCSE) sector's view of social value is that "it's what they do" and meeting social value requirements had initially been a challenge for them. VCSE organisations see themselves as providers of social value and it is more difficult for them to make social value commitments where there is not the breadth of measures that VCSE organisations can meet (e.g. measures like apprenticeships are more difficult for VCSE organisations to fund and offer). Feedback from VCSE organisations via the Third Sector Policy Manager indicated they would favour an approach which is more tailored to their ability to offer social value commitments, and a move to a more qualitative approach may be more flexible and compatible with the needs of VCSE organisations.

48. The Review Board can see the potential benefits of moving to a more qualitative approach to measuring social value. Based on the evidence heard from the Procurement Team and Third Sector Policy Manager, it may also provide a more flexible approach which might be more suitable for VCSE organisations. Therefore, the Board would support exploring a change to a more qualitative approach to measuring social value by conducting a trial if this could be achieved in a careful and considered way. The Board heard that a trial could be developed to pilot this approach in the health and care sector where a number of VCSE organisations operate.

49. The trial would be based on the central Government Social Value Model, which is widely used and supported with training materials. Social value offers would be evaluated qualitatively through a requirement to submit a method statement and include key performance indicators (KPIs) on the delivery of social value in contracts. The KPIs can then be used to measure and report the social value delivered by the contract. This places more of the emphasis on the contractor to report on the delivery of social value. The trial could be conducted with the ASCH department, with direct involvement from Adult Social Care Commissioning, for a period of 12 months and then evaluated. During the period of the trial the ASCH department would need to be exempted from the corporate social value target, so as not to affect other departments.

50. The Review Board considers there to be benefits to the Council and the wider community of moving to a qualitative approach and this could be evaluated through a trial. It would need to be supported by appropriate training and engagement with commissioners, those with contract management responsibilities, and suppliers. Following completion of a successful trial, a qualitative approach could then be rolled out across the Council.

Recommendation 9

The Review Board recommends that:

a) The Procurement Team explores in more detail how the Council could move to a more qualitative approach to measuring social value by conducting a sector based 12 month trial with the ASCH department to pilot a more qualitative approach that might be more suitable for VCSE organisations, including the development of evaluation criteria for the trial (e.g. comparison with the previous 12 month period).

b) Once the trial has been completed and evaluated, a report on the next steps in moving to a qualitative approach across the Council is produced.

Buying Local initiatives and the use of local suppliers

Policies, processes and procedures

51. The Review Board heard that the Orbis Procurement Team actively engages with local suppliers on tender opportunities and provides support and training at events to help potential suppliers understand the Council's procurement process and how to bid effectively. They hold early market engagement events and Framework launch events, to inform suppliers of upcoming opportunities and ensure there is a clear understanding of the tender process. All Council contracts worth over £25,000 are published on the Contracts Finder portal and the format of Pre-Qualification Questionnaires and Selection Questionnaires has been approved by the Federation of Small Businesses.

52. The Board also heard evidence that the Council has been increasing the target for the percentage of expenditure with local suppliers over the years. It was increased from 54% to 60% in 2021/22 as the Council had been exceeding the target and it was considered that a higher target would better reflect the focus ESCC places on spending Council money within the local economy. This level of performance demonstrates that facilitating local expenditure through tendering activity is routinely being achieved. It has also supported the Council's recent work on the East Sussex Economy Recovery Plan.

53. The Board heard there are no plans to increase this target further, as delivery against the target is only partly under the Procurement Team's control. Although the Procurement Team does put in place initiatives to encourage local suppliers, the use of local suppliers cannot be included as a specific requirement in most tenders as it would be contrary to Procurement Regulations. However, there are links between using local suppliers and the Social Value Measurement Charter which rewards suppliers who include social value commitments in their tender submission. For example, if a supplier commits to delivering all or a large part of the contract locally or through local supply chains, this can increase their evaluation score.

54. The Board heard that the Council has recently signed up to the *Keep it Local* Campaign, which includes six principles for working with local organisations and that support working with VCSE organisations (further details can be found in appendix 3 of the report). The six principles are:

1. Think about the whole system not individual service silos
2. Co-ordinate services at a neighbourhood level
3. Increase local spend to invest in the local economy
4. Focus on early intervention now to save costs tomorrow
5. Commit to your community and proactively support local organisations
6. Commission services simply and collaboratively so they are "local by default"

55. Many of the six *Keep it Local* principles are already embedded within the Council's core business, including its approach to commissioning and procurement and the whole systems approach to partnership working with the NHS and VCSE organisations. This will in turn have the potential to support local communities and local wealth creation.

56. Evidence from the Council's Economic Development Team's work with local suppliers and business organisations indicates there is no demand in any of their specialist support programmes for topics on how to win public sector contracts or meeting social value requirements. This may imply that local business organisations understand the Council's approach in these areas.

57. However, the results from the survey of contract managers and commissioners suggests more could be done to improve the understanding of ESCC's social value requirements. When asked how well do you think businesses and organisations in the supply chain understand the Social Value requirements 25% of respondents thought ESCC's social value requirements were Poorly understood by business organisations; 58% Neither Poorly nor Well; and 17% Well understood. Suggestions of what more ESCC could do to assist bidding organisations in understanding social value included:

- Improve marketing of the social value marketplace and provide online webinars or videos to bring this to life and what has been achieved.
- More engagement at the outset of a procurement activity, highlighting the importance of social value as opposed to it being described as something we just all need to do.
- Work with suppliers and contract managers to help them understand the social value requirements, particularly SME type organisations.
- Create examples and case studies of where social value works well, highlighting the Themes, Measures and Outcomes that will bring the best social value to people and communities across East Sussex, and help meet the Priorities of ESCC and our partners.
- Have guides and examples that could be shared with business organisations relevant to their service or business sector.

58. Recommendation 1 on page 10 of the report addresses the issue of further communications, training and engagement activity to support suppliers understating of the Council's social value requirements.

59. During the course of the review of evidence, the Review Board concluded that the current policies and procedures are working well, and the Council is meeting and sometimes exceeding the target levels of expenditure with local suppliers. The principles and benefits of using local suppliers and organisations to provide the Council with goods and services are well established and have been further re-enforced by the commitments contained in the *Keep it Local* Campaign. Consequently, the Board has not made any recommendations regarding the Buying Local initiatives and has primarily focussed on the review of social value.

Conclusions

60. Overall, the Review Board found that a great deal of work has been undertaken to make sure the Council's social value requirements are well understood and considered at an early stage of the procurement process. There is more work to do on the handover to service departments and monitoring of the delivery of social value commitments. The Board has made a recommendation on building a business case to provide additional resources to support this work.

61. The Council's current approach to measuring social value using quantitative measures is quite mature, and the Board considers that there may be an opportunity now to move to a more qualitative approach to provide wider community benefits, which in turn may help support work with our VCSE partners and small and medium-sized enterprises (SMEs), making it easier for them to demonstrate social value. The Council's Buying Local initiatives to support local suppliers appear to be working well and are embedded across the organisation.

Appendix 1

Scope and terms of reference of the review

The Review was established to consider and make recommendations on the following:

- 1) How can we improve the current approach to Social Value and Buying Local?
- 2) How can Social Value and Buying Local be used to achieve the Council's objectives and support action on climate change and a sustainable local economy?

The scope of the review included an investigation of various aspects of the current policy and approaches including:

- Examining how well social value principles are communicated and understood by departments – How embedded are they?
- Examining the processes used and in particular the handover from the Procurement Team to the service department contract managers who are responsible for monitoring and ensuring the social value measures are delivered.
- Looking at the engagement with the Council's supply chain – do they understand the requirement and what we are trying to achieve? – what help and support might they need?
- Exploring whether it is possible/beneficial to move away from the use of proxy values in the current quantitative approach to measuring social value to a more outcome focussed qualitative approach and what this could look like.
- Review and comment on the draft Social Value Policy.
- Examine whether narrowing down and prioritising what social value the Council asks for from suppliers, would be beneficial in achieving the Council's objectives. This may already be taking place to some extent when using the Social Value Charter (e.g. through the use of tailored advice for specific or larger contracts).
- Explore opportunities to use social value to support action on climate change and a sustainable local economy.
- Consideration of the Environmentally Sustainable Procurement Policy

Board Membership and project support

Review Board Members: Councillors Chris Collier (Chair), Julia Hilton and Paul Redstone.

The Project Manager was Martin Jenks, Senior Scrutiny Adviser with additional support provided by Harvey Winder, Scrutiny & Policy Officer and Patrick Major, Scrutiny & Policy Support Officer.

Anne Epsom, who was the departmental link officer and Fraser Cooper provided ongoing support to the Board throughout the review.

Review Board meeting dates

Scoping meeting – 22 February 2022

Board meetings

26 July 2022

4 October 2022

20 October 2022

7 November 2022

15 November 2022

20 February 2023

8 March 2023

Witnesses providing evidence

The Board would like to thank all the witnesses who provided evidence in person:

ESCC officers

Darron Cox, Director of Procurement, Orbis Procurement

Anne Epsom, Head of Policy and Modernisation, Orbis Procurement

Lee Redmond, Head of Contract & Commercial Advisory

Rozie McPhrazier, Social Value Lead, Orbis Procurement

Andy Arnold, Environment Team Manager

Holly Aquilina, Employability & Skills Strategy Manager

Paul Rideout, Policy Manager (Third Sector)

Angela Yphantides, Strategic Commissioning Manager

Kenny MacKay, Strategic Commissioning Manager (Mental Health)

Fraser Cooper, Strategic Commissioning Manager (Learning Disability)

Evidence papers

Item	Date considered
Orbis Social Value Charter 2022	22 February 2022 and 26 July 2022
Orbis Social Value Charter Guide v7	22 February 2022 and 26 July 2022
ESCC Draft Social Value Policy	26 July 2022
Internal Audit Report – The Management of Social Value Requirements follow up audit 2021/22 (February 2022)	26 July 2022
ESCC Social Value Needs and Strategies Document	4 October 2022
Keep it Local – Report to Lead Member for Resources and Climate Change 26 July 2022	October 2022
Orbis Environmentally Sustainable Procurement Policy	20 October 2022
Understanding Social Value in Procurement – Staff Survey Results	November 2022

Contact officer: Martin Jenks, Senior Scrutiny Adviser

Telephone: 01273 481327

E-mail: martin.jenks@eastsussex.gov.uk

Appendix 2 – Summary of staff survey results

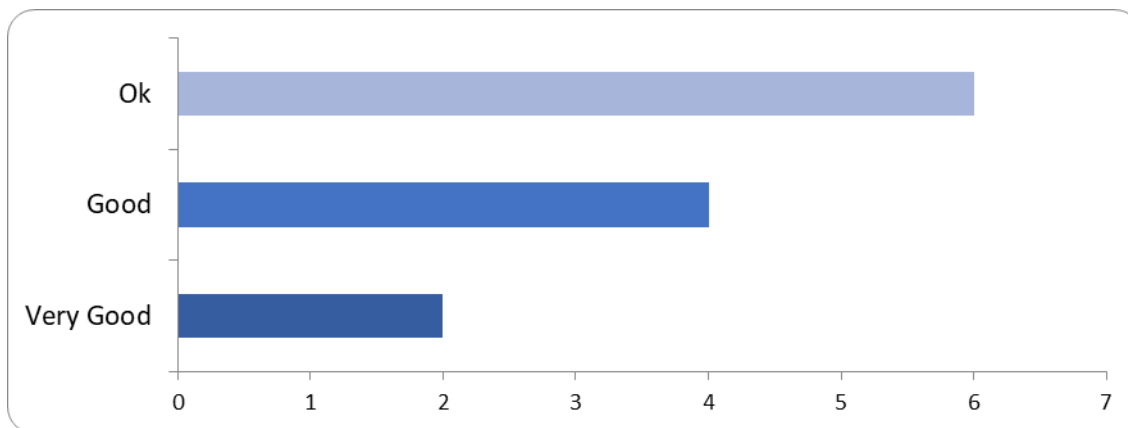
Understanding Social Value in Procurement – Survey Results Summary

The survey ran from 20/10/2022 to 04/11/2022 and was emailed to 40 staff who are either commissioners or who have a contract management role and who have procured a contract over the £100,000 social value threshold.

There were **12** responses to this survey out of the **40** staff and the response rate was **31%**.

The survey was made up of a number of questions with a fixed response using a quantitative 5 point rating scale and follow up, free response questions which provided qualitative comments and responses.

Question: How would you rate your understanding of the Social Value requirements in the procurement process?



Option	Total	Percent
Very Poor	0	0.00%
Poor	0	0.00%
Ok	6	50.00%
Good	4	33.33%
Very Good	2	16.67%
Not Answered	0	0.00%

There were 12 responses to this question.

All respondents rated their understanding as **Ok**, **Good** or **Very Good**, with 50% (6 respondents) rating their understanding as **Ok**, 33% (4 responses) as **Good**, and 17% (2 responses) as **Very Good**.

When asked what would improve their knowledge of social value some of the responses included the following.

Those who rated their understanding of social value requirements as **Very Good or Good** said:

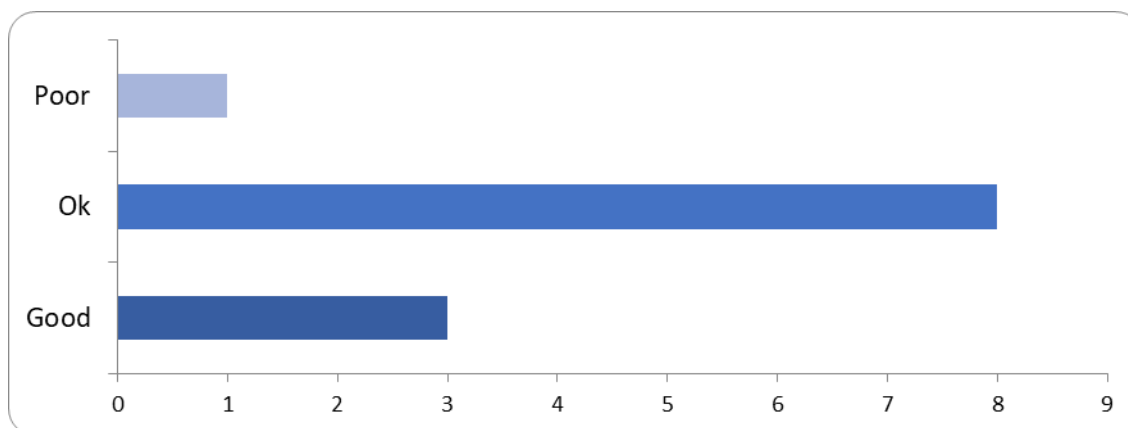
- Providing updates on what social value ESCC is achieving through contracted services across departments.
- Collective discussions in teams about how best to use the social value approach.
- More detailed discussion at start of a tendering/retendering process between commissioners and procurement colleagues.
- An on-line guide to social value and some guidance on what is realistic and appropriate to expect from small VCSE organisations.

Those who rated their understanding of SV requirements as **Ok** said:

- Short training sessions and support for contract managers on how to achieve social value in practice.
- Short written guide or PowerPoint guide highlighting key/essential points with examples of good practice, including priorities and how it is measured.

Question: How would you rate the support and documentation for including Social Value requirements in contracts?

There were 12 responses to this question.

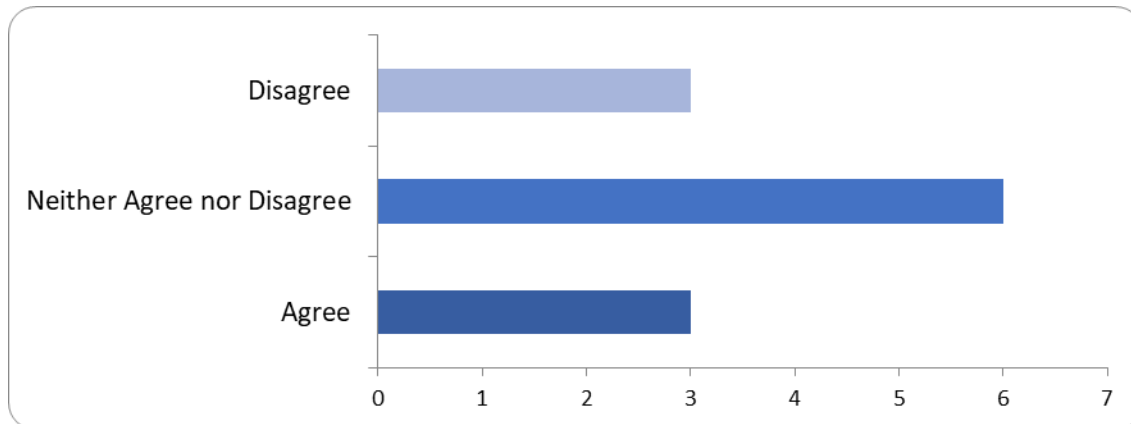


Option	Total	Percent
Very Poor	0	0.00%
Poor	1	8.33%
Ok	8	66.67%
Good	3	25.00%
Very Good	0	0.00%
Not Answered	0	0.00%

The majority of respondents thought the support and documentation was either **Ok** (67%) or **Good** (25%), with only 1 respondent rating it as **Poor**.

Question: How far do you agree with the statement that “the policies and procedures for Social Value and clear and easy to understand”?

There were 12 responses to this question.

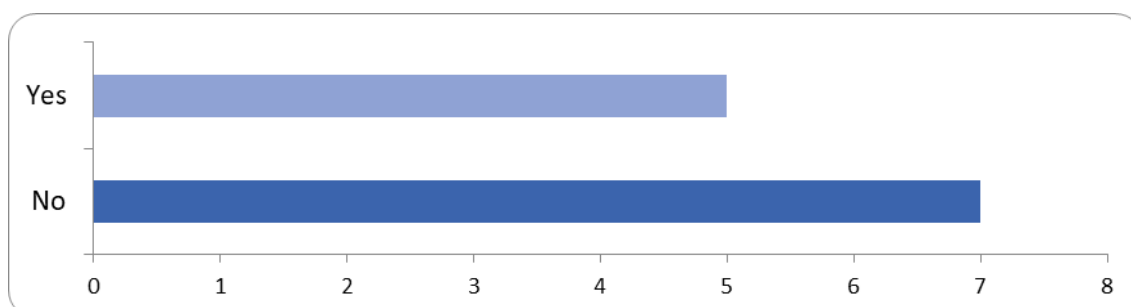


Option	Total	Percent
Strongly Disagree	0	0.00%
Disagree	3	25.00%
Neither Agree nor Disagree	6	50.00%
Agree	3	25.00%
Strongly Agree	0	0.00%
Not Answered	0	0.00%

The response to this question were very evenly split with 50% (6 respondents) **Neither Agreeing nor Disagreeing** with this statement. 25% (3 respondents) **Agreed**, and 25% (3 respondents) **Disagreed**.

Question: Have you used the Orbis Social Value Charter?

There were 12 responses to this question, with just over half (7 responses) saying they had not used the Charter.

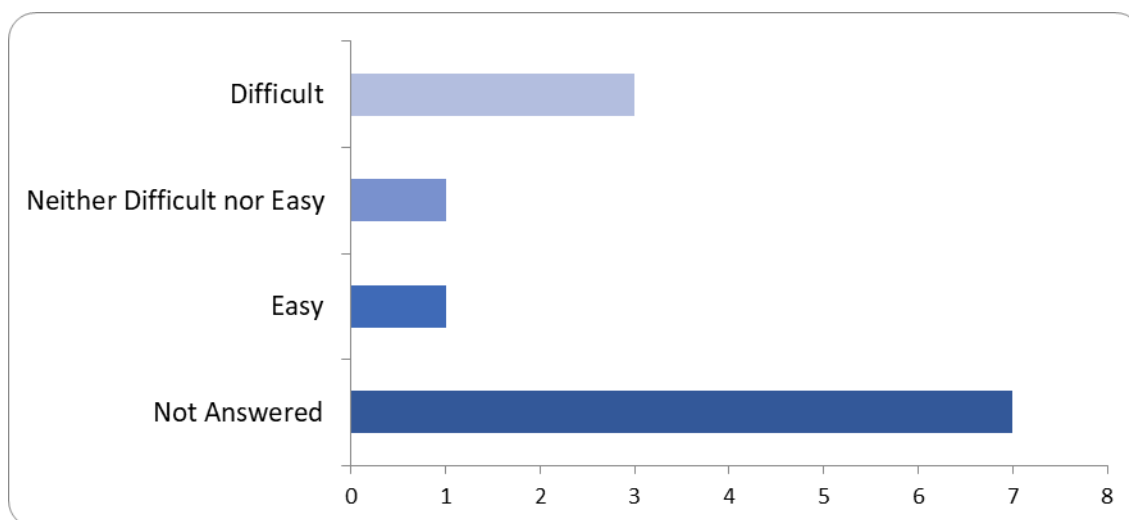


Option	Total	Percent
Yes	5	41.67%
No	7	58.33%
Not Answered	0	0.00%

Question: If you have used the Orbis Social Value Charter, how easy is it to use?

There were 5 responses to this part of the question, with 3 out of 5 saying they found it difficult to use.

Note that those who did not answer Yes to Q5 will not have answered this question.



Option	Total	Percent	
Very Difficult	0	0.00%	
Difficult	3	25.00%	
Neither Difficult nor Easy	1	8.33%	
Easy	1	8.33%	
Very Easy	0	0.00%	
Not Answered	7	58.33%	

When asked how they would improve the Charter some of the suggestions made were:

- Although difficult to use at first, after repeated use it becomes much easier, suggesting that the Charter might be more suitable for those who are frequently procuring contracts.

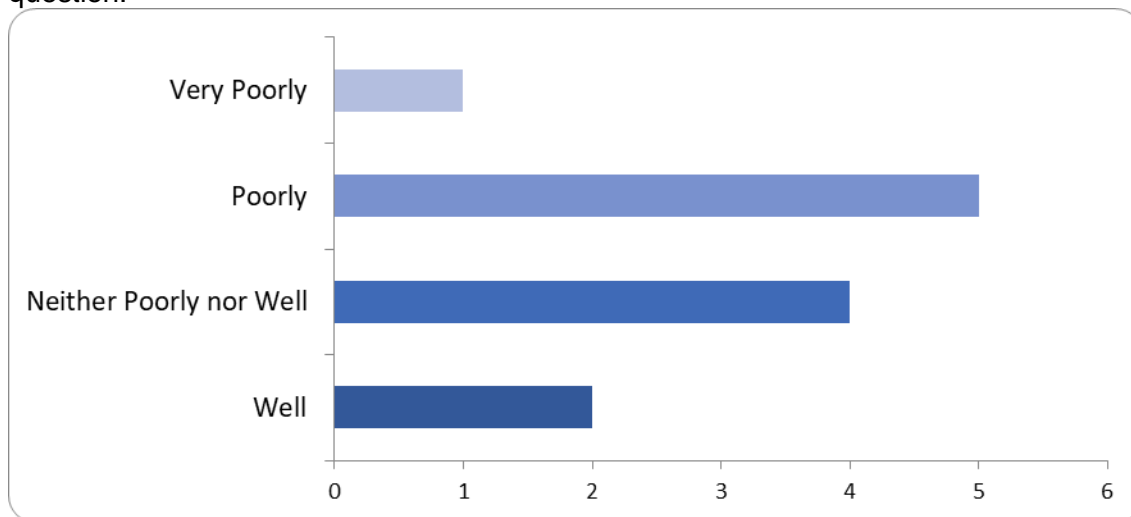
- Having examples of social value gained from contracts by service area would enable commissioners to better understand the art of the possible.
- Having discussions in teams about how best to use the social value approach, including what has worked and not worked against the specific TOMs.
- Having more flexibility in the approach, ensuring commissioners are aware that the Charter can be tailored to individual contract requirements.

Of those respondents who had not used the Charter the reasons given for not using the Charter were:

- they were not aware of it (2 responses) and
- it was difficult to find on the intranet (1 response).

Question: Internally within East Sussex County Council, how well do you think Social Value principles are communicated and understood?

There were 12 responses to this question.



Option	Total	Percent
Very Poorly	1	8.33%
Poorly	5	41.67%
Neither Poorly nor Well	4	33.33%
Well	2	16.67%
Very Well	0	0.00%
Not Answered	0	0.00%

50% of respondents stated that they thought social value principles were either **Poorly** (5 responses) or **Very Poorly** (1 response communicated and understood. 33% (4 responses) thought they were communicated **Neither Poorly nor Well** and 17% (2 responses) thought they were communicated **Well**.

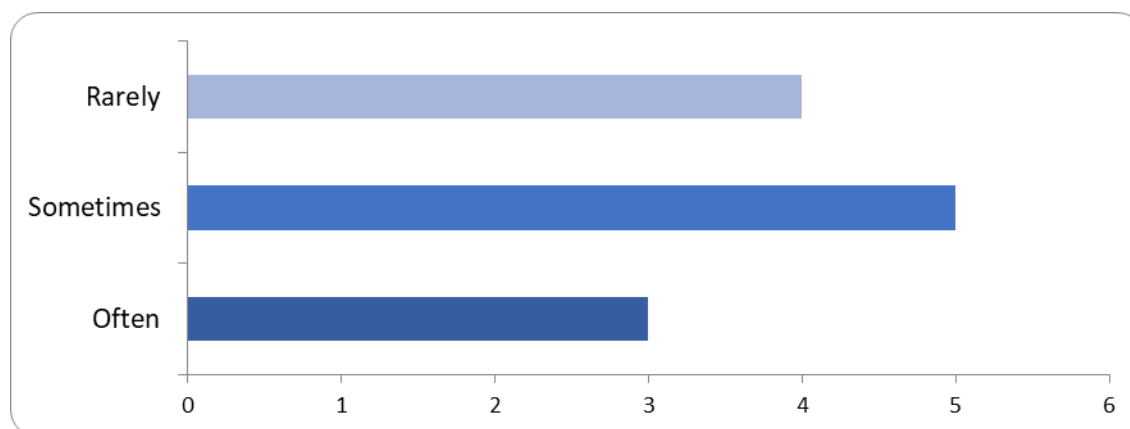
When asked if there were any improvements they would like to see, some of the suggestions for improvements included:

Suggestions for improvement included:

- Targeting social value requirements at much larger, commercial contracts.
- A move to more qualitative measures for social value is developed, which can be adapted for different markets and service areas.
- More emphasis on the social value aspect of procurement, to help the contractor and the end user in procurement projects and making it clear that the Social Value Charter tool can be edited for individual projects.
- The Procurement Team to remind commissioners to view the suite of documents available (including examples) when starting a procurement process, and the requirement to monitor and measure social value once the contract is awarded.
- Provide examples of the difference social value makes and how it can be used imaginatively in procurement processes – i.e. what ‘good’ looks like.

Question: Do you have the time and resources you need to monitor the delivery of the Social Value offers made as part of contract procurement?

There were 12 responses to this question.



Option	Total	Percent
Never	0	0.00%
Rarely	4	33.33%
Sometimes	5	41.67%
Often	3	25.00%
Always	0	0.00%

Not Answered	0	0.00%
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33% of respondents said they **Rarely** had time to monitor the delivery of social value commitments. Just over 40% (5 responses) replied **Sometimes** and 25% (3 responses) **Often**.

When asked if it would be beneficial to have central resources in the Procurement Teams to help monitor the delivery of social value requirements in contracts

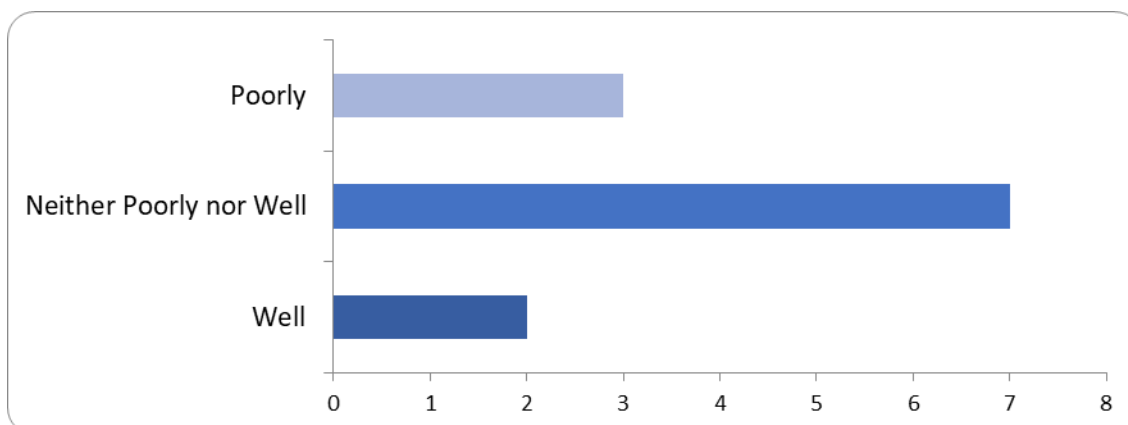
Just over 90% (11 responses) said **Yes** it would be beneficial to have some central resources.

Those who answered **Yes** to this question gave the following reasons for their response:

- All teams are stretched with staff retention an issue. This can often leave little time for anything above and beyond service delivery. Monitoring social value delivery during covid has been difficult, with some providers experiencing significant staffing pressures.
- The Procurement Team could share rolling updates on social value gained across service areas, highlighting successes and difficulties in specific Themes, Outcomes and Measures. This will enable commissioners and the Procurement Team to know what works and doesn't work in relation to gaining good social value.
- Social value could be added to regular contract review meetings, but at present the focus is on delivering Key Performance Indicators and outcomes set out in the service specification.
- It would be useful to measure social value and review where it is met to inform future social value opportunities. This could be shared so it is possible to understand across the organisation the impact this is making and how the approach can be improved.
- There is very little assistance after contracts have been procured. Support to help contract managers understand how to gain social value and embed within the organisation would be time well spent if the Council wants to lever in and maximise social value. It would be helpful to be guided on what 'good' looks like.
- Currently, all input from the Procurement Team ceases at the point of contract award, and sometimes Procurement have had the most involvement in evaluating social value responses from bidders. It can then be difficult to monitor and evaluate the real impact and delivery of social value throughout the life of the contract, especially if the successful bidder does not have the relevant people to monitor and review social value commitments.

Question: From your experience, how well do you think businesses and organisations in the supply chain understand the Social Value requirements we include in commissioning?

There were 12 responses to this question.



Option	Total	Percent
Very Poorly	0	0.00%
Poorly	3	25.00%
Neither Poorly nor Well	7	58.33%
Well	2	16.67%
Very Well	0	0.00%
Not Answered	0	0.00%

Respondents fairly evenly split in their views. 25% (3 responses) thought ESCC's social value requirements were **Poorly** understood by business organisations; 58% (7 responses) **Neither Poorly nor Well**; and 17% (2 responses) **Well** understood.

When asked if there is anything more ESCC could do to assist bidding organisations in understanding social value:

Those who answered **Poorly** said:

- Target social value at larger, commercial contracts where there is genuine potential for social value benefits to be delivered.
- Improve marketing of the social value marketplace and provide online webinars or videos to bring this to life and what has been achieved.
- More engagement at the outset of a procurement activity, highlighting the importance of social value as opposed to it being described as something we just all need to do.

Those who answered **Neither Poorly nor Well** said:

- Work with suppliers and contract managers to help them understand the social value requirements, particularly SME type organisations.
- Create examples and case studies of where social value works well, highlighting the Themes, Measures and Outcomes that will bring the best social value to people and communities across East Sussex, and help meet the Priorities of ESCC and our partners.

- Some organisations are very clear about what social value means and will push the council to use it more, others will be disinterested. It would be helpful to provide information on the benefits of social value, as well as case studies and examples of how to use it creatively.
- Have guides and examples that could be shared with business organisations relevant to their service or business sector.

Appendix 3 – Keep it Local

The six Keep it Local Principles are explored in a series of essays along with examples of how they can be put into practice.

Principle 1: [Think about the whole system not individual service siloes](#)

Across the country, people are beginning to think very differently about public services. At the heart of this is a growing recognition of the complex nature of social problems and the need to work as a whole system to address them.

The starting point in this journey varies from place to place. Some are developing new principles across a whole system; others are innovating in a part of the system to catalyse wider change. But it is clear that a new world is emerging which requires not just new practice, but a change in the way we think about how social change happens and a new language to enable it.

Principle 2: [Co-ordinate services at a neighbourhood level](#)

We live our lives in neighbourhoods – so it makes sense for them to be the starting point for how we think about services. Working at a neighbourhood level – with communities who understand both the challenges local people face and the strengths they have to overcome them – can help find creative solutions to seemingly insurmountable problems.

Councils can support good neighbourhoods in two main ways: by sustaining local places and spaces, and by working with local organisations to support social interaction. In so doing, they can tap into the strong local networks and trusting relationships that have been built up over time – and are ready to be drawn on when a crisis hits.

Principle 3: [Increase local spend to invest in the local economy](#)

The rise of community wealth building presents an opportunity for local authorities – working alongside other anchor institutions – to lead the way in creating economies that work for local people.

A progressive approach to procurement is central to this agenda – but it does not stop there. Community wealth building is a suite of activities which seeks to reorganise the local economy and build greater levels of economic and social justice.

Principle 4: [Focus on early intervention now to save costs tomorrow](#)

Traditional models of public service provision were invented in different times to address different challenges. As such, the state-led or market-driven approaches of the past are simply not set up to enable us to move away from crisis mitigation towards early intervention and prevention.

So now we need to make a decisive shift to the community: to mobilise the strengths that exist locally, and harness them in the name of early intervention and prevention. Under this new “Community Paradigm”, public services would be designed and delivered by and with communities themselves.

Principle 5: [Commit to your community and proactively support local organisations](#)

It's vital that councils understand the particular value that local community organisations bring to a place. A strong and active civil society is an inherently good thing whether or not it is commissioned to deliver public services.

There are all sorts of positive ways in which local authorities can build strong relationships with the community sector – listening to campaigning groups, providing small grants, supporting community asset transfer, involving local people in planning and development decisions. What is crucial is to create an environment where local community organisations can flourish.

Principle 6: Commission services simply and collaboratively so they are “local by default”

The EU procurement rules are often held to have imposed burdensome obligations that inhibit commissioning good sense. Yet the true villain is to be found much closer to home: domestic, bureaucratic institutionalism.

Commissioners can and should embrace the possibilities within our current regulations to prioritise social purpose and social value; and build strong partnerships with the local community.

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Report to: Cabinet

Date of meeting: 18 April 2023

By: Chief Operating Officer

Title: Scrutiny Review of Procurement of Social Value and Buying Local – Observations on the Scrutiny Committee’s report

Purpose: To provide the Cabinet with the opportunity to comment on the response of the Chief Operating Officer to the recommendations of the Scrutiny Review of Procurement of Social Value and Buying Local.

RECOMMENDATIONS:

Cabinet is recommended to:

- 1. note and welcome the report of the Place Scrutiny Committee; and**
 - 2. advise the County Council that, in considering the report of the Scrutiny Committee, the Council be recommended to welcome the report and to agree the response of the Chief Operating Officer to the recommendations and their implementation as set out in the action plan attached as appendix 1 to this report.**
-

1. Background

1.1 The Place Scrutiny Committee at the meeting on 23 March 2022 agreed to establish a Review Board to undertake a Scrutiny Review of Procurement: Social Value and Buying Local. The scope of the review encompassed an examination of improving the Council's current approach to social value in procurement and Buying Local initiatives. It particularly examined how social value and Buying Local initiatives can be used to achieve the Council’s objectives and support action on climate change and a sustainable local economy. The review also examined and commented on the draft Social Value Policy (subsequently agreed by the Lead Member for Resources and Climate Change) and the Orbis Environmentally Sustainable Procurement Policy.

2. Supporting information

2.1 The Scrutiny Review of Procurement: Social Value and Buying Local is welcomed by the Department and in particular the opportunity afforded by this review to examine possible improvements in policies and procedures and explore how the Council could take the next steps in moving to a more qualitative approach to meeting social value requirements in contracts and procurement.

2.2 The Department’s response to the Review Board’s recommendations is set out in the action plan attached at appendix 1.

3. Conclusion and reasons for recommendations

3.1 The Scrutiny Review has highlighted where further work may be needed in this area and a way forward in developing the Council's approach to social value.

3.2 It is recommended that the Cabinet agrees to the implementation of the action plan as detailed in appendix 1.

ROS PARKER
Chief Operating Officer

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LOCAL MEMBERS

ALL

BACKGROUND DOCUMENTS

None

PLACE SCUTINY COMMITTEE - SCRUTINY REVIEW OF PROCURMENT: SOCIAL VALUE & BUYING LOCAL – ACTION PLAN

SCRUTINY RECOMMENDATION		DIRECTOR'S RESPONSE AND ACTION PLAN	TIMESCALE
R1.	<p>The Review Board recommends that the Council undertakes further communications, training and engagement activity, informed by feedback from the Board's survey, with:</p> <p>a) departments – focused on social value requirements and using the Social Value Charter including examples of what 'good' looks like; and</p> <p>b) with organisations in the supply chain, including providing case studies to ensure the Council's approach to social value requirements is well understood.</p>	<p>Regarding (a)</p> <ul style="list-style-type: none"> • Relating to Recommendation 9 - the pilot using qualitative approaches in ASC (see end of table) - engagement with the service will take place to support that pilot. • In areas not immediately impacted by the pilot, material is being developed for the Procurement Academy – a learning platform that will be available to procurement and non-procurement staff – concerning social value. <p>Regarding (b)</p> <ul style="list-style-type: none"> • Material for external suppliers has been developed for Surrey County Council and is available on their external website and their Social Value Marketplace. The intention is to utilise this material, tailored where appropriate, for the ESCC website. Note however the ESCC website is being reviewed and revised by the website owners and this may delay progress as it is beyond Procurement's control. • Procurement is working with the ESCC comms team to raise awareness of the Councils approach to Social Value. • Engagement for ASC suppliers will be considered as part of the pilot and is likely to include workshops provided by Cabinet Office (dependent on Cabinet Offices willingness to deliver sessions previously suggested by them). 	12 months from Cabinet's acceptance of recommendations
R2.	<p>The Board recommends that social value commitments are recorded in future via the PM3 procurement software system, to better enable monitoring of what is delivered.</p>	<ul style="list-style-type: none"> • PM3 was implemented in October 2022, and the "hyper-care" of implementation support is nearing an end. For all projects started in FY23/24, social value benefits committed to as part of the tender process will be recorded in the system. • At 6 and 12 months a KPI showing percentage of projects with recorded SV commitments will be provided to show progress on this recommendation. 	Implementation from point of acceptance of recommendations by Cabinet. KPI for success to be reviewed in 6 and 12 months.

R3.	The Board Recommends a service-based reporting requirement is introduced on the delivery of social value commitments which is reviewed quarterly at departmental management team meetings.	<ul style="list-style-type: none"> • A report of SV commitments made at the point of contract can be generated from PM3 from whenever stakeholders require it, and at an agreed frequency (suggest quarterly). • Note this is for in scope projects, i.e. those commenced post PM3 go live, and suggest from start of FY23/24. • It would then be for contract managers to complete the degree to which these benefits had been delivered. • Agreement to be reached with service stakeholders and senior officers to whom this report is to be made and when, and the mechanisms for services to complete information on the delivery of SV commitments, and whom to report to. 	Can be implemented upon CLT confirming they wish to proceed.
R4.	The Review Board recommends that the Business Services Department assesses the business case for providing additional resources to monitor, track and support the delivery of contractual commitments including social value through enhanced contract management support.	<p>This could be added to an existing business case being presented for a pilot 'Contract Management Advisory Service'. A similar pilot service is already underway in SCC and adding additional specific Social Value resource would mean that;</p> <p>A) As the post would be on a fixed term basis to prove the concept, this will reduce the long term financial risk.</p> <p>B) By embedding this within the CMAS team, the Social Value lead would have support from the wider team.</p>	Resource could be in place within three months of the business case being approved - Circa July 2023 if approved in April – and is to be considered alongside other draws on resources.
R5.	The Board recommends that suppliers are required to monitor and report on their delivery of social value as part of their contract through the use of Key Performance Indicators (KPIs).	<ul style="list-style-type: none"> • Commitments of SV should be included in contracts by way of attaching the agreed charter and, where appropriate, by the inclusion of a specific SV KPI. • Procurement to undertake spot checks that this is occurring by way of retrospective quality review process due to commence in April 2023 (and run every 6 months). • Such contractual commitments would be a pre-cursor required to oblige suppliers to report on SV delivery. • Procurement is looking to trial supplier SV reporting in two upcoming procurements, subject to commitments from contract managers to support the trial. 	<p>Ongoing</p> <p>Outcome of trial in 12 months from date of acceptance of recommendations (to allow time for tender completion and time under contract).</p>

R6.	The Review Board recommends that service leads, commissioners and staff involved in contract management are included in the review process of Needs and Strategies document which sets out priority areas for social value offers.	<ul style="list-style-type: none"> • The Social Value Review Group – comprised of various stakeholders across ESCC – update the Needs and Priorities (Strategies) document periodically (target 6 monthly), to reflect the overall needs and priorities of ESCC. • Procurement recommends that it is then down to the Service Leads, Commissioners etc to consider what SV is most appropriate to target within their service areas and would implore Senior Officers to require them to do so (as Procurement does not have a mandate to do this, though could support via Procurement Partners and SV Lead). • For example, ESCC could consider Social Value Champions across commissioners / service leads, mirroring the structure in place in SCC to support in the process; the key requirement though is service / commissioner participation in the process. 	Needs and Priorities document updated 6 monthly.
R7.	The Board Recommends guidance is given on narrowing the focus or number of social value measures included in contract specifications to support the Council's priorities and promote a collaborative approach within the Council.	<ul style="list-style-type: none"> • This is linked to recommendation 1 and will be included in all applicable guidance. • The Charter is due its annual refresh in Spring 2023, and guidance will be enhanced in tandem with this refresh. 	12 months from Cabinet approval of recommendations
R8.	<p>The Review Board recommends that:</p> <p>a) Clear guidance is given to suppliers and commissioners on where to include carbon reductions measures in contracts and bids.</p> <p>b) Consideration is given to amending the Orbis Social Value Measurement Charter to make it clear that carbon reduction measures should be included in the specification of contracts in the first instance, rather than including them as social value measures,</p>	<p>Regarding (a):</p> <ul style="list-style-type: none"> • This will be developed as further implementation and embedding of the Environmentally Sustainable Procurement Policy, and the new ESCC Senior Policy Lead – Carbon Reduction (scope 3), due to commence post April 2023. <p>Regarding (b)</p> <ul style="list-style-type: none"> • This can be addressed in supporting guidance (as per recommendation 1), and in collaboration with the new ESCC Senior Policy Lead – Carbon Reduction (scope 3). 	Progress to be reported in 12 months

	<p>except where using social value measures would be more appropriate for smaller suppliers.</p> <p>c) The Council explores ways of continuing to provide support to local suppliers, such as training, to help them develop carbon reduction measures and adopt carbon reduction pathways, thereby promoting a more sustainable supply chain.</p>	<ul style="list-style-type: none"> Note carbon reduction plans only really serve a purpose where there is a baseline to measure against, often a challenge for smaller suppliers and those in certain sectors. <p>Regarding (c)</p> <ul style="list-style-type: none"> Select ESCC suppliers in the top 4 highest emitting categories are in the process of being surveyed and invited to workshops on this topic. This work will continue and be developed further by the new ESCC Senior Policy Lead – Carbon Reduction (scope 3). 	
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Report to: Cabinet

Date of meeting: 18 April 2023

By: Chief Operating Officer

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Chief Operating Officer

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LOCAL MEMBERS

ALL

BACKGROUND DOCUMENTS

None

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Report to:	Cabinet
Date of meeting:	18 April 2023
By:	Chief Finance Officer
Title:	Auditor's Annual (VFM) Report on East Sussex County Council 2021/22
Purpose:	To provide the Committee with Grant Thornton's Annual (Value for Money) Report for 2021/22

RECOMMENDATION:

Cabinet is recommended to consider and note the Auditor's Annual Report on East Sussex County Council 2021/22

1. Background

1.1 The Code of Audit Practice issued by the National Audit Office (NAO) requires the authority's external auditor (Grant Thornton (GT)) to provide a separate Value for Money (VfM) assessment from the main audit of the statement of accounts. This requirement was introduced from 2020/21, in which GT are required to consider whether the authority has in place proper arrangements to ensure economy, efficiency and effectiveness in the use of its resources. There is no longer a requirement to provide a binary qualified/unqualified VfM conclusion. Instead, GT are reporting in more detail on the authority's arrangements, together with any key recommendations on any significant weaknesses in arrangements identified during the audit.

2. Annual Report 2021/22

2.1 The Annual Report 2021/22 (Appendix 1) sets out the work that GT has undertaken to assess the arrangements the Council has in place to secure economy, efficiency and effectiveness in the use of its resources; with particular focus on risks in respect of financial sustainability, governance arrangements and improving economy, efficiency and effectiveness.

2.2 It is very pleasing to be able to report that no significant weaknesses in the Council's arrangements have been identified. In reporting this outcome, GT has made 5 improvement recommendations (these are advisory and not mandated) (in 2020/21 there were 9 improvement recommendations) which are summarised below:

Financial Sustainability	Management Response
1. Consider implementing a longer MTFP horizon (e.g.5 years) to improve visibility to members and the public on how the impact of the large in year funding deficit currently projected for 2025/26 could be mitigated in multiple years. This could be used to highlight the Council's expectations for the path of funding and cost pressures in key areas such as social care.	In setting the 2023/24 balanced budget, the MTFP projected a further 2 years to 2025/26. The Local Government Financial Settlement was detailed for 2023/24, with only national allocations of some funding streams for 2024/25. No funding has been confirmed for 2025/26. National policy agendas, particularly for Adult Social Care and Children's Services provide significant uncertainty. Whilst wishing to be able to present a longer term MTFP,

	this is only really appropriate with confirmation of longer term funding and service clarity.
2. Continue to focus on solutions to manage the ongoing financial pressures in Children's Services, including monitoring the delivery of financial benefits expected to accrue from the new Family Safeguarding initiative. The budget overspend should be closely monitored, by Cabinet to ensure that any short term measures form part of a longer term strategy to provide a sustainable service.	The MTFP and budget for 2023/24 has added almost £15m of net revenue spend to Children's Services for 2023/24, recognising both the ongoing pressures that have continued (alongside many other Local Authorities) into 2022/23 and the Family Safeguarding initiative. Monitoring and reporting through the Council's RPPR process, including to Cabinet, will continue to be key through 2023/24 and into 2024/25 as the benefits of the Family Safeguarding approach should start being delivered.
Governance	Management Response
3. Consider whether the Audit Committee would benefit by carrying out a self-assessment of the effectiveness of the Committee as per guidance issued by the National Audit Office (NAO).	This recommendation will be considered as part of the work to review and implement the revised CIPFA "position statement: Audit Committees in Local Authorities."
Improving Economy, Efficiency and Effectiveness	Management Response
4. Undertake testing to ensure that when the Procurement Modernisation Programme is implemented the Council's Contract Register is working appropriately, with sufficient controls to avoid loss of data.	The implementation of the DB&I programme software (Oracle) with new controls around the requisition of services and the production of Purchase Orders will enhance the ability of the Council to have a better control environment around its contract register. Contracts not maintained centrally and are held within Controcc and Tech forge will be monitored through a new reporting structure. Once the Oracle system has gone through a data cleansing exercise and Service/Directorate contract managers have been suitably trained, Procurement will monitor the adherence to the controls.
5. Consider introducing further contract management training for Council employees, particularly given the constraints on resourcing that leads to contract management being added to primary officer responsibilities. As noted previously in our report, the effectiveness of the contract management training currently delivered should be reviewed.	A new process and document has been developed for the effective handover of the contract from Procurement to the Service. The Implementation of Oracle will see a new emphasis placed on Contract managers within the service, regarding maintaining contractual data integrity. Training will be provided by the DB&I team on the system and Procurement will sign post contract

	managers to internal e-learning packages and external contract manager training through the Contract Management Capability Programme.
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3. Conclusion and Recommendation

3.1 The Annual (Value for Money) Report for 2021/22 has identified no significant weaknesses in the Council's VfM arrangements. Whilst putting forward 5 improvement recommendations, these are only advisory and management has responded appropriately.

IAN GUTSELL **Chief Finance Officer**

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Local Member(s): All
Background Documents
None

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Auditor's Annual Report on East Sussex County Council

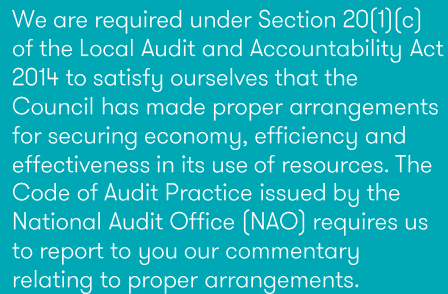
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2021/22

Draft v1.4

March 2023





A photograph of two women in a bright, modern interior. The woman on the right, who is a doctor, is wearing a white lab coat over a patterned blouse and has a stethoscope around her neck. She is gesturing with her right hand while looking at a tablet held by the woman on the left. The woman on the left is wearing a white patterned sweater and is looking at the tablet. The background features large windows and a modern architectural design.

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Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but three improvement recommendations made	No significant weaknesses in arrangements identified, but two improvement recommendations made	↔
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but three improvement recommendations made	No significant weaknesses in arrangements identified, but one improvement recommendation made	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but three improvement recommendations made	No significant weaknesses in arrangements identified, but two improvement recommendations made	↔

	No significant weaknesses in arrangements identified or improvement recommendation made.
	No significant weaknesses in arrangements identified, improvement recommendations made and/or deteriorating direction of travel.
	Significant weaknesses in arrangements identified and key recommendations made.

Executive summary



Financial sustainability

We found no evidence of significant weaknesses related to the financial sustainability of the Authority. The Council has a strong understanding of its financial position and awareness of the significant challenges that it will be facing in the coming years.

There are appropriate procedures in place to ensure these challenges are managed in the best way possible, with strong governance, reporting and review processes. The evidence we reviewed for the 2021/22 year demonstrated effective management in this respect.

We have identified two areas relating to the MTFP horizon and the management of Children's Services Overspends where Council should consider improvement. Further details can be found on pages [11-12] of this report.



Governance

We found no evidence of significant weaknesses in the Council's governance arrangements. The governance arrangements in place ensure that risks are managed appropriately and reported in a timely and effective way to Members.

We set out one opportunity for improvement that should be considered by the Council. Further details can be found on pages [15] of this report.



Improving economy, efficiency and effectiveness

With regard to the arrangements in place for improving economy, efficiency and effectiveness we found no significant weaknesses. The Council continues to manage its resources in line with its strategic priorities, including arrangements to address its climate emergency target, and it continues to work well with partner organisations.

We have set out two improvement recommendations. Further details can be found on pages [19-20] of this report.



Our audit of the Council's financial statements is ongoing following some delays in receiving responses to audit requests/queries in the area of land and building valuations. An indicative Audit Findings Report was issued to the November Audit Committee meeting and this set out the areas of delays and outstanding work, some of which remain ongoing at the date of issuing this report. We are in discussion with your finance team to agree arrangements to complete the audit.



Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

The audit of the financial statements is in progress. An indicative Audit Findings Report was issued to the November Audit Committee meeting and this set out the areas of delays and outstanding work, some of which remain ongoing at the date of issuing this report.

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We have not issued any statutory recommendations.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We have not issued any public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

No such applications have been made.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

No advisory notice has been made.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

No application has been made.

Securing economy, efficiency and effectiveness in the Council's use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring that the Council 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).



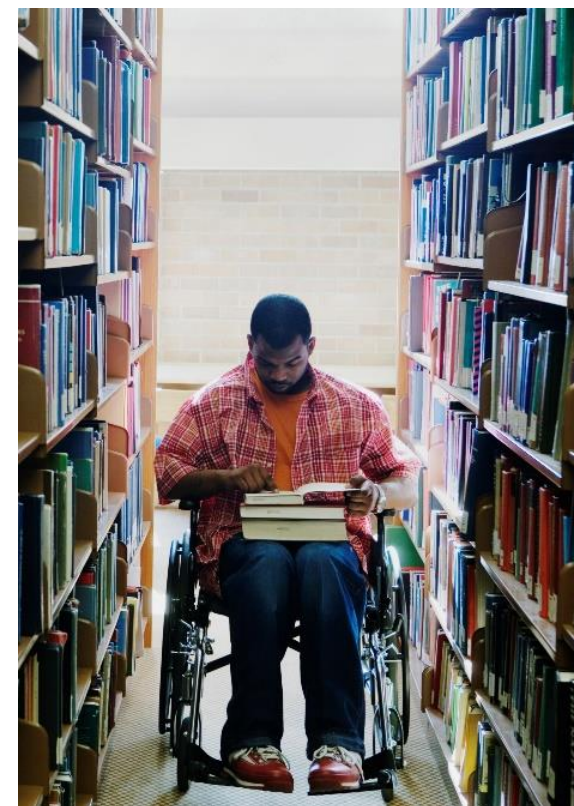
Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 7 to 20. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Overview of financial performance in 2021/22

On 9 February 2021, a balanced budget for 2021/22 was approved at Full Council. One of the key challenges for this budget was to meet the challenges presented by Covid-19 and local government funding reviews and reform.

The Council's 2021/22 outturn after managing these pressures was a total revenue underspend of £4.3m. The principal financial pressure on the Council came from Children's Services, which is reflective of the national picture as well as additional demand across the locality. There was an overspend of £2.8m in this department, primarily driven by Looked after Children and Home to School transport.

The Council set a capital expenditure budget of £85.6m. Actual capital expenditure for the year totalled £75.6m, with a number of individual project slippages. £4.4m of the total slippage related to Local Enterprise Partnership (LEP) funded projects being delivered by, or in partnership with, other bodies where the timing of expenditure and delivery is largely outside of the Council's control.

The Council was not heavily reliant on savings within the original 2021/22 budget and these had been set at £0.9m. During the 2021/22 year the savings delivered exceeded this target at £1.9m, however £1m of these (from Parking within Communities, Economy & Transport) was carried forward from prior years. Otherwise, savings achieved were largely in line with target.

Performance to date in financial year 2022/23

The Council set a balanced budget for 2022/23 without any reliance on the use of reserves or significant levels of savings.

At the end of Q2 2022/23, the Council was reporting a forecast overspend of £8.4m in the service revenue budget. This was primarily driven by inflationary pressures within Children's Services, the majority of which relates to Early Help and the Looked After Children component of social care provision in addition to ongoing Home to School Transport pressures.

The forecast overspend at Q2 is wholly mitigated in year by net underspends delivered in the Treasury management budget and the use of the budgeted contingency, which was put in place specifically to enable the Council to manage variances without recourse to reserves. This reflects prudent arrangements for the management of financial risk.

We note that inflation pressures in Children's services continue to be a national challenge rather than purely a local issue. However, the Council will need to find pragmatic solutions to funding this key area of service in future. The budget overspends continue to be closely monitored, with quarterly reports going to Cabinet to ensure that sufficient resources are in place to manage any increase in the remaining quarter of the year.

We reviewed the capital outturn reporting within the quarterly monitoring reports, as noted below in the Governance section, and our view is that the quarterly monitoring reports are of a good quality.

The forecast capital programme expenditure of £79.6m for 2022/23 tracks relatively well against a budget of £93.9m (85%). We note that a significant proportion of this slippage (£6.2m) relates to Local Enterprise Partnership (LEP) funded projects and a number of other smaller schemes largely due to issues outside of the Council's control.

A recommendation was made in our 2020/21 report that the reporting of capital programme slippages in the quarterly monitoring reports could be more detailed, to explain mitigations and responsibilities for these slippages occurring. In the equivalent reports for 2021/22, a description of where slippage has occurred in each project is presented, accompanied by the reason for the slippage and action being taken to mitigate against it. However, as previously mentioned, a large proportion of slippage (c.50% in 2021/22) relates to LEP-led projects and there is limited description of the individual projects in the quarterly monitoring report.

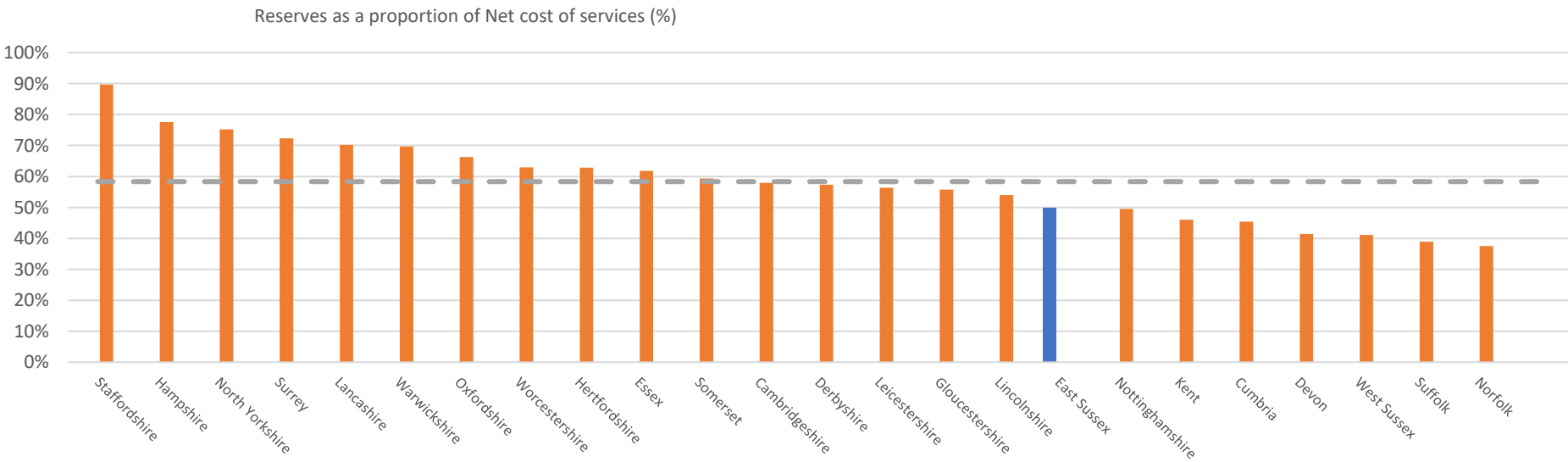
Financial sustainability

Reserves and contingencies to manage financial risk

At the 2021/22 year end the Council’s usable reserves as a proportion of the cost of services stood at 50%, as displayed in the chart below (based on available published draft accounts for 2021/22 compared to other English county councils). This is slightly above the bottom quartile, and just below the average for county councils which is 58%. The Council therefore achieves a good balance between maintaining sufficient levels of reserves to manage risk and invest in future priorities, without retaining reserve levels that are disproportionate to its needs.

The revised MTFP 2022/23 to 2024/25 includes an analysis of reserves, including those that would be available to manage future funding pressures, primarily the strategic reserve. The paper estimates that the opening balance on the strategic (earmarked) reserve in 1 April 2023 is £54m in addition to a General (unallocated) Reserve of £10m. In addition to reserves, the Council holds a budgeted contingency of £4.9m to manage any unplanned pressures in year. Taken together, these indicate that the Council has sufficient resources to cover the projected deficits over the MTFP period, should additional funding for social care not be forthcoming or if there were delays to delivering any future savings programme. The Council therefore maintains a robust position in regard to the management of financial risk.

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Financial sustainability

Financial Planning for the medium term

The Council has seen a steady decline in income from the local government funding settlement over the last ten years, and the Council's Medium Term Financial Plan (MTFP) assumes a continuation of this. There were hopes within the Council that the plans to provide a two-year funding settlement for local government would come to fruition in summer 2022, but the recent government turbulence has delayed this and a one year settlement was provided for 2023/24.

Scenario planning across the most likely outcome assumptions and less likely outcome assumptions is undertaken in developing the MTFP and communicated as part of budgetary reports to members and report users. Scenarios presented are reasonable in the current environment, including appropriate consideration of demographic pressures expected for a local authority of this size.

As a result of the pressures anticipated by the Council's base scenario, a funding gap of £17.5m for 2023/24 was initially projected, rising to £31.5m (prior to any mitigating action). This was initially presented to members in September 2022 alongside a significant update to the MTFP and some initial options for closing the gap.

We noted that the revised MTFP includes changes to key assumptions about Adult Social Care Reform. In 2022/23, local authorities were to be provided with a Market Sustainability and Fair Cost of Care Grant. This was to be raised from the 1.5% National Insurance Health and Social Care Levy. However, government plans for this levy have been withdrawn, initially leaving a funding gap for the Council relating to Adult Social Care. Even with the Market Sustainability and Fair Cost of Care grant included, the initial MTFP projection displayed a net pressure of £20.6m on the Council in 2023/24 relating to Adult Social Care Reform alone. As a result, the Council presented the Impact of Adult Social Care Reform as an Appendix to the MTFP. This was due to the distorting effect it would have.

Following the announcement of the Government funding settlement, a revised 2023-24 budget and 2 year MTFP was presented to Members in January 2023. This included a reconciliation of how the original £17.5m funding gap and additional inflationary pressures for 2023/24 had been mitigated to a balanced budget position, primarily through additional social care grant received through the settlement and increased revenue from local taxation. This included a small contribution from targeted savings.

We noted that the Council's MTFP has a limited 2 year horizon beyond the budget year 2023/24, where as increasingly, in response to CIPFA guidance, other councils are maintaining a 3-5 year forward projection, which would help to illustrate how medium term pressures are expected to build and will be dealt with over an extended period in order to balance the budget in future years [Recommendation 1.1].

The revised MTFP sets out a small deficit of £2.2m for 2024/25 before the increasing pressures around social care and other factors drive an increased deficit of £40.7m by 2025/26. This deficit is partly driven by the assumption that additional social care funding announced for the next two years, does not continue into 2025/26. The Council acknowledges that a more fundamental review of service priorities will be necessary, if no further funding is obtained and the medium term impact of the delayed social care reforms is not accompanied by additional government funding by 2024/25. However, the Council has sufficient resources at present to avoid major cost cutting or service reductions in the short term.

We note that the implementation of adult social care charging reforms initially planned for October 2023 was confirmed to be delayed until 2025. The associated reform funding for the next two years was reallocated as part of the funding settlement and this has helped the Council to mitigate some of the forecast pressures in the social care system over this period.

In the other key area of financial pressure, the Council's Children's Services directorate has developed a sustainability plan based primarily on the implementation of the nationally trialled Family Safeguarding model. This increases the scope for specialist interventions to enable more children to live safely at home with their families. This is achieved through early intervention in cases that could otherwise lead to increased numbers of children needing to be placed outside of their immediate family, which has cost implications for the Council as well as quality of life implications for the child. Implementation of this plan is at a relatively early stage and it will be important for the Council to closely monitor the financial benefits over the medium term, to ensure that the expected contribution is made towards establishing a financially sustainable service. [Recommendation 1.2]

The Capital Programme has been extended to maintain a 10 year outlook and included budgets for school places, SEND provision and highways infrastructure and to support the Council's commitment to carbon neutrality.

Financial sustainability

Alignment to Council Priorities

The Council’s priorities are defined and articulated in the Council Plan 2022/23 which sets out what the Council plans to achieve by 2025. The Council’s priorities are driving sustainable economic growth, keeping vulnerable people safe, helping people help themselves and making best use of resources. These are referenced in the MTFP, budget documents and quarterly council monitoring reports and indeed, the Council plan is presented alongside the budget and MTFP papers.

The Capital Programme to 2031/32 is included in the State of County report, which shows an approved programme of £676m to 2031/32. Alongside this, there is a 20 year Capital Strategy 2022/23 to 2042/43. The financing of the Capital Programme is outlined in the MTFP and supported by the Treasury Management Strategy 2022/23.

Savings (£m)	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Planned	9,125	17,082	5,131	3,541	864	1,257	1,347	0
Delivered	12,480	18,825	11,232	3,531	1,878	N/A	N/A	N/A

Conclusion

We found no evidence of significant weaknesses related to the financial sustainability of the Authority. The Council has a strong understanding of its financial position and awareness of the challenges that it will be facing in the coming years.

There are appropriate procedures in place to ensure these challenges are managed in the best way possible, with strong governance, reporting and review processes. The evidence we reviewed for the 2021/22 financial year demonstrated effective management in this respect.

We have identified two areas relating to the MTFP horizon and the management of Childrens Services Overspends where Council should consider improvement as set out on the following slides.

Managing risks to financial resilience

Risks are considered within the budget and MTFP, with quarterly reporting to Cabinet which highlights these risks. The Reserves and Budget Robustness Statement includes a Financial Assessment of risks, including the monetary magnitude of the potential impact associated with each risk. Of particular concern recorded, is the risk that inflation on energy prices and other materials becomes unmanageable for the Council. This demonstrates the Council’s awareness, and ongoing work to ensure members are aware, of the impact that key estimates within the budget and MTFP could have should they be subject to certain changes.

Delivery of Savings Plans

The Council relies on its Reconciling Policy, Performance and Resources (RPPR) process to ensure that it is able to provide services at the required level. The Council is not seeking to achieve further savings since these would bring the Council below its Core Offer of service provision.

Improvement recommendations



Financial sustainability

Recommendation 1.1

The Council should consider implementing a longer MTFP horizon (e.g. 5 years) to improve visibility to members and the public on how the impact of the large in year funding deficit currently projected for 2025/26 could be mitigated over multiple years. This could be used to highlight the Council's expectations for the path of funding and cost pressures in key areas such as social care.

Why/impact

There is a risk that members and the public are not informed of the likely impact of key developments such as social care reform and the Council's expectations of how demand and cost pressures are likely to build in the medium to long term, potentially denying them the opportunity to make sure the Council is anticipating and addressing financial issues beyond the relatively short term.

Auditor judgement

We have recommended improvement here to ensure that the MTFP is reflective of the true financial position of the Council over the medium term, based on the best available information, particularly where financial challenges increase over time and may require service transformation which may take a number of years to realise.

Summary findings

We noted that the Council's MTFP has a limited 2 year horizon, where as increasingly in response to CIPFA guidance, other councils are maintaining a 3-5 year projection, which would help to illustrate how medium term pressures are expected to build and will be dealt with over an extended period in order to balance the budget in future years. We reviewed the MTFP and found evidence that the Council has appropriately extracted the impact of Adult Social Care reform due to the distorting effect it would have to the overall Council deficit in the medium term. However, it is likely that funding reform will need to take place in future years and it may be beneficial to include an assumptions based projection over a longer time horizon.

Management Comments

In setting the 2023/24 balanced budget, the MTFP projected a further 2 years to 2025/26. The Local Government Financial Settlement was detailed for 2023/24, with only national allocations of some funding streams for 2024/25. No funding has been confirmed for 2025/26. National policy agendas, particularly for Adult Social Care and Children's Services provide significant uncertainty. Whilst wishing to be able to present a longer term MTFP, this is only really appropriate with confirmation of longer term funding and service clarity.

The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations



Financial sustainability

Recommendation 1.2

The Council should continue to focus on solutions to manage the ongoing financial pressures in Children's Services, including monitoring the delivery of financial benefits expected to accrue from the new Family Safeguarding initiative. The budget overspend should be closely monitored, by Cabinet to ensure that any short term measures form part of a longer term strategy to provide a sustainable service.

Why/impact

Children's Services was the principal area of overspend in the financial year 2021/22, driven by costs related to Looked after children and Home to school transport. This department is facing pressures that are not unique to the area, with these cost pressures and staff shortages seen across the country. Ensuring that Cabinet are kept informed of these pressures is the most effective way of maintaining strong governance as the department continues to face these challenges.

Auditor judgement

Without this communication and oversight, there is a risk that members have limited understanding of the plan to address pressures related to Children's Services.

Summary findings

We reviewed the Council Monitoring update for the year end 2021/22 which sets out the pressures faced by Children's Services, as well as the Quarter Four Performance Report 2021/22 from Children's Services to SMT. The strains on Children's Services should be monitored closely, as they have been to date, to ensure the pressures are managed effectively.

Management Comments

The MTFP and budget for 23/24 has added almost £15m of net revenue spend to Children's Services for 23/24, recognising both the ongoing pressures that have continued (alongside many other Local Authorities) into 22/23 and the Family Safeguarding initiative. Monitoring and reporting through the Council's RPPR process, including to Cabinet, will continue to be key through 23/24 and into 24/25 as the benefits of the Family Safeguarding approach should start being delivered.

The range of recommendations that external auditors can make is explained in Appendix C

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Monitoring and assessing risk

The Council has an established risk management framework. The arrangements are documented in the Risk Management Framework 2021/22. The Council maintains a Strategic Risk Register (SRR) which details risks with the potential to adversely impact the Council's objectives.

The SRR risks are assessed and given a risk score which is translated into a RAG rating. This allows risk prioritisation of actions and resources. The SRR is reported to CMT and Cabinet on a quarterly basis as well as to the Audit Committee.

In our 2020/21 report, we noted that the SRR as reported to Cabinet does not detail the scoring of risks or present the risk movement to demonstrate how work on risk mitigation is progressing. Having reviewed the SRR for 2022/23 Q1, there is now a clear presentation of the RAG rating both pre- and post-risk alongside one another. Furthermore, at the top of the SRR a matrix is presented which uses icons to display the pre- and post-mitigation rating for each strategic risk. This snapshot view is easy to digest and enables an 'at a glance' view of where resources should be prioritised.

In our 2020/21 report we also noted that it would be a minor improvement for the strategic risks to be mapped against the Council's strategic priorities. This does not appear to have been implemented to date since the Council feels the risks apply to multiple priorities, therefore doing so would be unnecessarily complex.

Budget setting process

The overall process for budget setting at the Council is encompassed within the Reconciling Policy, Performance and Resources (RPPR) processes. These are well embedded into the regular financial processes.

The starting point for budget setting is at departmental level, before being consolidated into the budget setting process prior to input to the overall budget. The budget and MTFP are aligned by use of a single, rolling document. The budget is reviewed by the Heads of Finance, CMT and Chief Finance Officer to sign off the figures before they go to Cabinet for approval.

One example of a structure that has been implemented to ensure informed decision making is the placement of the Finance Lead for Adult Social Care on the management team of this directorate. This is good practice and ensures a tangible link between the financials and performance of this directorate is consistently present, leading to better quality reporting through to central budgets and Cabinet.

Assurance over the effective operation of internal controls

The Council develops an Annual Corporate Governance statement which is aligned to its Local Code of Corporate Governance.

Internal audit services are provided to the Council as part of the Orbis shared services arrangement, a partnership with Surrey County Council and Brighton & Hove Council.

The Internal Audit annual report for 2021/22 contains the opinion of the Chief Internal Auditor and provides 'substantial assurance' that there is 'an adequate and effective framework of governance, risk management and internal control'. This is an improvement on the opinion of 'reasonable assurance' in 2020/21. In total, 30 out of the 35 Internal Audit reports concluded in substantial or reasonable assurance. No reports concluded in minimal assurance.

Governance

Budgetary control

Monthly budget monitoring takes place through Directorate Leadership Teams, and quarterly budget monitoring takes place through CMT and Cabinet. Budget monitoring is reported to Cabinet in the aforementioned Council Monitoring reports. This links in with reporting on the main Council priorities, performance indicators and risk metrics.

In 2021/22 finance, HR and business operations moved from the Orbis shared services arrangement to in-house provision within the Council. From our review, it appears that this transition has been smooth, with successful re-integration.

The governance around the Capital Programme is led by the Capital Strategic Asset Board and the Programme is refreshed as part of the annual RPPR process.

Leadership and committee effectiveness/decision making

Appropriate leadership is in place through a Leader and Cabinet form of executive management arrangement.

There are three scrutiny committees in place with the remits of Health, People and Place respectively.

As well as this, an Audit Committee is in place to challenge key issues. We reviewed the attendance of Audit Committee members and we were satisfied that nearly all of the seven members had attended at least five out of six sessions in the past year.

The Audit Committee members cover a range of political parties and vary in their professional backgrounds and experience.

In our 2020/21 report, we recommended that a self-assessment of the effectiveness of the Audit Committee should be undertaken in line with NAO guidance. This has not been completed to date, and therefore we suggest this is undertaken during 2022/23 [Recommendation 2.1].

The Council has a broad range of policies in place covering anti-fraud and corruption which helps to ensure a culture is embedded that focuses on thorough, independent decision making. The Council has policies in place on declaration of interests, gifts and hospitality which are published in the Code of Conduct and Conflicts of Interest policy.

Modernising Back Office Systems (MBOS) programme

The MBOS programme is currently at a critical point, recently entering the phase of user acceptance testing. At the inception of the programme, the Authority appointed a programme lead and programme manager. There are also project sponsors for each workstream, with weekly meetings between the project sponsors to ensure the programme remains on track and to mitigate slippage in the timetable. We note that regular progress updates are being provided to CMT and Cabinet and that these indicate that the project had fallen behind the original implementation timetable at the end of 2021/22 and into the current financial year.

The Council has a contingency plan should the programme fall further behind, and the impact of the programme overrunning by three months has been calculated with nil budget impact. Alternatively, a six month delay would have a £1.5m impact. We reviewed the MBOS report to the Audit Committee sub-group, targeted at the programme specifically, from May 2022 which demonstrates that the management of the project has an appropriate level of Member oversight and mitigating action is being taken.

Monitoring and ensuring appropriate standards

The Annual Governance Statement is compliant with the CIPFA code. An appropriate level of care is taken to ensure the Council's policies and procedures comply with all relevant codes and legislative frameworks.

Conclusion

We found no evidence of significant weaknesses in the Council's governance arrangements. The structures in place and that are adhered to by the Council ensures that risks are managed appropriately and reported in a timely and effective way to Members.

On the following slides, we set out one opportunity for improvement that should be considered by the Council.

Improvement recommendations



Governance

Recommendation 2.1

Consider whether the Audit Committee would benefit by carrying out a self-assessment of the effectiveness of the Committee as per guidance issued by the National Audit Office (NAO).

Why/impact

In our last report, it was noted that with a number of new members in the Audit Committee it may be appropriate to undertake a self-effectiveness review as per guidance issued by the NAO.

Auditor judgement

The NAO has issued guidance on how Audit Committees can carry out a self-assessment of the effectiveness of the Committee. This can be very useful in allowing Audit Committees to assess the effectiveness of previous training, and how robust discussion/challenge is at the Committee.

Summary findings

We reviewed the operation of the Audit Committee, including the attendance of members. We noted strong attendance from the Audit Committee members and also the attendance of independent members during a number of Committee meetings which is representative of strong governance. A self-assessment, in line with NAO guidance, would be a strong means of reinforcing this.

Management Comments

This recommendation will be considered as part of the work to review and implement the revised CIPFA position statement: Audit Committees in local government.



The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance review, monitoring and assessment

In its Council Plan 2022/23, the Council sets out its four overarching priority outcomes. These are:

1. Driving sustainable economic growth
2. Keeping vulnerable people safe
3. Helping people help themselves
4. Making best use of resources now and for the future

These are referred to throughout the strategic and reporting documents, including the annual budget and MTFP. This ensures that the priority outcomes are consistently monitored and ensures the Council maintains a clear direction in its work.

The Council Plan, annual RPPR process and quarterly monitoring reports are used effectively to demonstrate progress that has been made against the four Council priority outcomes, from a qualitative sense and also through a RAG rating system. Overall, these various documents present a comprehensive picture that the Council has clear priorities, updates them regularly and ensures Cabinet are aware of their performance level against targets.

Benchmarking and evaluation

The Council produces a State of the County report on an annual basis which presents socio-economic and demographic information and helps to provide context to financial decisions that are being made. Through our review, it was clear that the senior officers within the Council are acutely aware of the Council's level of performance and how this compares to both neighbouring authorities and their respective departments on a national level.

For Children's Services, alongside the qualitative interviews and inspections that take place there is a quantitative monitoring framework and regional dataset that tracks performance for benchmarking purposes. Furthermore, some indicators within this regional dataset have recently been expanded to report on a national scale.

Adult Social Care similarly use clear benchmarking data to help inform decision making and ensure that performance levels are appropriate for services provided. Through the Association of Directors of Adult Social Services (ADASS), a dashboard with 30 indicators is completed and distributed on a quarterly basis across 18 local authorities. This includes information on spend, income rates, proportion of people in receipt of direct payments, and various other measures.

Partnership working and engaging with stakeholders

During our review there was evidence of the Council successfully working with others on numerous occasions. This includes other local authorities, the NHS, regional and national bodies, and voluntary and community organisations. Key partnerships include the Health and Care Partnership, South East LEP, Strategic Property Asset Collaboration in East Sussex (SPACES), and aforementioned Orbis partnership.

In regular monitoring to Cabinet and other Committees, detailed reporting and updates are provided on the progress that these partnerships are making and what value they bring to the Council as a whole. These partnerships are also consistently reviewed to ensure they are adding value. An example of a major adjustment to a partnership is with the Orbis agreement, and this is explained below.

Improving economy, efficiency and effectiveness

Procurement

Procurement is one of the key services delivered by the Orbis joint-working agreement that is outlined above. The ongoing Procurement Modernisation Programme aims to be transformative for the platforms and information management protocols currently used by the procurement function. A uniform platform will be applied across all three authorities, and since this recently passed the user acceptance testing stage it is likely to be at 'go live' within the next three months. Since a similar transition recently occurred at Surrey County Council under the Orbis agreement, there is a proven pathway for delivery that will help to mitigate implementation risks.

While the Procurement Modernisation Programme is ongoing, the Council is aware that systems and processes are in a state of transition and this may cause deficiencies in the service procurement is able to provide. We note that an Internal audit opinion of 'partial assurance' for Procurement Data Analytics relating to the Council's Contracts Register

The key issues reported included:

- Three instances where POs had been raised in excess of £189,330 against individual creditors during the twelve-month period reviewed, with no contract or waiver in place (£189,330 is the threshold above which contracts should be publicly advertised via full tender, in consultation with the Procurement Team). The Procurement Team are now taking action to address this with the service areas involved.
- 59 Creditors where at least one PO with a spend between £25,000 and £189,300 had been raised during the twelve-month period reviewed, but there was no corresponding contract or waiver in place. It should be noted, however, that work in relation to these instances was limited to a high-level analysis and no further in-depth review was completed at the time of the audit. Consequently, there may be some instances where a contract was not required, due to exemptions.

Although these issues do not reflect a significant weakness from a VfM perspective at this stage, we would expect prompt and effective action to be taken to address them. The Council should prioritise the implementation of Internal audit recommendations arising from this review, and reported to the Audit Committee in November 2023 to ensure that the lapses in control do not lead to financial or reputational damage to the Council.

In addition, we recommend that the Council undertake further testing to ensure that that when the Procurement Modernisation Programme is implemented the Council's Contract Register is working appropriately with sufficient controls to avoid loss of data. [Recommendation 3.1].

We also noted through our discussions with officers on procurement that there were some opportunities to improve the training available to officers on contract management. However, in our document review we acknowledge that the Council has met its target of 10% of contract value achieved in Social Value. We have made a recommendation to provide additional contract management training and review the handover process between procuring a contract and its delivery and management once it is ongoing, to help maintain the achievement of this target. [Recommendation 3.2]

Through our review of the documentation on procurement, we noted that a whistleblowing allegation was raised related to the re-procurement of a framework agreement. This allegation related to a lack of clear information and governance over the procurement process, leading to an inappropriate outcome.

In response, the procurement function conducted an independent review and re-run of the procurement process. It was found that the same outcome as the original process would have occurred.

Improving economy, efficiency and effectiveness

Orbis

In 2018/19, the Council entered into an operational agreement with Brighton and Hove City Council and Surrey County Council, known as 'Orbis'. The original services for the agreement were Finance, Internal Audit, Human Resources, IT, Procurement and Business Support. However, as of April 2022, a restructuring took place and the remaining services within the Orbis arrangement are internal audit, procurement and IT. All staff at Orbis are employed by one of the three Councils, since this is a joint working arrangement rather than formal entity.

Climate Emergency Targets

In October 2019, the Council declared a Climate Emergency in East Sussex and set the commitment to be carbon neutral as soon as possible, and by 2050 at the latest. This target will be achieved if the Council reduces its use of carbon by 13% per year, a target set through the Tyndall Local Carbon Budget Tool, used by over 250 local authorities.

The Council has taken practical steps to meet this target, such as applying LED bulbs to all street lighting, placing solar panels on County Hall, conducting feasibility studies on EV charging point roll out and looking at school building energy efficiency.

Steps toward net zero have also been taken within procurement. For example, two thirds of suppliers are local to the County. In the recent highways procurement, 7% of the score was based on actions to reduce emissions during delivery.

The Authority is currently reviewing its Local Transport Plan, which will be the fourth iteration and run from 2023-2050. This will align the plan with the latest Department for Transport guidance.

Conclusion

With regard to the arrangements in place for improving economy, efficiency and effectiveness we found no significant weaknesses. From work toward the authority's climate emergency target to the range of work with partner organisations, this is a clear strength for the authority. We have set out two improvement recommendations on the following slides.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 3.1

Undertake testing to ensure that that when the Procurement Modernisation Programme is implemented the Council's Contract Register is working appropriately with sufficient controls to avoid loss of data.

Why/impact

An internal opinion of 'partial assurance' was provided against Procurement Data Analytics. This means that there are 'weaknesses in the system of control'. This may cause discrepancies since there is no control within the current financial system linking purchase orders to a contract.

Auditor judgement

Internal audit concluded that there were deficiencies in place related to Procurement Data Analytics. Testing the improvements to this system is a means of ensuring improved assurance is achieved.

Summary findings

Through our document review, it was recognised that internal audit commented on omissions in the data held on the Council's Contracts Register, and offered an opinion of 'partial assurance' as a result.

Management Comments

The implementation of the DB&I programme software (Oracle) with new controls around the requisition of services and the production of Purchase Orders will enhance the ability of the Council to have a better control environment around its contract register. Contracts not maintained centrally and are held within Controcc and Tech forge will be monitored through a new reporting structure. Once the Oracle system has gone through a data cleansing exercise and Service/Directorate contract managers have been suitably trained, Procurement will monitor the adherence to the controls.

The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 3.2

Consider introducing further contract management training for Council employees, particularly given the constraints on resourcing that leads to contract management being added to primary officer responsibilities. As noted previously in our report, the effectiveness of the contract management training currently delivered should be reviewed.

Why/impact

We noted in our review that the passing of contracts between procurement and the Council, when contracts are being managed, could be more effective to ensure that value is not lost.

Auditor judgement

Our enquiries with the procurement team indicates that there are opportunities to improve contract management through enhanced training for relevant officers.

Summary findings

A review of the effectiveness of contract management training was previously a recommendation of internal audit. As Council budgets are stretched further, the need to arm officers with appropriate knowledge and expertise becomes greater so that multiple responsibilities can be managed effectively.

We reviewed the targets for social value and the Council achieved the equivalent of 11% of contract value. This is above the target of 10%, however further training may provide opportunities for efficiencies to be gained. This is particularly important since we understand that many contract management responsibilities have to be carried out as an addition to primary job roles, which is naturally detrimental to the management of contracts.

Management Comments

A new process and document has been developed for the effective handover of the contract from Procurement to the Service. The Implementation of Oracle will see a new emphasis placed on Contract managers within the service, regarding maintaining contractual data integrity, training will be provided by the DB&I team on the system and Procurement will sign post contract managers to internal e-learning packages and external contract manager training through the Contract Management Capability Programme Civil Service: helping you with managing contracts and suppliers - GOV.UK (www.gov.uk).

The range of recommendations that external auditors can make is explained in Appendix C.

Follow-up of previous recommendations

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	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	Consider expanding the detail of reporting on the capital programme within the regular quarterly outturn budget reporting.	Improvement	March 2022	In the equivalent Capital Programme reporting for 2021/22, a description of where slippage has occurred in each project is presented, accompanied by the reason for the slippage and action being taken to mitigate against it.	Yes	No
2	Consider either redefining what the Core Offer is with respect to the RPPR process, or if it is no longer relevant ensuring this is consistent, to clarify how discretionary spend is prioritised within the funding envelope.	Improvement	March 2022	The Council achieved the core offer and is currently not in the position to seek any further savings. Council documents are clear to state that discretionary spend is prioritised based on the priority Council outcomes.	Yes	No
3	Consider improving how the Capital Programme is linked back to the Council's Corporate Priorities and Priority and Delivery outcomes so that readers understand more clearly how the Programme aligns to the overarching strategy.	Improvement	March 2022	The Capital Programme from June 2022 states that its delivery focuses on targeted basic need. This is described clearly as to how it will benefit the County and its residents.	Yes	No
4	Consider whether the Strategic Risk Register reporting at Cabinet could be presented more concisely for ease of oversight by members	Improvement	March 2022	Having reviewed the SRR for 2022/23 Q1, there is clear presentation of the RAG rating both pre- and post-mitigation. A matrix is also presented at the top of the SRR to show these movements in an 'at a glance' view.	Yes	No
5	Consider whether mapping of strategic risks against the Council's strategic priorities would be useful for management in monitoring and reporting on risks	Improvement	March 2022	In response, the Council stated that the strategic risks are reported in a way that covers the spectrum of the Council's strategic priorities. Since many risks span more than one priority, mapping is unlikely to show clear links between risk and priorities.	Yes	No

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
6	Consider whether the Audit Committee would benefit by carrying out a self-assessment of the effectiveness of the Committee as per guidance issues by the National Audit Office (NAO).	Improvement	March 2022	This has not yet been undertaken. Therefore, we have made this recommendation in our 2021/22 report.	No	Yes – we maintain the recommendation that this should be carried out
7	The Council should consider agreeing an entity-level Procurement Strategy.	Improvement	March 2022	The Council articulated that due to the ongoing Procurement Modernisation Programme, the current implementation of an entity-level procurement strategy would not be appropriate. Furthermore, there is a procurement strategy in place within the Orbis agreement which includes ESCC.	Yes	No
8	We would recommend that given the complexity of contract management, the Council reviews the effectiveness of the training given and continues to keep under review the need to deliver further training in contract management and procurement as necessary.	Improvement	March 2022	This has been undertaken but the Council recognise that there is still room for improvement with contract management. Therefore, we have made this recommendation in our 2021/22 report.	No	Yes – we maintain the recommendation that this should be carried out
9	The Council should consider additional reporting of the progress/risks/milestones in the MBOS project to Cabinet.	Improvement	March 2022	In our review, we noted appropriate governance arrangements for the MBOS programme that includes reporting to Audit Committee and Cabinet. There is an Audit Committee sub-group specifically for the MBOS programme, and within the programme there are appointed workstream leads alongside a full time Programme Manager and Programme Lead. These represents appropriate governance mechanisms.	Yes	No

Opinion on the financial statements



Audit opinion on the financial statements

Our audit of the Council's financial statements is ongoing following some delays in receiving responses to audit requests/queries in the area of land and building valuations. An indicative Audit Findings Report was issued to the November Audit Committee meeting and this set out the areas of delays and outstanding work, some of which remain ongoing at the date of issuing this report. We are in discussion with your finance team to agree arrangements to complete the audit.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee in November 2022.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

This work will be completed after the main audit of the financial statements is completed.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

There were some delays in receiving responses to our audit queries during the audit which have delayed this work. This particularly related to the area of land and buildings valuation where the Council's expert valuer has taken a long time to respond to queries, but also there were delays in responses by Council officers in this area. Our work in Land and buildings valuation is ongoing, and as a result the overall senior management review of the audit file has also been delayed until a completed audit file is ready for review. This means that in this senior management review there could be further queries raised.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



Appendices

Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

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



Appendix B – An explanatory note on recommendations

A range of different recommendations can be raised by the Council’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	Financial Sustainability – page 10 and 11 Governance – page 14 Improving economy, efficiency and effectiveness – page 17 and 18

Appendix C – Sources of evidence



Staff involved

- Ian Gutsell, Chief Finance Officer
- Ros Parker, Chief Operating Officer
- Darron Cox, Head of Procurement, Orbis
- Rupert Clubb, Director of Communities, Economy and Transport
- Alison Jeffery, Director of Children's Services
- Mark Stainton, Director of Adult Social Care
- Philip Baker, Assistant Chief Executive
- Russell Banks, Chief Internal Auditor



Documents Reviewed

Financial Sustainability

- Medium Term Financial Plan
- Capital Programme
- Council Monitoring Quarterly Reports
- Statement of Accounts
- Council Plan 2022-23
- Budget Summary 2022-23
- Savings Schedules 2023-2025
- Reconciling Policy, Performance and Resources - State of the County report 2022
- Reserves and Budget Robustness Statement
- Treasury Management Strategy 2022-23

Governance

- Pension Fund Risk Register
- ESCC Audit Plan 2021-22
- Annual Governance Statement 2021-22
- MBOS sub group audit committee update may 2022
- Strategic Risk Monitoring Q3 2021-22

- Strategic Risk Register Q1 2022-23

Economy, Efficiency and Effectiveness

- Annual Progress Report of the Looked After Children's Service 2020-21
- Annual Progress Report on East Sussex County Councils Climate Emergency Plan – 30 September 2021
- Auditors Annual VFM Report on East Sussex County Council 2020-21
- Health and Social Care Integration – update for Cabinet 29 June 2021
- Highway Services Re-procurement Project – update for Cabinet 13 July 2021
- Home Care and Extra Care Contract Re-tender – update for Cabinet 30 September 2021
- Capital Programme update to Cabinet – 13 July 2021
- Capital Programme update to Cabinet 27 June 2022
- Local Cycling and Walking Infrastructure Plan – report to Cabinet 30 September 2021
- Orbis Internal Audit report – Procurement Data Analytics September 2022

Appendix D - Key acronyms and abbreviations

The following acronyms and abbreviations have been used within this report

ADASS – Association of Directors of Adult Social Services

AGN – Auditor Guidance Note

AGS – annual governance statement

CIPFA – Chartered Institute of Public Finance and Accountancy

CMT – Corporate Management Team

DLT – Director Leadership Team

ESCC – East Sussex County Council

IT – Information Technology

LED – Light-emitting diode

LEP – Local Enterprise Partnership

MBOS – Modernising Back Office Systems

MTFP – Medium Term Financial Plan

NAO – National Audit Office

RAG – Red Amber Green rating

RPPR – Reconciling Policy, Performance and Resources

SPACES – Strategic Property Asset Collaboration in East Sussex



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Report to: **Cabinet**

Date: **18 April 2023**

By: **Chief Operating Officer**

Title of report: **Internal Audit Strategy and 2023/24 Annual Audit Plan**

Purpose of report: **To present the Council's Internal Audit Strategy and 2023/24 Annual Plan**

RECOMMENDATIONS

Cabinet are recommended to:

- **Review and endorse the Council's Internal Audit Strategy and 2023/24 Annual Audit Plan**
-

1. Background

1.1 The Council's Internal Audit Strategy and Annual Plan 2023/24 (Annex A and Appendix 1) sets out how the Council will meet its statutory requirements for internal audit, as defined within the Accounts and Audit Regulations 2015. The plan focusses primarily on the core assurance areas (such as key financial systems), high priority areas, known key projects and programmes, and grant claims, 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 2023 and comments made were fed into the planning process.

2. 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 the 2023/24 Annual Audit Plan which was endorsed by the Audit Committee at its meeting of 31 March 2023.

Ros Parker, Chief Operating Officer

Contact Officers: Russell Banks Tel No. 07824 362739

BACKGROUND DOCUMENTS

Internal Audit Strategy and Annual Audit Plan 2023/24

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Internal Audit Strategy and Annual Audit Plan 2023-2024

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 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 2023/24 audit planning process:



2.3 Through this process, we have been able to identify key areas for audit activity in 2023/24, including strategic risks and issues, key priority projects and programmes, priority service reviews, key financial systems, and grant claims. The remainder of the direct audit days are earmarked as emerging risks/contingency which enables us to respond to the rapidly changing risk landscape across the Authority.

2.4 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 in the short and long term.

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

- 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' or 'partial assurance' audit opinions will be subject to a specific follow-up review to assess the effective implementation by management of agreed actions; and
- 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.

2.6 It should be noted that the 2023/24 audit plan is more flexible than ever before. This is in part due to uncertainties over timing of the go-live of the new ERP system, and also because the changing nature of the risk landscape across the public sector. Given the likelihood of the plan needing to flex within the year ahead we have identified, at the end of Appendix A, a number of additional audit assignments that may, on a risk-prioritized basis, be drawn into our workload if planned audits are postponed or cancelled.

2.7 In addition, formal action tracking arrangements are in place to monitor the implementation by management of all individual high-priority agreed actions, with the results of this work reported to CMT and the Audit Committee on a quarterly basis.

2.8 Since 2018, East Sussex County Council, Surrey County Council and Brighton and Hove City Council have been working together to establish and develop the Orbis Internal Audit Partnership. In doing this, we are able to deliver high quality and cost effective assurance services to each partner, drawing upon the wide range of skills and experience from across the various teams. The size and scale of the partnership has also enabled us to invest in specialist IT Audit and Counter Fraud services, to the benefit of each partner council and external fee paying client.

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 2023/24, a number of major organisational initiatives and/or risks 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:

- Modernising Back Office Systems (MBOS) programme (SAP replacement)
- Adult Social Care and Health – Regulatory Changes
- Workforce Capacity and Working Arrangements
- Managing Service Demand
- Supplier Failure
- Ukraine Funding
- Health and Safety
- Highways Maintenance Contract Management
- Recovery and Resilience (including Cyber Security) Arrangements

3.3 As explained previously, 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 2023/24 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 Other priority areas identified for inclusion within the audit plan include:

- Procurement Regulatory Changes
- Property Services Programme Management
- Adult Social Care Debt Management and Recovery
- Schools
- Childrens Services Quality Assurance Framework

3.6 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 or specialist areas, the option of engaging externally provided specialist resources will continue to be considered.

5.4 The following table summarises the level of audit resources expected to be available for the Council in 2023/24 (expressed in days), compared to the equivalent number of planned days in previous years. As can be seen, there is a slight reduction in the number of planned days from 2022/23 to reflect current recruitment challenges. We see this as a temporary adjustment to ensure prudent planning in 2023/24. It is not a reflection of any change in risk profile of the organisation and we anticipate resource levels returning to previous levels in future years. In the

meantime, wherever possible, we will look to source additional capacity from outside of the service. It should also be noted that part of the reduction in days relates to reduced pension fund coverage (from 100 to 75 days) as agreed with the Chief Finance Officer. Despite the minor reduction, the overall level of planned resource continues to be considered sufficient to allow Internal Audit to deliver its risk-based plan in accordance with professional standards^[1] and to enable the Chief Internal Auditor to provide his annual audit opinion.

Table 1: Annual Internal Audit Plan – Plan Days

	2020/21	2021/22	2022/23	2023/24
ESCC Audit Plan Days	1,350	1,495	1,495	1,445
East Sussex Pension Fund Plan Days	100	100	100	75
Total	1,450	1,595	1,595	1,520

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 2022/23 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.

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

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 numerous members of the team continuing with professional training during 2023/24.

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. The results of our latest external assessment, completed by the Chartered Institute of Internal Auditors (IIA) in autumn 2022, are being reported to Audit Committee in March 2023.

8.4 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.

8.5 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.

8.6 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.

8.7 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.

8.8 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
Quality	<ul style="list-style-type: none"> Annual Audit Plan agreed by Audit Committee Annual Audit Report and Opinion Satisfaction levels 	<p>By end April</p> <p>By end July. To inform Annual Governance Statement (AGS)</p> <p>90% satisfied</p>
Productivity and Process Efficiency	<ul style="list-style-type: none"> Audit Plan – completion to draft report stage by 31 March 2024 	90%
Compliance with Professional Standards	<ul style="list-style-type: none"> Public Sector Internal Audit Standards Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act 	<p>Conforms</p> <p>Conforms</p>
Outcomes and degree of influence	<ul style="list-style-type: none"> Implementation of management actions agreed in response to audit findings 	97% for high priority actions

Our Staff	<ul style="list-style-type: none"> Professionally Qualified/Accredited 	80%
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Russell Banks
Orbis Chief Internal Auditor

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Planned Audit Reviews

Review Name	Outline Objective
Key Financial Systems	
Accounts Payable (Procure to Pay)	To review compliance with key controls within the accounts payable system, including controls in place for ordering, the creation and maintenance of supplier details, goods receipting and the payment of invoices.
Accounts Receivable	To review compliance with key controls within the accounts receivable system including controls in relation to the accuracy of customer details, completeness, accuracy and timeliness of invoicing, recording and matching payments to invoices, and debt recovery.
Payroll	To review compliance with key controls within the payroll system, including controls in relation to pre-employment checks, starters, leavers, temporary and permanent variations of pay.
General Ledger	To review controls in relation to the Council's general ledger, including in relation to year-end procedures, journal transfers and bank reconciliation.
Treasury Management	To assess the adequacy of controls and procedures across the Council's treasury management arrangements, including in relation to cash flow forecasting, financial investments and use of treasury advisors.
Adult Social Care and Health (ASCH) Liquidlogic (LAS) and Controcc	To assess the adequacy of controls within the LAS (client information system for ASCH) and Controcc (the social payments and billing system), to provide assurance that payments are complete, accurate, timely and are only made to bona fide care providers, where approved services have been provided to ESCC care clients.
East Sussex Pension Fund	
Collection of Contributions	The Fund collects in excess of £130m annually in contributions, without access to prime accounting records to provide assurance that contributions have been collected accurately from all members of the scheme and have been paid over in full. We shall assess the availability and quality of sources of assurance over employers' payroll, and other systems for collecting and paying over employees' and employers' contributions.
Investments and Accounting	To provide assurance that fund managers and custodians have adequate controls in place over the Fund's investments, including in relation to the safeguarding and

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Review Name	Outline Objective
	performance of investments, the valuation of assets, compliance with investment regulations and receipt of, and accounting for, investment income.
Cash Management	We shall review the arrangements in place to ensure the effective management of cash flow, including the Fund's ability to meet its liabilities when they fall due.
Administration of Pension Benefits	We shall review controls over the calculation and payment of pension benefits, transfers to and from the Pension Fund and the maintenance of the data.
Key Governance Arrangements	
Business Continuity Planning	To assess the adequacy of business continuity arrangements within the Council, including a review of overall governance arrangements, impact/risk assessments, and continuity planning.
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.
Risk Management	To assess the arrangements in place to identify, assess and mitigate risk across the organisation.
Strategic Risks/Projects	
Modernising Back Office Systems (MBOS)	We will continue to provide independent advice, support and challenge on risk, control, probity and governance issues in respect of this programme, including the provision of post go-live assurance activity as agreed with the Board.
Managing Service Demand	Increasing demand for statutory services continually puts pressure on Council budgets. We will review the actions being taken to manage this ongoing pressure against a sample of volatile budget areas.
Workforce Capacity and Working Arrangements	With the current challenges in being able to recruit and retain skilled staff, we will complete a review to assess the adequacy of arrangements in place within the Council to maximise its workforce capacity, including management of risks associated with potential single points of failure. The may also cover aspects of hybrid working arrangements.
Adult Social Care Regulatory Changes	During 2023/24, there will be significant areas of change in the area of Adult Social Care and Health, including integration with the NHS, Care Quality Commission Inspection Framework, Financial Services programme and the 'Being Digital' programme. We will work with management to identify and agree how best we can

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Review Name	Outline Objective
	support these areas through the provision of audit advice, support and assurance.
Ukraine Funding	We will review the governance arrangements in place to provide assurance that government funding in relation to the Ukraine crisis is being properly managed and safeguarded.
Health and Safety Phase 2	Following our assessment of the framework of health and safety within the Council in 2022/23, we will undertake a review of overall compliance with this across the organisation.
Supplier Failure	A review to determine the resilience the Council has in the face of supplier failure. This review will seek to provide assurance on the controls to identify critical suppliers at risk of failure and to mitigate the effects of any failures that occur, including, where relevant, the wider supply chain.
Highways Maintenance Contract Management	A new contract for highways and infrastructure services has been awarded to Balfour Beatty Living Places Ltd. The contract, which will start from May 2023, will run for an initial seven years with an option to extend to a maximum of fourteen years. We will undertake a contract management review which will include the arrangements over governance, performance management, payment mechanisms and new processes.
Integrated Waste Management Services - Contract Management	ESCC and Brighton and Hove City Council have held a Private Finance Initiative with Veolia South Downs Ltd since 2003 for the delivery and operation of waste facilities, including recycling and disposal services for household waste across both authorities. We will audit the contract management arrangements for this contract.
Other Known Areas of Risk	
Procurement Regulatory Changes	Major changes to procurement regulations are expected in late 2023 which are likely to include more stringent transparency requirements. These will need to be reflected in the Council's own regulations, including Procurement and Contract Standing Orders. We will provide support and advice in relation to the updating of these.
Children's Disability Services – Direct Payments	To examine the system of control associated with the administration, payment and monitoring of direct payments within Children's Disability Services.
Children's Services – Quality Assurance Framework	In order to ensure that children and families in East Sussex receive a high quality service, robust quality assurance arrangements need to be in place. We will examine the

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Review Name	Outline Objective
	underpinning principles and practices within the Children's Services quality assurance function and seek assurance over its effectiveness in driving improvement within service practice.
Adult Social Care and Health (ASCH) - Debt Management and Recovery	Due to the cost of living crisis, there has been an increase in the level of debt within ASCH. We will review the arrangements for debt management within the department, including the timeliness of invoicing, recording and matching of payments received to invoices and debt recovery.
Property Services Programme Management	To provide assurance that the overall programme of work within Property is effectively managed, including the planning, prioritisation and allocation of resources, and how overall performance and delivery is monitored.
Milton Grange Nursing Home - Cultural Compliance Audit	To provide assurance that management and financial controls are in place and operating effectively within the home, assessing compliance with key Council policies and procedures. Further similar reviews of other care homes may subsequently take place.
Mental Health Services - Compliance with Corporate and Local Procedures	To provide assurance that management and financial controls are in place and operating effectively within the Mental Health Service, assessing compliance with key Council policies and procedures, and also their own local procedures.
Parking – Procurement and Monitoring of External Service Providers	We will look to ensure that the engagement, through the Parking Team, of service providers for key parking related activities, complies with the Council's Procurement and Contract Standing Orders and other key Council policies. We will also assess the adequacy of monitoring arrangements in place to ensure providers are delivering services in accordance with contracts.
School Audits	
Schools	We will continue our audit coverage in schools which will involve a range of assurance work, including key controls testing in individual schools and follow-ups of previous audit work where appropriate. We will also work with our Orbis partners to provide information bulletins and guidance for schools on risk, governance and internal control matters.

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Review Name	Outline Objective
ICT Audit	
Property Asset Management System (PAMS) Replacement	To provide pro-active support, advice and assistance to the property asset management system replacement programme, including the evaluation of the effectiveness of any key control changes arising from the implementation of the system.
Robotics (Governance Arrangements)	Robotic Process Automation (RPA) is a form of business process automation that allows a user to define a set of instructions for a robot to perform automatically, often repeating the task quickly. The review will evaluate the effectiveness of the controls to govern the use of Robotics within the Authority, including review of the controls to ensure the accuracy of all data processed by 'robots' and ensuring appropriate failure reports are built into the decision making routines.
Adult Services Data Handling	Social workers/safeguarding teams sometimes use video to record interviews and other interactions with service users. 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.
Patch Management	We will review the controls in place to support effective patch management, ensuring that patches and system updates are tested prior to being applied and that patches are applied in a timely manner.
New Home to School Transport System	This application audit will review all major input, processing, and output controls, including access controls and the interfaces with other systems, and to ensure appropriate system ownership and responsibilities are known.
Recovery and Resilience (including Cyber Security) Arrangements	This audit will review the key controls operating to ensure that Council arrangements are resilient and robust in the event of a cyber attack or other technology-related outage. The audit will also seek assurance over controls to allow the Authority to recover from any technology-related disaster, focussing on corporate systems (supported by IT&D) as well as those procured and managed within departments.
Follow-Up Reviews	
Contract Management Group Cultural Compliance	A follow-up of the previous audit completed which received an audit opinion of partial assurance.
Climate Change	A follow-up of the previous audit completed which received an audit opinion of partial assurance.

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Review Name	Outline Objective
Children's Services Data Handling	A follow-up of the previous audit completed which received an audit opinion of partial assurance.
Procurement Data Analytics	A follow-up of the previous audit completed which received an audit opinion of partial assurance.
External Funding – Grants and Loans	A follow-up of the previous audit completed which received an audit opinion of partial assurance.
Grant Certification	
Local Transport Capital Block Funding- Integrated Transport & Highways Maintenance (Including Traffic Signals/Pot Holes)	To check and certify the grant in accordance with the requirements of the Department for Transport.
Bus Services Operators Grant	To check and certify the grant in accordance with the requirements of the Department for Transport.
Broadband Grant	To check and certify the grant in accordance with the requirements of the Department of Digital, Culture, Media and Sport.
Contain Outbreak Management Fund	To check and certify that the funding is used in accordance with the requirements of the Department of Health and Social Care.
Supporting Families Programme	Certification of periodic grant claims returns in-year on behalf of Children's Services to enable the release of funds from the Department for Levelling Up, Housing and Communities.
European Social Fund Transform Project	To provide assurance that quarterly returns submitted to the European Social Fund are accurate and reflective of apprenticeship activity within the reported period.
Schools Basic Needs Allocation	To check and certify various capital grants in accordance with the requirements of the Department for Education.
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.

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Review Name	Outline Objective
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.
Contingencies	
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.

Other Auditable Areas Identified During the Audit Planning Process

Some of these reviews may be brought forward into the plan if there is additional capacity during the year. In addition, we will consider any emerging risks and prioritise audits accordingly.

Procurement Cards

Beacon/Grove Park Project Management

Controller of Premises

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Microsoft Cloud Environment – Governance Review
Active Directory/Identity Management (incl. 3 rd Party)
Digital Data Preservation Strategy
Data Breach Management
Surveillance Cameras
Life Certification
Direct Payments
Home Care Contract
Health Visiting Contract
Women’s Refuge Contract
Care Home Cultural Compliance
Hospital Discharges
Financial and Benefit Assessments
Children’s Placement Contracts
Alternative School Provision