East Sussex County Council

# CABINET

TUESDAY, 22 APRIL 2025

10.00 AM, COUNCIL CHAMBER, COUNTY HALL, LEWES

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

A G E N D A

1. Minutes of the meeting held on 20 March 2025 *(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. Area Special Educational Needs and/or Disabilities (SEND) Inspection of East Sussex Local Area Partnership *(Pages 5 - 18)*
   Report by the Director of Children's Services

6. Exceat Bridge Replacement Project *(Pages 19 - 36)*
   Report by the Director of Communities, Economy and Transport

7. Internal Audit Strategy and Plan 2025/26 *(Pages 37 - 54)*
   Report by the Chief Operating Officer

8. ESCC External Audit Plan 2024/25 *(Pages 55 - 104)*
   Report by the Chief Finance Officer

9. Any other items considered urgent by the Chair

10. To agree which items are to be reported to the County Council

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

10 April 2025

Contact: Hannah Matthews, Governance and Democracy Manager
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NOTE: *As part of the County Council's drive to increase accessibility to its public meetings, this meeting will be broadcast live on its website and the record archived. The live broadcast is accessible at: https://www.eastsussex.gov.uk/your-council/videos-of-council-meetings/webcasts*

**CABINET**

MINUTES of a meeting of the Cabinet held in the Council Chamber, County Hall, Lewes on 20 March 2025.

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PRESENT Councillors Keith Glazier (Chair), Nick Bennett (Vice Chair), Penny di Cara, Claire Dowling, Carl Maynard and Bob Standley.

Members spoke on the items indicated:

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|---|---|
| Councillor Collier | - item 6 (minute 78) |
| Councillor Daniel | - item 6 (minute 78) |
| Councillor Murphy | - items 5 and 6 (minutes 77 and 78) |
| Councillor Standley | - item 6 (minute 78) |

73. MINUTES OF THE MEETING HELD ON 4 MARCH 2025

73.1 The minutes of the Cabinet meeting held on 4 March 2025 were agreed as a correct record.

74. APOLOGIES FOR ABSENCE

74.1 Councillor Bowdler was not present in the Chamber but joined the meeting via MS Teams. He did not vote on the items under discussion.

75. DISCLOSURES OF INTERESTS

75.1 All Members have been granted with a dispensation, in relation to their membership of the Council and any membership of a district or borough council, under the Localism Act 2011 and the Council's Code of Conduct to enable them to participate and to enable the Cabinet to vote on the items on the agenda.

76. REPORTS

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

77. DEVOLUTION CONSULTATION RESPONSE

77.1 The Cabinet considered a report by the Chief Executive.

77.2 It was RESOLVED to:

1) approve in principle the response to the Consultation set out at Appendix 2 of the report; and

2) delegate to the Chief Executive, in consultation with the Leader, authority to finalise the response for submission to Government.

Reasons

77.3 The establishment of a Mayoral Combined County Authority could lead to significant benefits for the area, attracting investment and ensuring a strategic approach across a significant geography to ensure a joined-up approach in relation to areas including environment and climate change, transport, infrastructure, skills, economic development and strategic planning. There are still details that need clarification which are raised in the draft consultation

response and will also be raised as discussions progress, should approval be given by the Government to establish the Authority, and prior to the Council giving its approval to the Statutory Order that will be required.

78. LOCAL GOVERNMENT REORGANISATION

78.1 The Cabinet considered a report by the Chief Executive.

78.2 It was RESOLVED to:

1) agree in principle the Interim Plan set out at Appendix 2 of the report;

2) delegate to the Chief Executive, in consultation with the Leader, authority to finalise the content of the Plan for submission to Government; and

3) approve the continued development of proposals for the establishment of a single tier authority for the East Sussex area including public and stakeholder engagement.

Reasons

78.3 The Government has issued a statutory invitation for proposals for a single tier of local government across East Sussex by 26 September 2025. In doing so it has issued guidance to which the Councils have to have due regard. The Government has adopted a staged process, the first being that the Councils have to submit an interim plan by 21 March 2025 which sets out our progress on developing proposals in line with the criteria and guidance. The plan at Appendix 2 of the report has been developed jointly with the Districts and Boroughs and is consistent with the Government's guidance. It is important to note that this interim plan, is not the proposal, but a document setting out progress. There is a very significant amount of work and engagement that has to be undertaken to develop a proposal by the ambitious deadline that has been set by Government.

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

79.1 There were no items to report to the County Council.

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|---|---|
| **Report to:** | **Cabinet** |
| **Date of meeting:** | **22 April 2025** |
| **By:** | **Director of Children's Services** |
| **Title:** | **Area Special Educational Needs and/or Disabilities (SEND) Inspection of East Sussex Local Area Partnership** |
| **Purpose:** | **To provide an update on the inspection outcome and next steps** |

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**RECOMMENDATIONS:**

**The Cabinet is recommended to:**

**1) welcome the findings of the Area Special Educational Needs and/or Disabilities (SEND) Inspection of East Sussex Local Area Partnership which was published on 4 February 2025;**

**2) note that the East Sussex SEND Strategy 2022-25 will be updated to include actions in response to the recommendations made in the inspection report;**

**3) note the challenges within the current SEND system and our key lobbying points for future policy development in this area; and**

**4) note that the existing SEND strategy 2022-25 will be extended by one year and that work on the new strategy will begin in 2026.**

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## 1 Background

1.1 Ofsted and the Care Quality Commission (CQC) undertook an Area SEND inspection of the East Sussex Local Partnership (ESCC and NHS Sussex Integrated Care Board) 18 – 22 November 2024. The purpose of the inspection was to:

- provide an independent, external evaluation of the effectiveness of the local area partnership's arrangements for children and young people with SEND; and
- where appropriate, recommend what the local area partnership should do to improve the arrangements

1.2 This inspection was the second iteration of the regulatory framework since the implementation of the Children and Families (C&F) Act 2014; the previous inspection in East Sussex was in December 2016.

1.3 It is important to note that this round of Local Area SEND inspections comes at a time of significant challenge for local authorities, the vast majority of whom are struggling to implement the full breadth of the 2014 reforms due to increasing demand and insufficient resources. Over several years, East Sussex (along with other local authorities) has been lobbying the government for changes in the SEND system to address the unintended consequences of the original Act which, in addition to leading to unprecedented demand, have created a fragmented SEND system that has not delivered better outcomes for children.

1.4 The key challenges in the system remain as they have for a number of years, specifically that:

- There have been significant increases in the number of requests for Education and Health Care Plan (EHCP) assessments and in EHCPs that are issued. It is recognised nationally that the threshold for statutory assessment has been lowered

and the requirement to have input from specific professionals who are in short supply, contributes to delays in outcomes.

- The tribunal system does not have to take account of the resource implications for local authorities and has exacerbated the conflict between councils and families of children with SEND. This has also led to:
    - A significant growth in the independent sector which is catering for children who would otherwise be provided for in state-run provision, but are unable to do so because local special schools are full. The average cost of independent schools is over twice that of state-run provision and the Local Authority (LA) has no lever over the fees that they charge. In East Sussex, over one-quarter of the overall SEND budget funds placements in the independent and non-maintained sector.
    - The law does not prescribe accountability from Health bodies and, therefore, the legislative burden of the Act falls solely at the doors of the local authority.
- The funding of SEND does not take into account levels of demand and relies on an out-dated formula. This means that there is significant disparity across the country in terms of how different LAs are funded.

1.5 In recent years, there have been a number of reviews of the SEND system which, most recently, led to the publication of a Green Paper in March 2022. As a result of this, the SEND Change Programme was established to look at different areas that could be reformed to make improvements to the system. Along with the other Sussex LAs and Portsmouth City Council, East Sussex has been part of the South East Change Programme. The main challenge with this programme is that, from the outset, it stated that there would be no legislative reforms, but rather adjustments would be made within the framework of the C&F Act. As the key barriers with the system rely on changes to the legislation, this meant that the programme was significantly limited in its ability to deliver wholesale improvement.

1.6 The new Secretary of State for Education has stated publicly that SEND is a priority for her Department and, since the autumn, we have seen a shift in the work of the Change Programme towards workplans that have a focus on improving inclusive practice in mainstream schools. This shift in focus to more children with SEND attending their local mainstream school, along with proposed changes to the school inspection framework, will support improvements to the financial viability of the SEND system. However, we are still awaiting a clear policy direction from the DfE on the broader issues around SEND and how the system will be funded in the future. A White Paper is anticipated in the coming months.

1.7 The current system, nationally, is not delivering better outcomes for children and young people with SEND in its current form. Despite many more children having Education, Health and Care Plans (rapidly approaching 5% nationally), we are not seeing any improvements in outcomes for these children. Indeed, in many areas they have deteriorated. For this reason, lobbying for SEND reform is a key priority for ESCC and we would like to see revised SEND legislation that has a strong focus on:

- Promoting and properly resourcing inclusive practice in mainstream schools. This would give confidence to parents and ensure that children with a wide range of needs are educated in their local school, affording them the same opportunities as children without SEND.
- Realigning the threshold for statutory plans and admission to special schools so that those with the greatest need get the help that they need in a more timely way.
- Reforming the tribunals system so that councils, schools and families can spend more time in productive dialogue about overcoming barriers to accessing education outside of an adversarial process.
- Establishing the roles and responsibilities (including financial) of all partners in the SEND system to ensure that everyone plays their role in supporting and resourcing SEND provision.
- Regulating the costs of provision in the independent sector to give Local Authorities the right commissioning controls that they need to ensure best value for money.
- Supporting the SEND workforce to have the skills and knowledge that they need to provide children with SEND the best possible provision.

- Ensuring that interventions that have been robustly evaluated and proven to be effective are delivered to children with SEND.
- Changing the requirements for professionals in statutory assessments to that they can use their time supporting children and schools.

## 2 Supporting information

2.1 A copy of the ASEND inspection report, published on 4 February 2025, is attached at Appendix 1.

2.2 There are three possible outcomes for an ASEND inspection, these are set out in Appendix 2. For East Sussex we have been given the middle outcome. 'The local area partnership's arrangements lead to inconsistent experiences and outcomes for children and young people with special educational needs and/or disabilities (SEND). The local area partnership must work jointly to make improvements.' The next full inspection will be within approximately 3 years.

2.3 The report notes that children and young people with SEND in East Sussex have variable experiences. '*Many families describe the excellent support that they receive from some individual practitioners, but report that the system as a whole can be confusing and difficult to navigate'*.

2.4 The report recognises our own self-assessment and the journey that we are on to improve the outcomes for children and young people with SEND in a more consistent way:

- '*Leaders have rightly identified the areas that need to improve. However, for many children and young people the impact of these improvements is still emerging'.*
- '*Support for the most vulnerable children and young people and their families is rightly prioritised by the local partnership*.'
- *'The local partnership recognises that children and young people with SEND have mixed experiences of inclusion in mainstream schools. Although there is more to do in this area, the partnership is committed to making improvements and has made significant strides.'*

2.5 The report highlights what the area partnership is doing well and identifies what the partnership needs to do better, as set out in Appendix 1. The inspection also identified four areas for improvement.

1. The local area partnership should continue to improve the quality of Education, Health and Care (EHC) plans, so that there is consistent input across all agencies to better identify the provision that children and young people require to meet their needs. This should include:
    - improving joint working of practitioners, particularly health, to contribute to EHC plans; and
    - ensuring a more timely and precise annual review process.
2. The local area partnership should take further action to reduce overall waiting times in relation to neurodevelopmental pathways, Child and Adolescent Mental Health Services (CAMHS) interventions and the provision of wheelchairs. They should ensure that the support that they provide to families while waiting is well used and beneficial.
3. The local area partnership should develop and embed its work with education settings on improving inclusion, so that the proportion of children and young people achieving strong outcomes increases.
4. The local area partnership should continue to work with relevant stakeholders to ensure that there is sufficient and suitable Alternative Provision and post-16 options for children and young people with SEND.

2.6 We are updating the existing East Sussex SEND strategy 2022-2025 to include an ASEND inspection improvement plan to address the areas for improvement, building on

work to date and in line with the Ofsted and CQC requirements. The plan has been shared with the SEND Strategy Governance Board prior to publication. The current SEND strategy has also been extended for an additional year, to the end of the 2025/26 academic year. This will provide additional time to deliver improvement and to understand the policy direction of the new government on SEND. Work across the local area partnership will begin in 2026 on our next SEND strategy and the new strategy will be shared with Cabinet.

## 3. Conclusion and reasons for recommendations

3.1 East Sussex has maintained a focus on the key priority outcome of keeping vulnerable people safe. The report notes that there are areas for improvement which we will continue to focus on but also recognises recent improvements and the renewed focus on SEND across the local partnership. We will work with our partners, children and young people and parents and carers to address the recommendations and deliver more consistent experiences and outcomes for the children and young people.

3.2 Cabinet is asked to welcome the contents of the inspection report and note that we have worked with partners to update the current SEND strategy to address the areas for improvement. Cabinet is also asked to note the timeline for producing the next iteration of our SEND strategy.

3.3 The strengths outlined in the report show that East Sussex is in a good position to support the implementation of future DfE reforms. We will continue to work within the Change Programme over the next two terms to advocate for the required changes that we believe are necessary to create a more equitable and sustainable SEND system in the future.

**CAROLYN FAIR**

**DIRECTOR OF CHILDREN'S SERVICES**

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# Area SEND inspection of East Sussex Local Area Partnership

Inspection dates: 18 to 22 November 2024

Dates of previous inspection: 5 to 9 December 2016

| Inspection outcome |
| --- |
| The local area partnership's arrangements lead to inconsistent experiences and outcomes for children and young people with special educational needs and/or disabilities (SEND). The local area partnership must work jointly to make improvements.<br><br>The next full area SEND inspection will be within approximately 3 years.<br><br>Ofsted and CQC ask that the local area partnership updates and publishes its strategic plan based on the recommendations set out in this report. |

## Information about the local area partnership

East Sussex County Council and NHS Sussex Integrated Care Board share responsibility as a local area partnership for planning and commissioning services to meet the needs of children and young people with SEND in the area.

Since the previous inspection, NHSE granted the dissolution of the seven Clinical Commissioning Groups (CCGs) in Sussex, and subsequent merger into three CCGs (East Sussex, West Sussex and Brighton & Hove) on 1 April 2020. The NHS Sussex Integrated Care Board was then established on 1 July 2022, taking on the commissioning functions previously carried out by CCGs.

The local area partnership commissions a range of alternative provision (AP) to provide places to children and young people who are unable to attend school, as well as for those who have been permanently excluded.

## What is it like to be a child or young person with special educational needs and/or disabilities (SEND) in this area?

Children and young people with SEND in East Sussex have variable experiences. Many families describe the excellent support that they receive from some individual practitioners, but report that the system as a whole can be confusing and difficult to navigate. Leaders have rightly identified the areas that need to improve. However, for many children and young people the impact of these improvements is still emerging.

Early years settings play a crucial role in identifying children with communication and interaction needs. Working with specialist teams commissioned by the local partnership, practitioners in these settings ensure that children's needs are identified quickly so that they receive timely support.

For many families, securing an education, health and care (EHC) plan in East Sussex has not been a positive experience. Inspectors heard from parents and carers who described this process as lengthy and adversarial. Recently, the quality and timeliness of EHC plans have improved. The majority of new plans in East Sussex are finalised within the expected time frame. Co-production (a way of working where children, families and those that provide the services work together to create a decision or a service that works for them all) plays a greater role than before. This means that parents are more involved and children and young people have more say about the support that they should receive. Despite these improvements, delays in the annual review process lead to outdated advice in some existing EHC plans. As a result, some children and young people do not get the support that they need to achieve the best possible outcomes.

Children wait too long for necessary interventions from some services, such as child and adolescent mental health services (CAMHS). The wait for wheelchairs is also too long. This has a significant negative impact on the well-being and development of some children and young people with SEND. At times, these delays lead to a worsening of their conditions and hinder their ability to participate fully in society. While interim support is available through local charities and community services, this is not currently addressing the level of need. Despite recent improvements, some parents are frustrated about the lack of support and advice available while waiting for services.

Support for the most vulnerable children and young people and their families is rightly prioritised by the local partnership. A multi-agency approach to early help services and family hubs enables families to navigate the system and gain access to the other support that they might need. Those supported by the children with disabilities team benefit from effective oversight. Children and young people on the dynamic support register are closely monitored and receive effective support from a key worker. Equally, groups of schools meet together along with professionals from health and social care to agree early interventions for children and young people at risk of permanent exclusion.

The local partnership recognises that children and young people with SEND have mixed experiences of inclusion in mainstream schools. Although there is more to do in this area, the partnership is committed to making improvements and has made significant strides

forward. For example, it has facilitated groups of schools working together in regional clusters to promote more inclusive approaches.

A lack of specialist provision in some areas, including AP and suitable post-16 options, hinders the progress of some children and young people with SEND. This results in some children and young people attending provision that does not fully meet their needs, impacting their outcomes negatively. The partnership is in the process of addressing this by working with local providers.

## What is the area partnership doing that is effective?

- Leaders in East Sussex are ambitious to improve the lived experiences of children and young people with SEND. Leaders have renewed their focus on SEND in the local area. Ambitious plans are focused on securing better outcomes for children and young people with SEND across East Sussex.
- The local partnership is committed to co-production with parents. While the East Sussex Parent Carer Forum is involved in strategic meetings, they would welcome more consistent and meaningful involvement in decision-making. A recent review has led to a new co-production charter, aiming to enhance parental involvement in shaping SEND services.
- The local partnership has focused on developing early interventions and more preventative approaches to meeting children and young people's needs. For example, working closely with groups of schools has started to have an impact on reducing exclusions.
- The SEND information, advice and support service provides important guidance to families. It is highly regarded in the local area by parents who have benefited from the service.
- There are positive examples of multi-agency working where professionals from education, health and social care come together to provide holistic support for children and young people and their families. In such cases, information is shared effectively and ensures that the support provided to children is joined up coherently.
- A higher proportion of children and young people with SEND in East Sussex attend specialist education settings compared with the national average. Those who attend these settings often receive high-quality provision and therapeutic interventions which meet their needs well. A small number of children and young people attend residential special schools, including some outside East Sussex. Careful thought goes into the commissioning of these places. The partnership complete rigorous checks on the suitability of residential provision.
- The local partnership maintains a robust oversight of children who are not in school, including those who are electively home educated or have a package of education other than at school. This includes suitable checks on any commissioned AP.
- The local partnership has increased its provision of short breaks for families. Leaders recognise that the need for this provision remains high, particularly for children and young people who require more specialist medical care. They continue to review this

offer to better reflect local need.

- When families receive support from social care teams or early help, strong multidisciplinary working enables effective interventions that prioritise the needs of children and young people. For example, the needs of children and young people with SEND have been prioritised in the design of family hubs.
- Leaders continue to strengthen their understanding of the needs of children and young people with SEND in the local area. For example, a dashboard for health data has been developed across Sussex localities and is starting to inform decision-making. Education teams make effective use of data on attendance and exclusions to support and challenge schools.

## What does the area partnership need to do better?

- The quality of EHC plans is variable. Although more recent plans are of a higher quality, this does not reflect the experience of the majority of families who have been through the process of securing an EHC plan. Sometimes plans contain inconsistent information, particularly in relation to health needs. Over time, it has been common for plans to contain out-of-date information because EHC plans have not been updated promptly following annual reviews. Recent changes to the process have started to address this weakness, for example focusing on annual reviews conducted at times of transition in the first instance.
- Waiting times are excessive for some health services, including for those children awaiting attention deficit hyperactivity disorder or autism assessments and targeted mental health interventions from CAMHS. Some children and young people wait for around three years before they can access targeted mental health interventions. During this time, their needs frequently change and escalate. Although there are some services which provide support to those who are waiting, they do not have the capacity to help the large number of families who are waiting.
- Waiting times for wheelchairs are too long. This is having a profoundly negative impact on the physical and mental well-being of those children and young people affected. This can also prevent them from being involved in their community in a meaningful way. Although there are plans to recommission this service in the future, this will not happen for some time.
- Although the delivery of the Healthy Child Programme in East Sussex is an improving picture, there have been capacity challenges in delivering the service. The partnership recognises that this needs to be an area of ongoing focus to ensure that all children have their needs identified at the earliest opportunity.
- The proportion of children and young people with SEND who are not in education, employment or training when they leave school is too high. The local partnership recognises that opportunities for some children and young people are limited by a lack of suitable post-16 places, particularly for those with social, emotional and/or mental health needs.
- The local partnership recognises that key transitions are particularly important for children and young people with SEND. Pupils, parents and practitioners in East Sussex

told us that these points in time could be challenging, for example when there is not a smooth transition between services or school phases. The local partnership has made recent improvements in this area, which are beginning to have a positive impact.

- Through a 'team around the school' approach, the partnership works with leaders in education settings to focus on issues such as exclusions and attendance. Although this is beginning to have an impact, children and young people with SEND do not achieve consistently positive outcomes.
- The arrangements for the commissioning of AP are currently not meeting the local need for placements. The partnership is in the process of recommissioning AP provision. Support to help pupils make an effective transition back into a permanent mainstream or special provision has been established.

| **Areas for improvement** |
| --- |
| The local area partnership should continue to improve the quality of EHC plans, so that there is consistent input across all agencies to better identify the provision that children and young people require to meet their needs. This should include:<br>■ improving joint working of practitioners, particularly health, to contribute to EHC plans; and<br>■ ensuring a more timely and precise annual review process. |
| The local area partnership should take further action to reduce overall waiting times in relation to neurodevelopmental pathways, CAMHS interventions and the provision of wheelchairs. They should ensure that the support that they provide to families while waiting is well used and beneficial. |
| The local area partnership should develop and embed its work with education settings on improving inclusion, so that the proportion of children and young people achieving strong outcomes increases. |
| The local area partnership should continue to work with relevant stakeholders to ensure that there is sufficient and suitable AP and post-16 options for children and young people with SEND. |

## Local area partnership details

| Local authority | Integrated care board |
|---|---|
| East Sussex County Council | NHS Sussex Integrated Care Board |
| Carolyn Fair, Director of Children's Services | Adam Doyle, Chief Executive Officer |
| www.eastsussex.gov.uk | www.sussex.ics.nhs.uk |
| County Hall<br>St Anne's Crescent<br>Lewes<br>East Sussex<br>BN7 1UE | NHS Sussex<br>Sackville House<br>Brooks Close<br>Lewes<br>BN7 2FZ |

## Information about this inspection

This inspection was carried out at the request of the Secretary of State for Education under section 20(1)(a) of the Children Act 2004.

The inspection was led by one of His Majesty's Inspectors (HMI) from Ofsted, with a team of inspectors including: two HMI/Ofsted Inspectors from education and social care; a lead Children's Services Inspector from the Care Quality Commission (CQC); and another Children's Services Inspector from CQC.

**Inspection team**

**Ofsted**
Mr Chris Ellison, Ofsted Lead inspector

Simon Brown, Ofsted Inspector

Tom Anthony, Ofsted HMI

**Care Quality Commission**
Andrea Crosby-Josephs, CQC Lead inspector

Elizabeth Fox, CQC inspector

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## Appendix 2

**Extract from the ASND guidance**

There are 3 possible full inspection outcomes, leading to different subsequent inspection activity:

| Inspection outcome | Subsequent meetings and inspection activities |
|---|---|
| **The local area partnership's SEND arrangements typically lead to positive experiences and outcomes for children and young people with SEND. The local area partnership is taking action where improvements are needed.** | Engagement meetings<br><br>Full inspection usually within 5 years |
| **The local area partnership's arrangements lead to inconsistent experiences and outcomes for children and young people with SEND. The local area partnership must work jointly to make improvements.** | Engagement meetings<br><br>Full inspection usually within 3 years |
| **There are widespread and/or systemic failings leading to significant concerns about the experiences and outcomes of children and young people with SEND, which the local area partnership must address urgently.** | Engagement meetings<br><br>Submission of priority action plan (area SEND)<br><br>Monitoring inspection usually within 18 months of the publication of the full inspection report<br><br>Full reinspection usually within 3 years |

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| **Report to:** | **Cabinet** |
| **Date of meeting:** | **22 April 2025** |
| **By:** | **Director of Communities, Economy and Transport** |
| **Title:** | **Exceat Bridge Replacement** |
| **Purpose:** | **To consider the scope of the Exceat Bridge Replacement Project and the funding arrangements** |

**RECOMMENDATIONS:**

**Cabinet is recommended to:**

**(1) Note the estimated costs and options for replacing Exceat Bridge;**

**(2) Agree to continue with the proposals for an offline two-lane replacement bridge ('Option A');**

**(3) Agree to re-direct £11.128m grant funding from the Newhaven and Peacehaven bus priority schemes set out in the Council's Bus Service Improvement Plan (BSIP) to the Exceat Bridge Replacement Project;**

**(4) Approve the amendments to the 2025/26 BSIP funding allocation, reflecting the reallocation of £4m of funding to the Newhaven bus priority scheme; and**

**(5) Delegate authority to the Director of Communities, Economy and Transport to take all actions necessary to achieve the completion of the offline two-lane replacement bridge ('Option A'), including but not limited to awarding any required construction contracts for the Bridge.**

## 1. Background

### Affordability of bridge and design options

1.1 Exceat Bridge spans the Cuckmere River on the A259 and is part of the Major Road Network. It is a key corridor between Eastbourne and Brighton, with an average annual daily traffic count of 11,500 vehicles and has morning and evening peaks of nearly 1000 vehicles per hour. The bridge creates a pinch point between Seaford and Eastbourne and was considered as a Levelling Up Fund bid given its strategic importance as a transport corridor and its poor condition. In 2021, ESCC was awarded £7,957,517 of Levelling Up Funding (LUF) towards the then estimated total cost of £10,590,517 for the replacement of Exceat Bridge with a new two-lane bridge on a better alignment and with improvements for pedestrians.

1.2 Since then the project has suffered significant delays and costs have increased by over £10m. Given the Council's current financial constraints, it is not currently possible to meet these additional costs from the Council's capital programme. Further information about the reasons for the increase to project costs were detailed in a report presented to Cabinet on 4 March 2025 (sections 1.2-1.6)

1.3 At the meeting on 4 March 2025, Cabinet were asked to consider the affordability of the project and the potential options for progressing the project. The options set out in that report are as follows:

- **Option A:** Continue with plans for an offline, **two-lane bridge** with planning approval, noting the considerable price increase from the original estimated costs.

- **Option B:** Replace the existing bridge with a **single-lane bridge** in the same location using secured LUF funding, subject to approval from the Government. It is anticipated that this could be done under permitted development rights, although this is subject to confirmation from the South Downs National Park Authority (SDNPA).

- **Option C: Refurbish the existing bridge** at ESCC cost, estimated at £2.5m. This option would require repayment of LUF funding. £4.543m has been received and £3.085m of this has already been spent.

1.4 Although the two-lane bridge ('Option A') remained the preferred option, the paper asked Cabinet to consider an alternative, on-line, single-lane bridge that would be within budget ('Option B'). The single-lane bridge would be very similar to the existing bridge, have fewer benefits for users and would require a 22 week road closure to construct; however, it could be delivered within the financial envelope available at that time.

**Additional funding**

1.5 East Sussex County Council has been working with bus operators, including Brighton and Hove Bus and Coach Company Limited (B&H Buses) and other stakeholders to deliver the East Sussex Bus Service Improvement Plan (BSIP). £41.4m of funding was secured from the Department for Transport for East Sussex's BSIP 1 in the autumn of 2022 for a variety of projects, including bus priority schemes along the A259 transport corridor.

1.6 Immediately prior to the 4 March Cabinet meeting, B&H Buses wrote to the Leader of the Council expressing concern about the prospect of an online single-lane replacement bridge and the associated road closures. They also expressed their view that, had the County Council not already had plans to replace Exceat bridge with a new two-lane, off-line, bridge they would have promoted improvements at Exceat bridge as a higher priority than other bus priority schemes in the BSIP.

1.7 They proposed that the County Council submit a Project Adjustment Request (PAR) to the Department for Transport (DfT) to request the reallocation of £11.128m funding from two BSIP 1 bus priority schemes (Newhaven Town Area -The Drove and Denton Roundabout, and the A259 Peacehaven Corridor) to the Exceat Bridge project. Further information regarding the impact of this on delivery of the Newhaven and Peacehaven schemes is set out in section 2 of this report.

1.8 The DfT have approved the request for £11.128m of the BSIP1 grant funding to be reallocated to Exceat bridge. The reallocated funding would remove the funding gap between the anticipated cost and available funding for the Exceat Bridge project, making it possible to continue with the original, preferred option, of an offline, two-lane bridge, should Cabinet agree to proceed on this basis. The DfT have also agreed an extension to LUF spending to 31 March 2026 (subject to the usual requirement that any draw down of funds is signed off by the Council's section 151 officer).

1.9 In order to deliver the proposed off-line two-lane bridge, the Council is required to acquire land not currently in its ownership. Due to issues in acquiring the land by agreement, Cabinet agreed on 18 July 2023 for the Council to make a Compulsory Purchase Order in order to secure the required land, and for a Side Roads Order and a Bridge Scheme to be made under the Highways Act 1980, both of which were required to support delivery of the project.

1.10 Consequently, on 3 October 2023, the Council in accordance with its statutory powers under the Highways Act 1980 made the East Sussex County Council (Exceat Bridge Replacement- A259 Eastbourne Road) Compulsory Purchase Order 2023 (the CPO). At the same time, the Council made two separate orders under the Highways Act 1980, namely the East Sussex County Council (Exceat Bridge Replacement- A259 Eastbourne Road) (Classified Road) (Side Roads) Order 2023 (the Side Roads Order) and the East Sussex County Council (Exceat Bridge Replacement- A259 Eastbourne Road) Bridge Scheme 2023 (the Bridge Scheme).

1.11 Although the CPO, the Side Roads Order and the Bridge Scheme (together the Orders) have been made by the Council, they do not become effective unless and until they are confirmed by the Secretary of State. If Cabinet agree to reallocate the BSIP funding, then it will be necessary to complete the purchase of land and for the necessary Orders to be confirmed before construction can commence.

1.12 In view of the objections submitted with the Department for Transport (DfT) against the Orders, the DfT has arranged a Public Inquiry to commence on 13 May 2025, which will run for several days, following which a decision on the Orders will be reached. The Council will continue to negotiate with those statutory objectors to remove the need for a CPO.

1.13 However, if for any reason the Council were no longer to proceed with the original scheme (Option A) and to instead pursue Option B, this would remove the justification for the Orders as set out in the Council's Statement of Case. The Public Inquiry is due to commence on 13 May 2025. Whilst it is technically still open to the Council to withdraw the Orders, this would be subject to DfT agreement. Given that objectors have been notified of the Public Inquiry, it cannot be guaranteed that agreement from the DfT would be forthcoming.

1.14 In addition, even if the DfT were to agree to withdraw the Orders, there is a risk that the landowners affected by the CPO make a financial claim against the Council for any loss or costs they have incurred in relation to the Public Inquiry. However, the Council will have to manage and minimise those costs should that situation arise. The Council will continue to focus on negotiations with those with interests in the relevant land in order to avoid the need for a CPO.

## 2. Supporting information - Bus Service Improvement Plan schemes

### Impact of Exceat Bridge Project on BSIP

2.1 The B&H Buses 'Coaster' bus services (compromising the 12, 12A, 12X and 13X bus services) make 1,250 bus journeys a week across the bridge. The Coaster services carry over 5 million passengers each year, equating to 21% of East Sussex's total bus patronage. B&H Buses report that the bridge is currently a major bottleneck for buses, adding to journey times, causing delays and unreliable journey times (including short running of services and regular whole service cancellations) that affect the whole route between Eastbourne and Brighton. If a two-lane bridge is not built and the single lane bridge is either refurbished or replaced, it would mean that the bridge continues to be a major disruptor to services, even if permanent traffic lights to control traffic are introduced.

2.2 Looking at the BSIP schemes along the A259 corridor between Eastbourne and Brighton, the Bridge scheme is the most time critical (with the requirement to use LUF funding by the end of 2025/26) and therefore considered to be the highest priority.

2.3 B&H Buses have also expressed their concern about the impact of the 22-week bridge closure necessary to complete the 'Option B' single-lane bridge. They have forecast a loss of around 20% patronage on the route if the required road closure was to go ahead. Due to the scale of the route, this would reduce East Sussex's bus patronage overall by over 5% and they have also forecast that it is likely to take at least seven years to rebuild usage. They have indicated that bus patronage on the Coaster services may never get back to current levels if a single lane bridge scheme, with associated road closures, is delivered.

### BSIP 25/26 Funding Apportionment

2.4 Table 1 provides an overview of the revised proposed high-level apportionment of the 2025/26 BSIP funding. This takes account of £11.128m of BSIP1 capital funding being transferred to deliver a two-lane bridge at Exceat and the desire to deliver bus priority on the A259 corridor at the earliest opportunity, with £4m of 25/26 BSIP capital being allocated to deliver the Newhaven bus priority scheme. Table 2 shows the original apportionment of 25/26 BSIP capital funding approved by Lead Member for Transport and Environment on 17 March 2025. There are no proposed changes to be made to the revenue apportionment.

Table 1: Overview of High-Level 2025/26 BSIP Funding Apportionment - PROPOSED

| | | 25/26 Allocation | |
|---|---|---|---|
| Capital | Traffic Light Priority | £555,000 | 12% |
| | Bus Priority | £4,000,000 | 88% |
| | Total | **£4,555,000** | |

Table 2: Overview of High-Level 2025/26 BSIP Funding Apportionment - ORIGINAL

| | | 25/26 Allocation | |
|---|---|---|---|
| Capital | Bus Priority | £1,600,000 | 37% |
| | Bus Stop Infrastructure | £1,250,000 | 27% |
| | Real Time Information | £1,250,000 | 27% |
| | Traffic Light Priority | £455,000 | 8% |
| | Total | **£4,555,000** | |

2.5 The transfer of the £11.128m of BSIP funding would result in a delay in delivery of one to two months of an existing BSIP1 bus priority schemes in Newhaven: Newhaven Town Area -The Drove and Denton Roundabout (the Newhaven bus priority scheme). There is also the potential that the scheme may need to be descoped to ensure it can be delivered within the available funding. In addition, transferring BSIP funding to the Exceat bridge scheme would result in the delay or cancellation of the A259 Peacehaven Corridor (the Peacehaven bus priority scheme). This would mean the current congestion and delays to buses currently experienced at this location would remain; however, B&H Buses (the primary bus operator in the affected areas) is content that resolving the congestion at Exceat is a higher priority.

2.6 It is therefore recommended that £4m (of a total of £4.55m) of 2025/26 BSIP capital funding is allocated for this purpose. However, this will require an amendment to the 2025/26 BSIP delivery plan and, as a result of this reallocation, delivery of the planned Bus Stop Infrastructure and Real Time Information (RTI) proposals will be delayed until additional funding is available. These schemes, as well as the Peacehaven bus priority scheme, would be prioritised for delivery using future BSIP funding, if and when the DfT announces future BSIP funding. If no further BSIP funding is received then we would not be able to deliver Peacehaven Bus Priority Scheme or the Bus Stop Infrastructure and RTI schemes.

2.7 Therefore, alongside the request to approve the transfer of £11.128m of BSIP1 funds to Exceat bridge, Cabinet is recommended to approve amendments to the 2025/26 BSIP funding allocation, reflecting the allocation of £4m of the 2025/26 funding to the Newhaven bus priority scheme as set out in Tables 1 and 2 above.

## 3. Supporting Information - Exceat Bridge Design Options

3.1 In light of the proposed reallocation of BSIP funding to support the Exceat bridge project, there remains three potential options to take the project forward:

**Option A:** Continue with the offline, **two-lane bridge** with planning approval. This is the Council's preferred option, but would require use of the secured BSIP funding from the Newhaven bus priority scheme and Peacehaven bus priority scheme to ensure the scheme is fully funded and remains subject to confirmation of the Orders (as set out above) and the final tender prices for the bridge scheme being within the current estimates.

**Option B:** Replace the existing bridge with a **single-lane bridge** in the same location using secured LUF funding, subject to approval from the Government. As set out above, it is anticipated that this could be delivered under permitted development rights, but this is subject to confirmation from the SDNPA. If this option is pursued, the BSIP 1 funding would be spent on the Newhaven bus priority scheme and the Peacehaven bus priority scheme as originally planned.

**Option C: Refurbish the existing bridge** at ESCC cost, estimated to be £2.5m. Pursuing this option would require the Council to repay the LUF funding awarded for the replacement of the bridge. £4.543m of LUF funding has been received and £3.085m of this has already been spent. Funding of £4.665m would need to be identified to fund the costs already incurred and additional costs not covered by the remainder of the National Productivity

Investment Funding (NPIF) grant. If this option is pursued, BSIP funding would be spent on Newhaven bus priority scheme and the Peacehaven bus priority scheme as originally planned.

3.2 Further details about these options are included in Table 3 below and details of how they would be funded at Table 4.

**Table 3: Exceat Bridge Options**

| Option | Cost | Road closures | Risks (financial and practical) | Benefits | Disbenefits |
|---|---|---|---|---|---|
| **A. Offline, two lane replacement bridge (planning approval secured)**<br>- 2 lane bridge on a safer alignment,<br>- New footway and crossing points,<br>- Viewing platforms,<br>- Street lighting,<br>- Bus stop improvements<br>- Shared meeting space<br><br>Completion date March 2027 | **£21.8m including £4.8m spend to date (subject to value engineering outcome)**<br><br>Further costs in relation to the CPO process may need to factored in. This may include funding the full costs of a public inquiry on the CPO, assuming those landowners who have objected to the CPO continue to refuse to negotiate reasonable terms for the necessary rights. | Around 19 days of full closures – not continuous and some closures could be carried out on less busy days. In addition, site safety would be managed by reducing the road to one lane for approximately 300m and controlling traffic with traffic lights, predominantly on the west side of the bridge. | Planning approval for the bridge site has been secured subject to fulfilment of planning conditions. Planning application for compound site to enable construction due to be submitted shortly.<br><br>This Option is conditional upon the Council being successful in the CPO to acquire the necessary rights to construct the new bridge and (as the bridge crosses a navigable waterway), confirmation by the Secretary of State of a Bridge Scheme. Public Inquiry being held 13 May.<br><br>Risk of cost overrun will sit with ESCC.<br><br>Further details on financial risks in section 2.4 | New 2 lane bridge (100 year plus lifespan)<br><br>Significant improvements in journey times/reliability and subsequent outcomes such as better connectivity between coastal towns.<br><br>Easier for buses and HGVs to turn onto the bridge.<br><br>Significant improvements for non-motorised users accessibility as a result of new footway.<br><br>Meets stakeholder and public expectations.<br><br>An Equality Impact Assessment was completed as part of the initial design and the new bridge would have a positive impact on those with and without protected characteristics.<br><br>**The original scheme had a benefit:cost ratio calculated at 2.15. We are currently recalculating the ratio using latest cost estimates.** | Delay to the delivery of other BSIP schemes. |

| | | | | | |
|---|---|---|---|---|---|
| **B. Replace the existing bridge like for like in the same location**<br>- Single lane bridge<br>- Permanent traffic lights<br>- Street lighting<br>- Puffin crossing<br>Further information including a diagram of the bridge is appended to the 4 March Cabinet report.<br><br>Completion date March 2026 | **£9.9m* (including £4.8m spend to date and £ 5.1m to complete plus abortive costs from Public Inquiry).**<br>NB. This does not include land and potential compensation and legal costs as an assessment of what further rights and orders are required will be undertaken following decision on option.<br>*This is based on a northside footway as is the current situation, but options to move this to the southside and enhance sustainable travel improvements will be explored. | Around 22 weeks of continuous, full road closures. The diversion route via the A27 would be 21.3 miles, which takes approximately 35-75 minutes during rush hour.<br><br>See Appendix 1 for further details about road closures | Reputational risk to communicating change of original plan due to significant road closure and impact on stakeholders and A259 strategic road network.<br>Risk of cost overrun will sit with ESCC.<br>Additional time and costs for permissions for any piling in third party land that sits outside of permitted development.<br>As assessment will need to be made on whether this can be constructed wholly within the boundary of the highway and/or land owned by the Council (permitted development confirmation needed from SDNPA) or if any third party rights are required. Based on the legal analysis carried out so far, it is likely that the Council will still need a Bridge Scheme to construct over the river which would need to be confirmed by the Secretary of State.<br>If SDNPA do not accept that Permitted Development Rights apply then a full planning application will need to be made. | New bridge (100 year plus lifespan)<br>Some minor improvements to congestion, journey time reliability and pedestrian safety/accessibility.<br><br>Does not require planning permission as it can be carried out within permitted development (subject to confirmation).<br>An Equality Impact Assessment was completed as part of the initial design and although the new bridge would have a positive impact on those with and without protected characteristics, these would not be as significant as option A. | Major disruption to journeys as a result of the road closure. See further details below.<br>* No improvements for buses and HGVs which find it difficult to make the sharp turn onto the bridge.<br>If the footway remains on the northside, pedestrians will still have to cross the road twice. |

| | | | | | |
|---|---|---|---|---|---|
| **C. Refurbishment of existing bridge**<br>**- Make temporary traffic lights permanent**<br><br>Completion date Late 2025 | **£7.3m (Estimated £2.5m completion costs (high level at this stage) and £4.8m spend to date) with an additional funding requirement of £4.7m (includes repayment of the expended LUF grant)**<br>NB. This does not include land and potential compensation and legal costs as an assessment of what further rights and orders are required will be undertaken following decision on option. | Estimated 10 weeks of continuous, full road closures. The diversion route via the A27 would be 21.3 miles, which takes approximately 35-75 minutes during rush hour.<br><br>See Appendix 1 for further details about diversions. | Unlikely to be funded by the Government and would require us to pay back LUF funding allocated to date.<br>Reputational risk to communicating change of original plan.<br><br>Provision should be made for the consequential write off of abortive costs should neither of Option A or B be taken forward. | May extend the life of the bridge by a few years.<br>Traffic lights have brought some improvements to journey times/reliability.<br>Does not require planning permission.<br>Is unlikely to require any third party rights nor a Bridge Scheme. | Current bridge not compliant with design standards set out in the Design Manual for Roads and Bridges (DMRB) or LTN1/20.<br>The bridge will still need replacement in the near future, and it is not known whether any external funding will be available. This will also require more road closures.<br>No improvement for road users on current situation. |

Table 4: Funding source for each option. Further details on spend so far are set out in Appendix 2.

| | **Spend to 24/25** | **25/26 and 26/27** | **Total** |
|---|---|---|---|
| **Option A – two lane bridge** | **£m** | **£m** | **£m** |
| **Costs** | **4.798** | **16.993** | **21.791** |
| **Funding** | | | |
| LUF grant | 3.085 | 4.873 | 7.958 |
| NPIF | 1.213 | 0.920 | 2.133 |
| LUF capacity | 0.000 | 0.271 | 0.271 |
| ESCC | 0.500 | 0.000 | 0.500 |
| BSIP | 0.000 | 11.128 | 11.128 |
| **Total Funding available/approved** | **4.798** | **17.192** | **21.990** |
| Additional funding requirement/(surplus) | | (0.199) | (0.199) |

| | **Spend to 24/25** | **25/26 and 26/27** | **Total** |
|---|---|---|---|
| **Option B – one lane bridge** | **£m** | **£m** | **£m** |
| **Costs** | **4.798** | **5.100** | **9.898** |
| **Funding** | | | |
| LUF grant | 3.085 | 4.873 | 7.958 |
| NPIF | 1.213 | 0.920 | 2.133 |
| LUF capacity | 0.000 | 0.271 | 0.271 |
| ESCC | 0.500 | 0.000 | 0.500 |
| **Total Funding available/approved** | **4.798** | **6.064** | **10.862** |
| Additional funding requirement/(surplus) | | (0.964) | (0.964) |

| | **Spend to 24/25** | **25/26 and 26/27** | **Total** |
|---|---|---|---|
| **Option C – refurbishment** | **£m** | **£m** | **£m** |
| **Costs** | **4.798** | **2.500** | **7.298** |
| **Funding** | | | |
| LUF grant | 3.085 | (3.085) | 0.000 |
| NPIF | 1.213 | 0.920 | 2.133 |
| LUF capacity | 0.000 | 0.000 | 0.000 |
| ESCC | 0.500 | 0.000 | 0.500 |
| **Total Funding available/approved** | **4.798** | **(2.165)** | **2.633** |
| **Additional funding requirement/**(surplus) | | **4.665** | **4.665** |

**Scheme costs overview for two lane Exceat Bridge project**

3.3 Jacobs provided a cost estimate in October 2024 for bridge construction based on the detailed design. This included the costs to construct the bridge, roadworks and any preliminary activities, inflation for both tender and construction and a large risk allowance. They are confident that their estimate is still robust. A Contingency has not been added as detailed design has been completed and risk is low. Since the October 2024 cost estimate, preliminary work has been carried out on identifying areas where value engineering could reduce the costs of the scheme. Jacobs are confident that savings could be made and such savings can then be used as contingency if necessary.

3.4 The other elements in the table below which complete the scheme costs relate to the exclusions within the Jacobs cost estimate (including site and property acquisition and public inquiry; statutory undertakers diversions; accommodation works, as well as the Jacobs (design) fees, legal fees and internal staffing resource).

3.5 The Construction contractor's fees have been calculated as a percentage of construction and preliminaries (including inflation and risk, as well as land acquisition, legal fees and costs of the Public Inquiry).

**Risks**

3.7 The Jacobs cost estimate has been reviewed and validated by the Council's Contract & Commercial Team. The team have an extensive knowledge of current market rates, construction methods and productivity rates as well as procurement and construction risks.

3.8 The Council's Internal Auditors have completed a high-level review of the cost estimate to ensure best industry practice and current market knowledge has been adopted.

3.9 As with all construction projects, there are inherent risks including supply chain issues (e.g. material shortages and price volatility), contractual issues (e.g. scope changes and contractual disputes) and construction site risks (e.g. unknown site conditions, protestor action, flooding etc.). These risks will be mitigated through careful contract management and the use of appropriate contract terms.

3.10 Inflation has been included in the estimate for design development risks, construction risks and scope change risks. Allowances have also been made for Tender Inflation and Construction Inflation (taken to the midpoint of construction) using the Building Cost Information Service Road Tender Price Index. The overall cost estimate accounts for the high level of inflation since the original LUF estimate was put together. At the time of the estimate in October 2024, inflation had returned to lower and more stable levels.

3.11 In the absence of a Quantified Risk Assessment, an ample risk allowance has been included in the construction cost estimate (10-15% might be expected at the final design stage). This level of risk allowance is appropriate for a high-level construction cost estimate and would make adequate allowance for both procurement and construction risks.

3.12 Jacobs are in the process of developing a quantified risk assessment now the detailed design is complete, which will result in a more refined risk allowance. It is expected that the result of this and further value engineering will reduce the current construction estimate.

3.13 The impact of the recent Tariffs imposed by the USA on the wider economy are unknown; however, it is considered that the known potential impacts of supply chain disruption and increased material costs are likely to be minimal on this project as the materials are expected to be sourced within the UK.

3.14 Optimism bias (a calculation designed to compensate for the tendency to underestimate costs and overestimate benefits, often used in economic impact assessments) has not been included in the estimate. This is in accordance with DfT Guidance, Tag Unit A1.2 Scheme costs, stating that optimism bias uplifts are only required for the economic case of a proposal.

3.15 Prior to construction award, a target cost for the construction will be prepared summarising the results of construction bids received and providing a clear and comprehensive evaluation and

recommendation for sign off by the Exceat Project Board prior to contract award. A further approximate £260k of the Jacobs project management costs, plus costs associated with the CPO public inquiry will be incurred at risk, should the tender evaluation not lead to contract award.

3.16 Other project risks:

| **Risk** | **Mitigations** |
|---|---|
| Delays to the project that would push it beyond the end of LUF and BSIP funding periods – e.g. discovery of protected wildlife, unexploded object, underground archaeology or utilities, delays in securing above permissions or in carrying out preliminary work such as optimisation of design, finalising target costs and programme etc. | Wildlife surveys have already been carried out. A UXO survey is planned as part of the design phase. A Utility survey has been completed. We have consulted with Designated Network Operators and have located utilities. There is no known archaeology on site.<br>Optimisation of the programme has been carried out and reduced by 6 months to 100wks. Further work will be done on the programme when we know the critical deadline for completion, particularly in terms of spending external funding.<br>The Programme is based on a 5-day week, so could reduce the length of the programme (at a cost) by weekend working. |
| Public Inquiry rejects CPO - unable to secure land to build bridge | External lawyers Sharpe Pritchard have been engaged to manage the CPO and Public Inquiry. |
| SDNPA refuse planning consent for main compound. | Pre-planning engagement with SDNPA has taken place. No major issues have been identified. |
| Failure to discharge planning conditions | SDNPA require all planning conditions to be discharged before work can commence on site. It may be possible to negotiate a staged completion of conditions to save time. Work will begin on discharging conditions if / when a decision to proceed with Option A has been made. Surveyors are on standby for this purpose. |
| SDNPA, Environment Agency or Marine Management Organisation do not agree changes to materials/methodology proposed as part of programme optimisation. Risk of funding gap or delays to the project meaning we lose funding. | Engagement will take place as early as possible. |
| Major flooding or adverse weather conditions during construction – delays/cost increase | Now using Boathouse as a compound which is more resilient to weather. No plant will be left on site due to risk of flooding/pollution. The Programme will take into account optimal time of year to avoid flooding/adverse weather as far as possible within other timescale constraints. |
| Securing compound land and compensatory land. Landowners requesting more compensation. | Engagement taking place via the Council's Property Team. We have discussed plans for the compound site with the landowner. |

## 4. Supporting Information - communication with stakeholders

4.1 The Project Team have kept LUF representatives from the DfT informed and they are understanding of the issues the project has faced. Internal and external stakeholders are receiving regular updates. Further details can be found at Appendix 3 to this report.

## 5. Conclusion and reasons for recommendations

5.1 The Council's preference has always been to complete the original proposal for an offline two-lane replacement bridge (Option A). However, this is only viable if additional external funding is identified. The diversion of BSIP funding from the Peacehaven and Newhaven bus priority schemes provides an opportunity to continue with Option A, subject to confirmation of the Orders by the Secretary of State and / or successful negotiations with the landowners.

5.2 Cabinet is therefore recommended to approve the diversion of £11.128m from the Newhaven and Peacehaven bus priority schemes already approved in the Council's BSIP programme to the Exceat Bridge Replacement Scheme and to proceed with the preferred option of a new offline, two-lane, replacement bridge ('Option A'). Cabinet is also recommended to approve the amendments to the 2025/26 BSIP funding allocation, reflecting the reallocation of £4m of funding to the Newhaven bus priority scheme.

5.3 To ensure the effective delivery of the project, Cabinet is recommended to delegate authority to the Director of Communities, Economy and Transport to take all actions necessary to achieve the completion of the 'option A' two-lane replacement bridge, including but not limited to awarding any required construction contracts for the Bridge.

**RUPERT CLUBB**

**Director Communities Economy and Transport**

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LOCAL MEMBERS

Councillors Adeniji, Lambert, MacCleary, S Shing, Denis, Bennett, Osborne, Collier, Robinson, Holt, Swansborough, Shuttleworth, Wright, Ungar, Belsey, di Cara, Tutt and Rodohan

## Appendix 1 - Impact of road closures

Note that options B and C will require extensive road closures for up to 22 weeks, which will cause major disruption to the A259 coast road. The shortest alternative route is through the villages of Litlington, Lullington and Alfriston. These narrow lanes are not suitable for an official diversion which would be via the A27. However, a diversion route can only be advisory and drivers are likely to take shortcuts through the villages causing unacceptable levels of traffic.

From Seaford (Sheep Pen Lane) to Eastbourne (Upperton Road) via Exceat Bridge is 7.6 miles, which takes approximately 14-26 minutes at rush hour on a weekday. The diversion route via the A27 would be 21.3 miles, which takes approximately 35-75 minutes during rush hour. (Source: Google Maps).

Figure 1: Route via Exceat Bridge

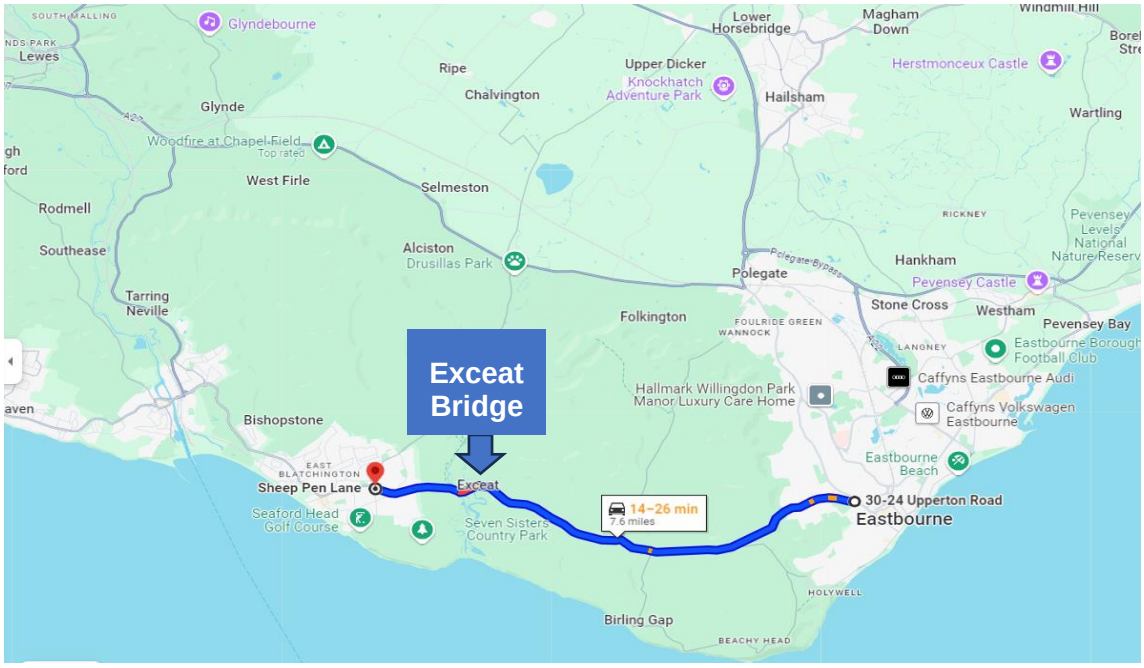
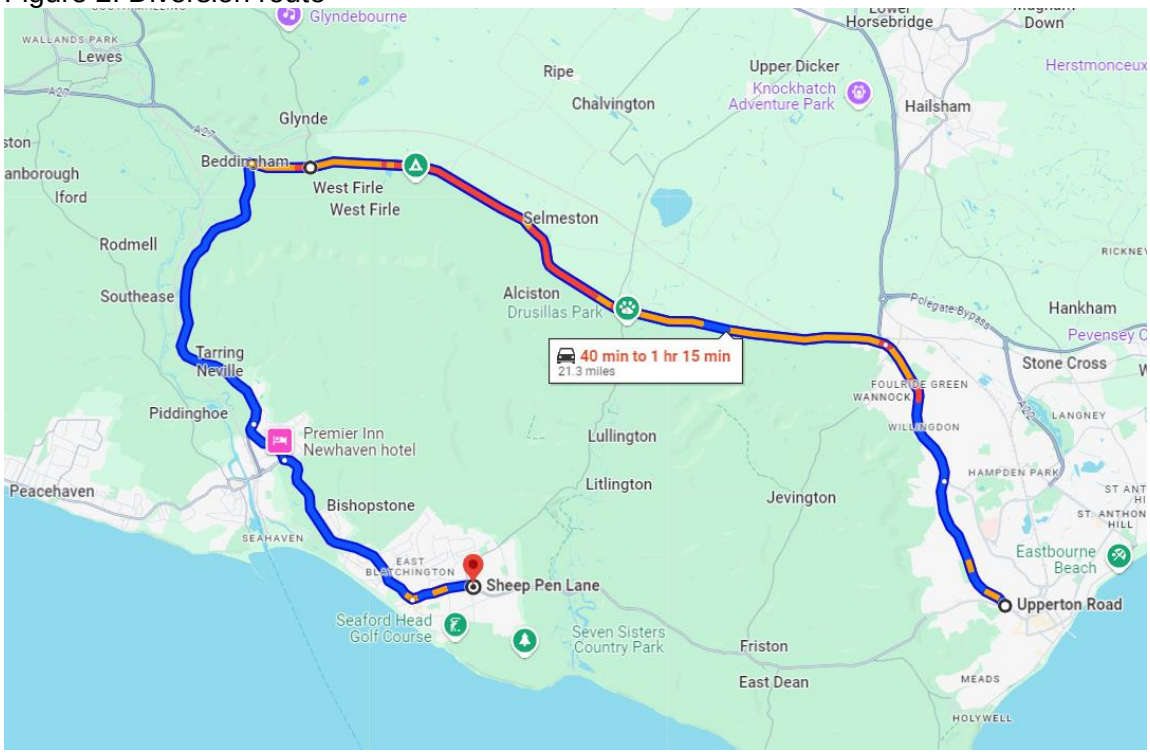



Figure 2: Diversion route



**Traffic on the A259**

The A259 is part of the major road network averaging an annual daily traffic count of 11,500 vehicles with morning and evening peaks of nearly 1000 vehicles per hour. Around 1,000 people work in Eastbourne from Seaford, Newhaven and Peacehaven, with around 800 travelling to work by car. Additionally, around 1,300 people from Eastbourne work in Brighton. It is heavily used by HGVs travelling between Eastbourne, Newhaven and Seaford.

There are 9 bus routes across the bridge. Brighton and Hove buses run up to 6 buses per hour. This would have a significant impact on people commuting between Newhaven, Eastbourne, Seaford and coastal communities, children travelling to school and visitors to the National Park.

**Potential Mitigations**

It may be possible to install a temporary footbridge to the south of the bridge using existing bailey bridge footings. This would mean that foot traffic could continue to cross the river during the road closure. Although it appears this may be within scope of permitted development, this relies on being able to evidence the bridge is removable and will likely require approval from the SDNPA, which could mean additional time to the programme.

If it is possible to install a footbridge then buses may be able to operate either side of the bridge with passengers walking over the bridge to continue their journey. Although it may not be possible for buses to turn around.

**Appendix 2 – Spend so far**

£4.798m has been spent on the project to the end of 2024/25, there is £6.064m remaining of the budget summarised below:

| Source | Total allocation | Spend to date | Remaining | Conditions |
|---|---|---|---|---|
| | £m | £m | £m | |
| Levelling Up Fund (LUF) funding | 7.958 | 3.085 | 4.873 | Capital, ringfenced, spend by 31st March 2026 tbc |
| LUF Capacity and capability funding | 0.271 | - | 0.271 | Revenue, unringfenced |
| National Productivity Investment Funding (NPIF) | 2.133 | 1.213 | 0.920 | Capital, unringfenced |
| East Sussex County Council (ESCC) Capital Funding (borrowing) | 0.500 | 0.500 | - | N/A |
| **Total** | **10.861** | **4.798** | **6.064** | |

The table below breaks down total spend to date by year:

| | Pre 2021/22 (pre LUF) £m | 2021/22 £m | 2022/23 £m | 2023/24 £m | 2024/25 £m | Total to 2024/25 £m |
|---|---|---|---|---|---|---|
| **Preliminary Design and Planning** | 1.713 | 0.304 | 0.441 | 0.006 | 0.015 | **2.480** |
| **Detailed Design** | - | 0.155 | 1.075 | 0.420 | 0.146 | **1.793** |
| **Legal Fees** | - | 0.000 | 0.029 | 0.066 | 0.030 | **0.124** |
| **Land Acquisition and Compensation costs** | - | - | 0.021 | 0.123 | 0.064 | **0.207** |
| **Enabling works** | - | - | - | 0.018 | 0.172 | **0.189** |
| **Spend Total** | **1.713** | **0.459** | **1.566** | **0.632** | **0.427** | **4.798** |

ESCC has received £4.543m of LUF funding to date, as well as £0.271m Capacity and Capability funding. This would almost certainly need to be paid back if the Government do not agree to a change in project scope. Of this £3.085m has been spent so far on the project. The NPIF funding would not need to be paid back.

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**Appendix 3 – Communications plan**

Regular updates are emailed to all relevant stakeholders and up to date information is available on the Exceat Bridge Project webpage.

Stakeholders include:

- Local councillors
- Local MPs
- Local residents and businesses
- South Downs National Park Authority
- Eastbourne Borough Council, Wealden and Lewes District Council
- Local Parish and Town Councils
- Landowners
- Bus companies
- Secamb
- National Highways
- The Environment Agency
- The Marine Management Organisation
- Individuals and organisations who have been in touch
- Relevant teams at the County Council

Internal and external stakeholders were informed by email on 24 February that Cabinet were being asked to consider the affordability of the project and whether to agree to the online, single lane bridge. A copy of the information provided to stakeholders regarding the single lane bridge is appended to the 4 March Cabinet report.

Stakeholders were informed on 7 March that the Council was investigating the possibility of using BSIP funding to meet the funding gap.

A further update on the proposals set out in this report was emailed on 10 April and the website was updated. A copy is included below.

We will continue to update all relevant stakeholders when key decisions are made or key milestones reached. Including:

- Cabinet's decision on 22 April
- In advance of any road closures or other major disruptions
- In advance of major construction work on site
- If there are any changes to published project timelines
- In advance of bridge opening
- Other progress updates that may be of interest.

**10 April 2025: Update on Exceat Bridge Replacement Project:**

Dear….

I am writing to give you an update on the Exceat Bridge Project. You will recall that we wrote to you in February to let you know that Cabinet would be considering the affordability of a new, two-lane bridge at Exceat. Due to a significant funding gap they were asked to consider replacing the bridge with a more affordable, single-lane structure instead.

However, the decision was deferred following a proposal from Brighton and Hove Bus and Coach Company to reallocate some of the funding from the Bus Service Improvement Plan to the Exceat Bridge Project. This would allow the Council to build the two-lane bridge as originally planned, with minimal road closures during construction.

The Department for Transport have approved our application for the bus funding to be reallocated. Cabinet will consider whether to approve the reallocation of funds and construction of a two-lane bridge at their meeting on 22 April.

If Cabinet agrees, work will continue to finalise designs, carry out pre-construction preparations, discharge the necessary conditions attached to the planning approval and progress with the public inquiry to secure the land necessary to construct the two-lane bridge. We would aim to start constructing the new bridge in spring 2026.

The proposed two-lane bridge would be built next to the existing bridge, meaning road closures would be for around 19 days in total. These closures would not need to be continuous, and some closures could be carried out on weekends or less busy times to reduce disruption.

We are grateful to the Brighton & Hove Bus and Coach Company for supporting the delivery of a two-lane bridge and for prioritising its delivery over other bus priority schemes. I have included further information below about the reason for the change.

The Cabinet meeting will be on 22 April and the report will be published on our website today: Agenda for Cabinet on Tuesday, 22nd April, 2025, 10.00 am | East Sussex County Council

**Information about reallocation of funding from the Bus Service Improvement Projects (BSIP):**

The scheme to provide a two-lane bridge at Exceat has always been a very high priority for both the County Council and Brighton & Hove Bus and Coach Company.

The Brighton & Hove Coaster service, which crosses the bridge, carries over 5 million passengers each year. The current bridge is a major bottleneck. It adds to journey times and causes delays at busy times that affect the whole route between Eastbourne and Brighton. This often results in significant delays, short running of services or whole route cancellations. Cuckmere Buses also use the bridge for local services. The proposed two-lane bridge would effectively remove the bottleneck.

The East Sussex Bus Service Improvement Plan identified the A259 from Brighton to Peacehaven as a key corridor, where changes could enable significant improvements to journey times and reliability for buses. A number of schemes were developed with funding from the Department for Transport's BSIP1 Grant. At the time of the BSIP1 funding application, the Exceat Bridge project was fully funded. Therefore the Council applied for funding for other schemes along the corridor. These included improvements to The Drove and Denton roundabout in Newhaven, and a bus priority scheme at Telscombe Cliffs in Peacehaven.

The Newhaven, Peacehaven and Exceat projects are very much a package of schemes. The two-lane bridge is a vital part of this package and the most time critical. Therefore, the bus company proposed that the Exceat bridge scheme is prioritised and funding that had been secured for the Newhaven and Peacehaven schemes be reallocated to the Exceat Bridge Project.

However, these schemes would not be forgotten. We are proposing to use our 2025/26 BSIP funding to deliver The Drove and Denton Roundabout bus priority scheme in Newhaven. We would also aim to deliver the Telscombe Cliffs to Peacehaven' bus priority scheme at the earliest opportunity with future BSIP funding.

I will update you with the outcome of the Cabinet meeting and next steps. This information will also be available on our website: Exceat Bridge Replacement Project.

| | |
|---|---|
| **Report to:** | **Cabinet** |
| **Date:** | **22 April 2025** |
| **By:** | **Chief Operating Officer** |
| **Title of report:** | **Internal Audit Strategy and 2025/26 Annual Audit Plan** |
| **Purpose of report:** | **To present the Council's Internal Audit Strategy and 2025/26 Annual Plan** |

**RECOMMENDATION:**

**Cabinet is recommended to review and endorse the Council's Internal Audit Strategy and 2025/26 Annual Audit Plan.**

## 1. Background

1.1 The Council's Internal Audit Strategy and Annual Plan 2025/26 (Appendix 1 and Appendix 2) sets out how the Council will meet its statutory requirements for internal audit, as defined within the Accounts and Audit Regulations 2015. The Internal Audit Strategy details the priorities for delivering an effective internal audit and counter fraud service, together with details of the quality assurance and performance management arrangements for the coming year. The Internal Audit Plan for 2025/26 is a risk-based programme of work, as set out at Appendix 1, developed in consultation with departments. A workshop was also held with members of the Audit Committee in January and comments made have been fed into the planning process.

1.2 The plan focusses primarily on strategic risks and issues, key priority projects and programmes, priority service reviews, core assurance areas (such as key financial systems) and grant claims, with the remainder of the direct audit days earmarked as emerging risks/contingency. In terms of key financial systems, these are subject to a cyclical programme of audits. In 2025/26, this work is expected to be more significant given the planned go-live of the Oracle Enterprise Resource Planning (ERP) solution in April 2025 and the extent to which so many key financial processes are dependent on this system.

1.3 The plan remains as flexible as possible in accordance with professional standards. One driver for this is the changing nature of the local government landscape, especially with new legislation associated with Local Government Reorganisation (LGR) and Devolution. Given the likelihood of the plan needing to flex within the year ahead, internal audit have identified, at the end of Appendix 2, additional audit assignments that may, on a risk-prioritised basis, be drawn into the internal audit workload if planned audits are postponed or cancelled.

## Supporting Information

2.1 The Accounts and Audit Regulations contain the expectation that Internal Audit will take into account public sector internal audit standards or guidance. It is therefore important to note that, with effect from 1 April 2025, the current Public Sector Internal Audit Standards (PSIAS) will be replaced by new Global Internal Auditing Standards (GIAS). As explained in the Strategy, although the introduction of these new Standards is likely to require some updating of internal documentation, such as the Internal Audit Charter, the impact on the approach to internal audit activities and methodologies is not considered to be significant. Work is currently underway to complete a self-assessment against the new GIAS, details of which will be reported to Corporate Management Team (CMT) and Audit Committee during 2025/26, along with actions arising from it.

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 2025/26 Annual Audit Plan which was endorsed by the Audit Committee at its meeting on 28 March 2025.

**ROS PARKER**
**Chief Operating Officer**

Contact Officers: Russell Banks
Tel No: 07824 362739
Email: Russell.banks@eastsussex.gov.uk

Appendix 1

# Internal Audit Strategy and Annual Audit Plan 2025-2026

East Sussex County Council

## 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 to this Strategy as Appendix B.

1.2 The purpose of Internal Audit, as defined within Global Internal Audit Standards (GIAS), is to 'strengthen the organisation's ability to create, protect, and sustain value by providing the board and management with independent, risk based, and objective assurance, advice, insight and foresight'.

1.3 Internal audit activity, and the organisation's response to it, enhances the organisation's:

- Successful achievement of its objectives;
- Governance, risk management and control processes;
- Decision making and oversight;
- Reputation and credibility with its stakeholders;
- Ability to serve the public interest.

## 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 2025/26 audit planning process:

2.3 Through this process, we are able to identify key areas for audit activity, including strategic risks and issues, key priority projects and programmes, priority service reviews, key financial systems, and grant claims. We also earmark time for emerging risk 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 our 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. For this year, this work is expected to be more significant given the planned go-live of the Oracle Enterprise Resource Planning (ERP) solution and the extent to which so many key financial processes are dependent upon this system;
- Previous reviews which resulted in 'minimal assurance' or 'partial assurance' audit opinions will be subject to specific follow-up reviews 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 2025/26 audit plan remains as flexible as possible, in accordance with professional standards. One driver for this is the changing nature of the landscape across the public sector, especially with new legislation associated with Local Government Reorganisation (LGR) and Devolution, which will create unitary authorities and

transform the current two-tier local authority model. Depending on final timescales, we anticipate additional calls upon Internal Audit toward the second half of the year as issues and risks emerge around this transformation, although at this stage the specific scope of our work cannot be fully defined. Regardless, Internal Audit will aim to do all it can to provide proactive advice, support and assurance around this major change activity.

2.7 Given the likelihood of the plan needing to flex within the year ahead, we have identified, at the end of Appendix A, additional audit assignments that may, on a risk-prioritised basis, be drawn into our workload if planned audits are postponed or cancelled. Given Internal Audit may also need to remodel as a service to adapt to the emerging position around LGR, we have included time within the audit plan to provide capacity to undertake this work, updates on which will be provided as the position becomes clearer.

2.8 In addition to all planned activity, formal action tracking arrangements remain 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.

2.9 The Internal Audit service for East Sussex County Council continues to be delivered in partnership with Surrey County Council and Brighton and Hove City Council. In so doing, 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 clients.

## 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.

3.3 A significant proportion of our work in 2025/26 will be in relation to the Council's new Enterprise Resource Planning (ERP) system, Oracle. With phase 2 (Finance, Procurement and Recruitment) of the implementation programme due to go-live in April 2025, we will assess the control environment across the whole system following implementation. We will also assess the proposed controls within Payroll (phase 3) which is due to go live in 2026.

3.4 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 2025/26 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.

3.5 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.

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

- Devolution / Local Government Reorganisation
- Compliance with New Procurement Regulations
- Transport for the South-East – Governance Arrangements
- Alternative Education Provision
- Implementation of Savings in Adult Social Care
- Artificial Intelligence
- Cultural Compliance Audits

3.7 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 management and internal control arrangements.

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, therefore further improving the value for money of the service. These include Horsham District

Council, Hastings Borough Council, Elmbridge Borough 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 wider service, maximising the value from the broad range of skills and experience available. In the small number of instances where sufficient expertise is not available from within the service, 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 2025/26 (expressed in days), compared to the equivalent number of planned days in previous years. As can be seen, the total estimated resource for 2025/26 remains the same as in the previous year. 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**

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|---|---|---|---|---|
| **ESCC Audit Plan Days** | 1,495 | 1,445 | 1,520 | 1,520 |
| **East Sussex Pension Fund Plan Days** | 100 | 75 | 75 | 75 |
| **Total** | **1,595** | **1,520** | **1,595** | **1,595** |

## 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 2024/25 plan;

[1] Global Internal Audit Standards (GIAS)

- Advice, Management, Liaison and Planning - an allowance to cover provision of ad hoc advice on risk, audit and control issues, audit planning and annual reporting, ongoing liaison with service management and Members, and audit management time in support of the delivery of all audit work, planned and unplanned.

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

## 7. Training and Development

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

7.2 The team is also committed to coaching and mentoring its staff, and to providing opportunities for appropriate professional development. This is reflected in the high proportion of staff holding a professional internal audit or accountancy qualification, as well as numerous members of the team continuing with professional training during 2025/26.

## 8. Quality and Performance

8.1 With effect from 1 April 2025, all internal audit teams in the public sector will be working to new internal audit standards, being a combination of 'Global Internal Audit Standards' (GIAS) and the 'Application Note, GIAS in the UK Public Sector'. Whilst these Standards replace the previous Public Sector Internal Audit Standards (PSIAS) and are likely to require some updating of internal documentation, such as the Internal Audit Charter, the impact on our approach to internal audit activities and methodologies is not considered to be significant.

8.2 Work is currently underway to complete an updated self-assessment against the new GIAS, details of which will be reported to CMT and Audit Committee during 2025/26, along with actions arising from this. In the meantime, the service will continue to maintain an ongoing quality assurance and improvement programme based on the previous Standards, which also required an independent external assessment of the service at least every five years.

8.3 The results of our latest external assessment, completed by the Chartered Institute of Internal Auditors (IIA) in autumn 2022, were reported to Audit Committee in March 2023. Internal Audit was assessed as achieving the highest level of conformance available against professional standards with no areas of non-compliance identified, and therefore no formal recommendations for improvement arising. In summary, the service was assessed as:

*Excellent in:*
- Reflection of the Standards
- Focus on performance, risk and adding value

*Good in:*
- Operating with efficiency
- Quality Assurance and Improvement Programme

*Satisfactory in:*
- Coordinating and maximising assurance

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

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

8.6 Along with the individual reports to management for each audit assignment, reports on key audit findings and the delivery of the audit plan are prepared for CMT and the Audit Committee on a quarterly basis. An Annual Internal Audit Opinion is also produced each year.

8.7 Whilst 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** | • Annual Audit Plan agreed by Audit Committee<br>• Annual Audit Report and Opinion<br>• Customer Satisfaction Levels | By end April<br>By end July. To inform Annual Governance Statement (AGS)<br>90% satisfied |
| **Productivity and Process Efficiency** | • Audit Plan – completion to draft report stage by 31 March 2026<br>• Audit Day – percentage of planned days delivered by 31 March 2026 | 90%<br>90% |
| **Compliance with Professional Standards** | • Global Internal Audit Standards<br>• Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act | Conforms<br>Conforms |

| | | |
|---|---|---|
| **Outcomes and degree of influence** | • Implementation of management actions agreed in response to audit findings | 97% for high priority actions |
| **Our Staff** | • Professionally Qualified/Accredited | 80% |

Russell Banks
Orbis Chief Internal Auditor

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# INTERNAL AUDIT PLAN 2025/26

East Sussex County Council

**Planned Audit Reviews**

| Review Name | Outline Objective |
|---|---|
| **Key Financial Systems (Oracle)** | |
| Note: For the following key financial systems, this is the first time that they will be subject to audit review in the Council's new Enterprise Resource Planning (ERP) system, Oracle, which is due to go live in April 2025. | |
| Procure to Pay | To review the processes and controls relating to the procure to pay system within Oracle, including those in place for ordering, the creation and maintenance of vendor details, and the payment of invoices. |
| Accounts Receivable | To review the processes and controls relating to the accounts receivable system, including those in place for ensuring the accuracy of customer details, completeness, accuracy and timeliness of invoicing, recording and matching payments to invoices, and debt recovery. |
| HR Recruitment | To review the processes and controls relating to the use of Oracle within the recruitment process. |
| Revenue Budgetary Management | To review the Council's revenue budget management arrangements. |
| General Ledger | To review controls in relation to the Council's general ledger, including in relation to year-end procedures, journal transfers, bank reconciliation and cash management. |
| 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. |
| Children's Services Liquidlogic (LCS) and Controcc Systems | A review to assess the adequacy of controls within the LCS (client information and case management system for Children) and Controcc (the social care payments and billing system), 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. |
| Adults Social Care and Health Liquidlogic (LAS) and Controcc Systems | A review to assess the adequacy of controls within the LCS (client information and case management system for Adults) and Controcc (the social care 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. |
| **Key Financial Systems (SAP)** | |
| Note: Oracle Payroll is due to go-live in 2026. Pending this implementation, we will continue to undertake the annual review of Payroll in SAP, as follows: | |

# INTERNAL AUDIT PLAN 2025/26

East Sussex County Council

| Review Name | Outline Objective |
|---|---|
| Payroll | To review compliance with key controls within the Payroll system within SAP, including controls in relation to pre-employment checks, starters, leavers, temporary and permanent variations of pay. |
| **East Sussex Pension Fund** | |
| Governance Arrangements | This review will focus on the controls in place to ensure that Pension Fund roles and responsibilities are sufficiently well defined, documented and understood to ensure that the accountability and resilience of the Fund are maintained in the face of the loss of key personnel. |
| Preparedness for Pooling Reforms | A review to provide assurance that appropriate governance and controls are in place to manage the transition to new investment pooling arrangements in accordance with legislative requirements. |
| Investments | A review to assess the adequacy of controls over the Fund's investments, including the safeguarding and performance of investments, the valuation of assets, compliance with investment regulations and receipt of investment income. |
| The Administration of Benefit Payments | To review controls to ensure that the right pension benefits are paid to the right people, at the right time. We will also test controls over transfers to and from the Pension Fund and the maintenance of the Fund's data. |
| **Key Governance Arrangements** | |
| 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. |
| **Strategic Risks/Projects** | |
| Devolution/Local Government Reorganisation | To provide support, advice and assurance to the Council on matters of risk, governance and control as the changing local government landscape under Devolution and Local Government Reorganisation starts to become clearer. |
| Oracle Post Phase 1 and 2 Go-Live Activity | This is in addition to the key financial systems above and will cover risk areas including system access and security, programme governance and risk management arrangements, and business continuity. |
| Oracle Phase 3 – Payroll Implementation | To assess the adequacy of control within the proposed business processes for Payroll, prior to its implementation in 2026. |
| Implementation of Procurement Regulations 2024 | A review of the effectiveness with which the new regulations have been implemented and embedded within Council rules and procedures, and how they are being complied with and monitored across the organisation. |
| **Other Areas** | |
| Transport for the South-East – Governance Arrangements | Transport for the South-East is the sub-national transport body for the South-East of England. Its purpose is to determine what investment is needed to transform the region's transport system and drive economic growth. The |

# INTERNAL AUDIT PLAN 2025/26

East Sussex County Council

| Review Name | Outline Objective |
|---|---|
| | partnership is made up of 16 local authorities, representatives of district and borough authorities, protected landscapes and national deliver agencies. ESCC is the accountable body for the partnership and is responsible for the funding it holds. We will review the governance and financial management arrangements in place where there are both financial and reputational risks to the Council should these not be robust. |
| Section 17 Payments | Section 17 of the Children Act 1989 requires local authorities to safeguard and promote the welfare of children in need in their authority, and to promote the upbringing of such children by their families so far as is consistent with the duty. Requests for assistance may relate to one-off funding to support a specific need, or placements where it is not appropriate for the child to remain in the family home. We will review the arrangements in place for the application, approval, provision and revocation of Section 17 Payments. |
| Deprivation of Liberty Safeguards (DoLS) | Deprivation of Liberty Safeguards (DoLS), included in the Mental Capacity Act (2005), ensure individuals who cannot consent to their care arrangements in a care home are protected if those arrangements deprive them of their liberty. We will assess compliance with legislation and regulations in this area. |
| Cultural Compliance Reviews | To provide assurance over basic management controls within a sample of teams across the organisation, assessing compliance with key Council policies and procedures. |
| **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. |
| **ICT Audit** | |
| Add Your Own Device | Councils are encouraging officers to use their personal devices to support their work, particularly mobile phones, in order to support savings targets. This audit will review the arrangements in place to ensure that risks from this approach, which could include an increase in data breaches, are appropriately managed. |
| Online Safety Act (Compliance) | The Online Safety Act 2023 is a new set of laws that protect children and adults online. It puts a range of new duties on social media companies and search services, making them more responsible for their users' safety on their platforms. Whilst the act primarily targets online platforms and services, it also has implications for local government in the UK. This audit will review the controls in place to help ensure the Council complies with the relevant elements of the Act. |

# INTERNAL AUDIT PLAN 2025/26

East Sussex County Council

| Review Name | Outline Objective |
|---|---|
| Artificial Intelligence Tools | In order to maximise efficient ways of working, the Council is exploring Artificial Intelligence and other similar tools, including Co-Pilot. This audit will assess the controls in place to manage the risks associated with these tools, including that key decisions could be made based on information that is incorrect or inaccurate. |
| General Data Protection Regulations Compliance (GDPR) - Covert Recording | With mobile devices more readily available, the Council is seeing an increase in the use of 'covert recording' of conversations which contain personal or sensitive information. This audit will review the controls in place to manage the risks of data breaches and ensure that officers clearly understand their responsibilities with regard to covert recordings. |
| Microsoft Tools Data Governance (including Power BI) | The Council use a number of powerful tools to manage, manipulate and report on data from systems, with these tools also used to support the transfer of data from one system to another. This audit will review the arrangements in place to ensure that risks associated with data protection and accuracy are appropriately mitigated. |
| IT Training | With Councils more reliant on Information Technology and data than ever before, it is important that the workforce understands the risks associated with these. This audit will consider the IT Training available to staff to ensure it is fit for purpose for a modern workforce, focusing particularly on the suitability of training to raise awareness of cyber and information governance related risks. |
| Shadow IT – Governance Arrangements | Shadow IT services cover all computer systems and applications used by the Council which are outside the direct control of IT & Digital (IT&D). Where these services and applications are hosted outside of the Council's network infrastructure and IT&D provide limited or no technical support, the risks to the security and availability of the data held is greatly increased. This audit will evaluate the effectiveness of the internal control framework to ensure that key risks, including access control, data management (retention and deletion), system ownership, updates and business continuity arrangements are considered at the point of procurement. |
| **Follow-Up Reviews** | |
| Mental Health Services – Compliance with Corporate and Local Procedures | Follow-up reviews of the previous audits in these areas, all of which received partial assurance opinions. The work will assess the extent to which the agreed actions have been implemented as expected, in order that the control environment is strengthened within the area under review. |
| Home Care Contract Management | |
| External Funding | |
| **Grant Certification** | |
| Highways Maintenance Block Integrated Transport Funding | To check and certify the grant in accordance with the requirements of the Department for Transport. |

# INTERNAL AUDIT PLAN 2025/26

East Sussex County Council

| Review Name | Outline Objective |
|---|---|
| Bus Services Operators Grant | To check and certify the grant in accordance with the requirements of the Department for Transport. |
| 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. |
| Childcare Expansion Capital Grant | To check and certify the grant in accordance with the requirement of the Department for Education. |
| Multiply Grant | To check and certify the grant in accordance with the requirement 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. |
| Internal Audit and Fraud Management | Overall management of all audit and counter fraud activity, including work allocation, work scheduling and Orbis Audit Manager meetings. |
| Audit Committee Reporting, Attendance and Other Member Support | Production of periodic reports to management and Audit Committee covering results of all audit and anti-fraud activity. |
| 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. |
| Impact of Local Government Reorganisation on Orbis Internal Audit | Capacity for the service to consider and manage the potential time implications of Local Government Reorganisation on internal audit and counter fraud services, in order to ensure these remain effective and fit for purpose. |
| Orbis Internal Audit Developments | Internal Audit and counter fraud service developments, including quality improvement and ensuring compliance with Global 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). |
| 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. |

# INTERNAL AUDIT PLAN 2025/26

East Sussex County Council

| Review Name | Outline Objective |
|---|---|
| Contingency | A contingency budget to allow for effective management of the annual programme of work as the year progresses. |

| **Other Potential Auditable Areas**<br>These are potential audits that could be drawn into the 2025/26 annual programme of work on a risk-basis should other audits be postponed or deferred, or should available contingency time allow for it. In the event that any of these reviews are not completed in 2025/26, they will be considered for inclusion in future year's audit plans. |
|---|
| Microsites |
| Property Services Programme Management |
| IR35 Compliance |
| Corporate Induction Arrangements |
| Capital Budgetary Control |
| Alternative Education Provision Commissioning |
| Unaccompanied Asylum-Seeking Children |
| ASCH Implementation of Savings |
| Care Quality Commission Assessment Outcomes |
| ASCH Care Assessments and Reviews |
| Financial and Benefit Assessments |
| Hospital Discharges |
| Household Support Fund |
| ASCH Budget Management |
| Integrated Community Teams |
| Highways Maintenance |
| Local Enterprise Partnership Transition and Compliance |
| Sussex Safer Roads Partnership |

| | |
|---|---|
| **Report to:** | **Cabinet** |
| **Date of meeting:** | **22 April 2025** |
| **By:** | **Chief Finance Officer** |
| **Title:** | **External Audit Plan 2024/25** |
| **Purpose:** | **To inform Cabinet of the content of the Council's External Audit Plan for 2024/25** |

**RECOMMENDATION:**

**Cabinet is recommended to approve the content of the External Audit Plan for 2024/25.**

## 1. Background

1.1 The External Audit Plan for 2024/25 (Appendix 1) provides an overview of the planned scope and timing of the statutory audit of the Council's accounts and identifies any significant risks. Grant Thornton (GT), as the Council's external auditors, must form and express an opinion on the financial statements for the Council.

## 2. Supporting information

*2024/25 Financial Statements*

2.1 The External Audit Plan identifies a number of risks that require audit consideration as they could potentially cause a material error in the financial statements. These are:

- ISA (UK) 240: Management override of controls: there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities;
- The revenue cycle includes fraudulent transactions; under ISA (UK) 240 there is a presumed risk that revenue maybe misstated due to the improper recognition of revenue (this presumed risk has been rebutted);
- The expenditure cycle includes fraudulent transactions. Under Practice Notice 10 there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure;
- Valuation of land and buildings;
- Valuation of Pension Fund net asset/liability – the assumptions applied by the professional actuary in their calculation.

2.2 The plan sets out the audit procedures that will be undertaken to address the risks set out in 2.1.

2.3 The plan sets out the approach GT will take in providing the Value for Money assessment. Interim work has highlighted a significant weakness with regard to Financial Sustainability. This is no surprise given the financial challenges the Council faces, and the report sets out the additional risk-based procedures that will be undertaken to assess what weaknesses do exist. A separate Annual Value For Money Report will be provided in due course.

2.4 The proposed timeline is to undertake the year end audit between October to December 2025, reporting an update to the Audit Committee on 21 November 2025, with the Auditor's Annual Report to the Audit Committee on 13 February 2026. Whilst the statutory deadline for the publication of the draft

2024/25 statement of accounts for public inspection is 30 June 2025, it is planned to publish by 31 May 2025, although the implementation of the new Oracle Fusion financial system may impact on this timeline.

2.5 The proposed audit fee, before variations, for 2024/25 is £292,486 (2023/24 - £279,996). The fees are set through contract management and procurement by Public Sector Audit Appointments (PSAA).

## 3. Conclusion and reasons for recommendation

3.1 The External Audit Plan provides an overview of the planned scope and timing of the statutory audit of the Council's 2024/25 accounts and identifies any significant risks. Cabinet is recommended to approve the 2024/25 audit plan, as set out in Appendix 1.

**IAN GUTSELL**
**Chief Finance Officer**

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Grant Thornton

# The Audit Plan for East Sussex County Council

Year ending 31 March 2025

28th March 2025

APPENDIX 1

# Contents


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# 01 Key developments impacting our audit approach

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# Local Government Reorganisation

## External factors

### English Devolution White Paper and Local Government Reorganisation

On 16 December 2024 , the Secretary of State for Housing, Communities and Local Government, Angela Rayner, Presented to Parliament the English Devolution White Paper.

The White Paper sets out the direction of travel for the devolution of power across England. Devolution is seen by the government as being fundamental in achieving change. The government's aim is for devolution to promote growth, a joined-up delivery of public services, and politics being done with communities, not to them. The goal is universal coverage of strategic authorities in England.

Strategic authorities will be a combination of pre-existing Combined Authorities and Mayoral Strategic Authorities (MSAs). They will be funded through an integrated settlement which can be used by the Authority across housing, regeneration, local growth, local transport, retrofit, skills and employment support. This removes the complexity of numerous grants, conditions and reporting requirements, simplifying it into a single mutually agreed outcomes framework monitored over a supply review period. In combination with this Mayors will be given more control over the devolution of transport, skills & employment support, housing and planning, environment and climate change, supporting business and research, reforming and joining up public services.

The government plans to facilitate a programme of local government reorganisation for 2-tier areas across England. It will also facilitate the reorganisation of unitary councils where there is evidence of failure, or where their size and/or boundaries are a hinderance to local decision making. This will be done in a phased approach and for most will mean creating councils serving a population of 500 000 or more. Along with devolution government wants to reset its relationship with local government, end micro-management and enable local governments through multi-year settlements.

The next steps are:

- A widening and deepening of devolution, expanding on the 2 new Mayors and 6 non-mayoral devolutions already noted in the white paper, with a priority programme for those with plans ready for action;
- An invitation from all remaining 2-tier areas and unitary councils where appropriate, to submit proposals for local reorganisation;
- And re-committing to the English Devolution Bill by putting the devolution framework into statute and moving to a systematic approach that ensures local leaders have the powers they need.

### Update

The Authority has presented papers to Full Council and Cabinet on the 20 March 2025 which set out the positions for Devolution and for the Local Government Reorganisation

### Devolution and Mayoral Authority

The Authority is currently responding to the Government Consultation on being part of the Devolution Priority Programme.

### Local Government Reorganisation

Jim McMahon, Minister for Local Government and English Devolution, wrote to two-tier authorities in February 2025 to set out a timetable for reorganisation proposals to be submitted. Proposals for East Sussex are required by 21 March 2025, with a Full Business Case by 26 September 2025 and a decision is expected to be made by Spring 2026.

We will be meeting regularly with senior management to discuss these matters and to fully understand the proposals.



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# Local Audit Reform

## External factors

### Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

The government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:

- Coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers;
- Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
- Setting the Code of Audit Practice;
- Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies;
- Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- setting out the vision and key principles for the local audit system;
- committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- enhancing capacity and capability in the sector;
- strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

### Our Response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market.

We have also signed 83% of our 2023/24 Audits, by the backstop date with the residual audits being unable to signed due to external factors. We will work with the Ministry of Housing, Communities and Local Government (MHCLG), with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.



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# Key developments impacting our audit approach

## National Position

Local governments face many challenges, the pandemic along with the cost-of-living crisis has left local governments with economic, social, and health challenges to address:

**Staffing**: A key challenge facing councils in maintaining service sustainability is the growing difficulties in relation to workforce recruitment and retention. Councils struggle to attract and retain qualified staff, especially younger talent. Many councils have outdated recruitment processes and are heavily reliant on agency staff.

**Continuing challenges in Adults' and Children's Social Care:** There continue to be increases in the demand and complexity of social care services that the Council is obligated to provide. This is accompanied by increases in the costs charged by service providers amidst staff shortages in the area. This is expected to be one of the steepest challenges facing the Council in maintaining financial sustainability.

**Funding :** Local governments face many challenges in securing funding, including declining grant income, slow tax revenue growth, and rising demand for services. These challenges can make it difficult for local government to balance their budgets, assess their revenue base, enforce taxes, and prevent tax evasion. Social care costs, maintaining aging infrastructure, SEND and homelessness are driving up council spending and cuts to discretionary services impact local communities. Strained budgets are making it challenging to fund essential services, infrastructure projects and the ongoing stream of section 114 notices will not come as a surprise this year.

**Digital Transformation :** The fast pace of technological advancement poses both opportunities and challenges for local government. The adoption of digital tools and platforms is crucial for improving service delivery, enhancing communication and streamlining administrative processes. However, many communities still lack access or ability to navigate essential technology which creates a digital divide. Local government needs to ensure inclusivity in its digital strategies, addressing disparities and ensuring all residents can benefit from the opportunities technology offers.

**Cybersecurity:** Local government needs to protect against malware and ransomware attacks. They also need to navigate central government policy shifts and constraints. With increased reliance on digital platforms, they become more vulnerable to cyber threats. Safeguarding sensitive data and ensuring the integrity of critical systems are paramount and local authorities must invest in robust cybersecurity measures, employee training and contingency plans to protect themselves.

**Audit Backstop:** In September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published for years ended 31 March 2025 by 29 February 2026. The Statutory Instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements. This legislation does not currently have any impact on the financial statements audit for East Sussex County Council and we do not expect it to have any impact going forwards as the audit opinion has not had to be disclaimed.

**Climate change**: As the impacts of climate change become increasingly evident, local government plays a pivotal role in mitigating and adapting to these changes. The UK's targets for achieving net zero carbon emissions and local authority pledges must align into cohesive policies with common goals. This includes ongoing local economy investment in renewable energy, promoting sustainable transportation and implementing measures to enhance resilience against extreme weather events.

## Our Response

Despite councils' best efforts, financial pressures are affecting the scale, range and quality of council services provided to local residents. The clearest evidence of this is that councils' service spending is increasingly focused on adult and children's social care, SEND and homelessness. Ultimately spending is increasingly concentrated on fewer people, so councils are less able to support local and national agendas on key issues such as housing, economic growth, and climate change

Sound strategic financial management, collaboration with other levels of government and exploring alternative funding sources are vital for local authorities to overcome financial constraints and deliver quality services.

Our value for money audit work continues to identify significant weaknesses in all criteria of the Code of Audit Practice. This shows that local authorities are facing increasing pressure to provide services while managing change and reducing costs. We understand that the environment in which our audited bodies operate is dynamic and challenging and this understanding allows us to have insightful conversations and adapt our approach to delivering our audit work accordingly.

We know the difficulties and challenges faced within our Local Authority bodies and know there is a focus on improving quality and reducing costs. We will work with you as you strive to deliver these aims.



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# Key developments impacting our audit approach

| Local Context | Our Response |
|---|---|
| • The Council set a balanced budget for 2024/25, however this has required further use of the Financial Management Reserve of £14.3m to do so. At quarter 3 of 24/25 there is evidence that financial risks are emerging, and the Council is showing an aggregate total overspend of £24.8m. This is mostly relating to a forecast overspend by Children's Services of £15.4m and a further forecast overspend of Adult Social Care of £9.9m. The net impact on the Council is an unplanned draw from the financial management reserve of £11.8m in 2024/25. In this context, to address the projected in-year overspend and reduce the required draw from reserves, the Council continues to take a number of actions to reduce spending in 2024/25, including; additional controls on spending; an updated recruitment protocol and reviewing proposed savings for 2025/26 to identify whether actions can be brought forward into 2024/25.<br>• The latest medium term financial position demonstrates that the Council has an £56.1m budget gap across the 3-year period (25/26 to 27/28) which could be a further pressure on reserves, which are not sufficient to fund the deficit, limiting the opportunity to replenish reserves to respond to future financial risks.<br>• The council are currently in the final stages of implementation of a new finance system which is set to go live in April 2025, at the start of the 25/26 financial year. Significant resource has gone into the development of this new system and the go live date has been pushed due to the system not being ready, however now these issues are resolved go live is set for April 2025.<br>• Further to this, the council will be involved in discussions after the publishing of the English Devolution White Paper, considering the likely impact on the East Sussex Area. | • A risk factor has been scoped into our VFM work in relation to the financial sustainability of the council. See pages 28-31 for further details of our risk assessment in this area. |
| **New accounting standards and reporting developments** | |
| • Local authorities will need to implement IFRS 16 Leases from 1 April 2024. The main difference from IAS 17 will be that leases previously assessed as operating leases by lessees will need to be accounted for on balance sheet as a liability and associated right of use asset. More information can be found in the following slides. | • As part of our planning procedures, we will be completing a detailed review of the authority's implementation of IFRS 16. This will be followed by interim testing where we plan to begin testing the opening balances for this. More information can be found on the following slides. |



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# Key developments impacting our audit approach (continued)



**Our commitments**

- As a firm, we are absolutely committed to audit quality and financial reporting in local government. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Chief Finance Officer.
- To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working. We are meeting with your finance team to agree ways of working for the audit. The areas of the audit which tend to take longer or where we experience some delays tend to be sample tests which require team members who are not directly involved in producing the financial statements. Our preference would be that during fieldwork we agree to work on site for part of the week in a location which would allow us increased direct access to these team members to discuss, chase and resolve sample testing issues face to face. We will be agreeing this during April.
- We meet with your Chief Executive quarterly, and with the Chief Finance Officer regularlyas part of our commitment to keep you fully informed on the progress of the audit, and to ensure that we are fully aware of developments at the Authority.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit Committee, to brief them on the status and progress of the audit work to date.
- Our Value for Money work will continue to consider the arrangements in place for you to secure economy, efficiency and effectiveness in the use of your resources.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources via our Audit Committee updates.
- We held annual financial reporting workshops during early March for our audited bodies to access the latest technical guidance and interpretation , discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector. Your key finance team members attended this workshop.

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# IFRS 16 Leases

## Summary

IFRS 16 Leases is now mandatory for all Local Government (LG) bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

## Introduction

IFRS 16 updates the definition of a lease to:

- "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration." In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major change from the requirements of IAS 17 in respect of operating leases.

There are however the following exceptions:

- leases of low value assets (optional for LG)
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating). However, if an LG body is an intermediary lessor, there is a change in that the judgement, as to whether the lease out is an operating or finance lease, is made with reference to the right of use asset rather than the underlying asset. The principles of IFRS 16 will also apply to the accounting for PFI assets and liabilities.

## Systems and processes

We believe that most LG Bodies will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance
- accounting for what were operating leases
- identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate

## Planning enquiries

As part of our planning risk assessment procedures, we are discussing the authorities work and approach around IFRS 16. During our interim audit testing we will aim to complete as much work as possible surrounding the changes to financial reporting for IFRS 16 as well as begin sample testing for the opening balances.



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# 02 Introduction and Headlines

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# Introduction and headlines

## Purpose

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

## Respective responsibilities

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

## Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

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

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



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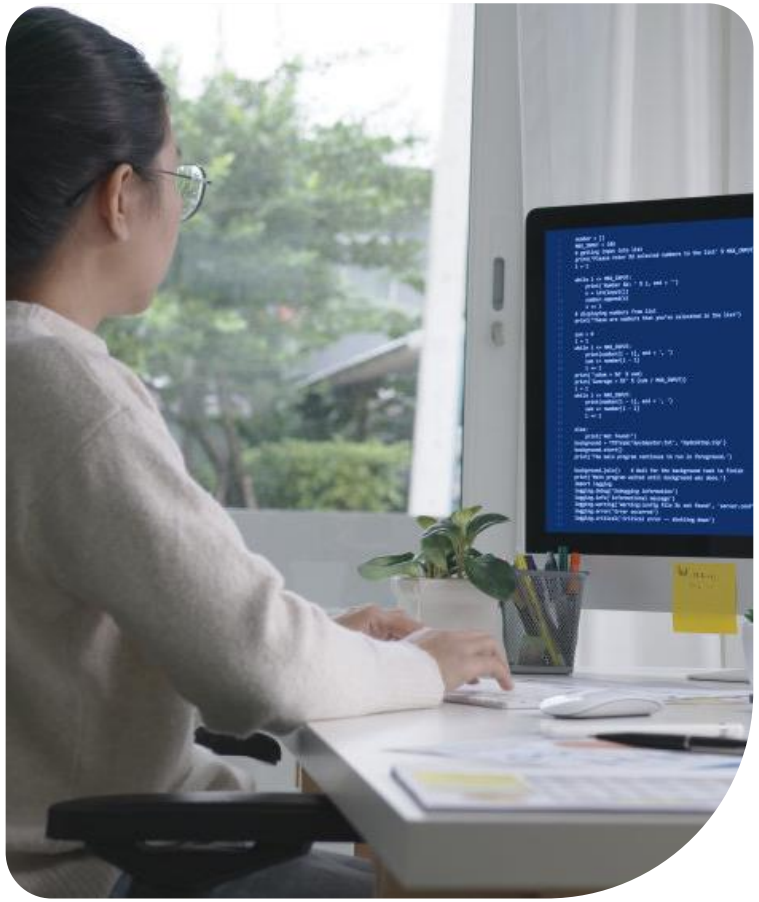
# Introduction and headlines (continued)



## Significant risks

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

- Management override of control
- Valuation of Land and Buildings
- Valuation of the pension fund net asset/liability

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

## Materiality

We have determined planning materiality to be £23.6m (PY £17.2m) for the Council, which equates to 2% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. As part of our risk assessment, we have considered the impact of unadjusted prior period errors, this has not identified any additional risks. Clearly trivial has been set at £1.18m (PY £0.859m).

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following risks of significant weakness:

- Financial Sustainability

See information on page 31 for further details of this risk .

## Audit logistics

Our interim visit will take place in April and our final visit will take place in October. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £292,486 (PY: £279,996) for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements



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# 03 Identified risks

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# Significant risks identified

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

| Significant risk | Risk relates to | Audit team's assessment | Planned audit procedures |
|---|---|---|---|
| Management override of controls | Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. | We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement. | We will:<br>• evaluate the design and implementation effectiveness of management relevant controls over journals;<br>• analyse the journals listing and determine the criteria for selecting high risk unusual journals;<br>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;<br>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and<br>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions. |



"In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK)." (ISA (UK) 315).

In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK) 550).

Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

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# Significant risks identified (continued)

| Significant risk | Risk relates to | Audit team's assessment | Planned audit procedures |
|---|---|---|---|
| The revenue cycle includes fraudulent transactions | Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue | We have considered all revenue streams of the Council and we have rebutted this significant risk for all revenue streams.<br><br>For revenue streams that are derived from Council Tax, Business Rates and Grants, we have rebutted this risk on the basis that they are income streams primarily derived from grants or formula based income from central government and tax payers and that opportunities to manipulate the recognition of these income streams is very limited.<br><br>For other revenue streams, we have determined from our experience as auditor from the previous years, and through our documentation of your business processes around revenue recognition that the risk of fraud arising from recognition could be rebutted, because:<br><br>- there is little incentive to manipulate revenue recognition;<br><br>- opportunities to manipulate revenue recognition are very limited;<br><br>- the culture and ethical framework of local authorities, including East Sussex Country Council, mean that all forms of fraud are seen as unacceptable. | Where the risk has been rebutted, we do not consider this to be a significant risk for the Council and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate. |
| The expenditure cycle includes fraudulent transactions | Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure. | We have considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition. We were satisfied that this does not present a significant risk of material misstatement or fraud in the 2024/25 accounts as:<br>- The control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be in line with our expectations for an Authority of this size and complexity of operations;<br>- We have not found significant issues, material errors or fraud in expenditure recognition in the prior years audits;<br>- Our view is that, similar to revenues, there is little incentive to manipulate expenditure recognition. | Where we do not consider this to be a significant risk for the Council and standard audit procedures will be carried out. We will keep this consideration under review throughout the audit to ensure this judgement remains appropriate. |



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# Significant risks identified (continued)

| Significant risk | Risk relates to | Audit team's assessment | Planned audit procedures |
|---|---|---|---|
| Valuation of land and buildings | The authority revalue its land and buildings on a rolling three-yearly to ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value at the financial statements date. | The valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of land and buildings as significant risk requiring special audit consideration. We have further focussed our risk assessment to the valuation of land and buildings with large and/or unusual changes to their valuation approach. In order to identify such assets in the Council's valuation programme, we will make direct inquiries with the valuer to understand the source data that underpins their valuations , corroborated the source and reasonableness of the external data they rely upon for their key assumptions, and evaluated the completeness and accuracy of source data provided directly from the Council. We will then complete analytical procedures on their valuation report, with reference to external market data, to identify those assets at greater risk of material misstatement.<br><br>For assets which are not revalued by the external valuer in year, work is carried out with the aim of ensuring the carrying value is not materially different from the fair value at the balance sheet date.<br><br>Note that we expect investment properties to be immaterial in the 2024/25 year and they are therefore not considered to be part of this significant risk. We will reconsider this if investment properties exceed our materiality threshold on presentation of accounts for audit. | We will:<br>• Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;<br>• Evaluate the competence, capabilities and objectivity of the valuation expert;<br>• Write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met and discuss this basis where there are any departures from the Code;<br>• Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding;<br>• Assess how management have challenged the valuations produced by the professional valuer to assure themselves that these represent the materially correct current value;<br>• Test revaluations made during the year to see if they are input correctly into the Authority's asset register;<br>• Evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value; and<br>• Engage an auditor's expert professional valuer to supplement our own auditor knowledge and expertise with qualified valuer expert insight and challenge into the valuation process, methods and assumptions used. |



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# Significant risks identified (continued)

| Significant risk | Risk relates to | Audit team's assessment | Planned audit procedures |
|---|---|---|---|
| Valuation of the pension fund net asset/liability - assumptions applied by the professional actuary in their calculation | The Authority's pension fund net asset/liability, as reflected in its balance sheet as the net liability on defined pension scheme, represents a significant estimate in the financial statements. | The pension fund net asset/liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.<br><br>We therefore identified valuation of the Authority's pension fund net asset/liability as a significant risk, which was one of the most significant assessed risks of material misstatement. We have pinpointed this significant risk to the assumptions applied by the professional actuary in their calculation of the net liability.<br><br>We have concluded that there is not a significant risk of material misstatement due to the source data used by the actuary in their calculation (we would reconsider this if it becomes apparent that there significant special events relating to the source data (such as bulk transfers, redundancies or other significant movements of staff) which would need to be given special consideration during the audit. Despite not being considered a significant risk we still carry out testing and consideration of the source data to obtain sufficient and appropriate audit evidence that there is no material misstatement. | We will:<br>• Update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;<br>• Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;<br>• Assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;<br>• Assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;<br>• Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;<br>• Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and<br>• Obtain assurances from the auditor of East Sussex Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. |



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# Other matters

## Other work

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

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

## Other material balances and transactions

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



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# 05 Our approach to materiality

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# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

| Matter | Description | Planned audit procedures |
|---|---|---|
| 01 | **Determination**<br>We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements | • We determine planning materiality in order to:<br>– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements<br>– assist in establishing the scope of our audit engagement and audit tests<br>– determine sample sizes and<br>– assist in evaluating the effect of known and likely misstatements in the financial statements |
| 02 | **Other factors**<br>An item does not necessarily have to be large to be considered to have a material effect on the financial statements | • An item may be considered to be material by nature when it relates to:<br>– instances where greater precision is required |
| 03 | **Reassessment of materiality**<br>Our assessment of materiality is kept under review throughout the audit process | • We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality |
| 04 | **Matters we will report to the Audit Committee**<br>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. | • We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.<br>• In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.18m (PY £0.86m).<br>• If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities. |

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)



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# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

| | Amount (£) | Qualitative factors considered |
|---|---|---|
| Materiality for the Council Financial Statements | £23,600,000 | In determining materiality, we have considered the following key factors:<br>- Debt arrangements: the authority has a significant level of debt, but the majority of this is with PWLB and the council follows the CIPFA Prudential Code with regard to managing the levels of debt. We are not aware of significant debt covenants or other factors that would indicate an enhanced risk.<br>- Business environment: the Council operates in a generally stable, regulated environment, although in recent years government policies have reduced the funding available and this has increased the financial pressures on the authority.<br>- Other sensitivities – There has been no change in key stakeholders, and no other sensitivities have been identified that would require materiality to be reduced. |
| Performance materiality | 17,700,000 | We determine a lower performance materiality as an amount less than materiality for the financial statements as a whole (i.e., planning materiality) to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.<br>In determining performance materiality the main considerations are our view and understanding of the Council control environment, whether there have been significant levels of errors in prior year audits. There is not a history of significant deficiencies or a high number of deficiencies in the control environment, and in prior years there have not been a large number or significant misstatements identified. Our performance materiality is therefore calculated at 75% of our headline materiality. |
| Materiality for specific transactions, balances or disclosures<br>- Officers' Remuneration Disclosures | £100,000 | In determining materiality, we have considered the following key factors:<br>- The expectations of users of the financial statements and the audit requirements/quality standards. |

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# 06 Progress against prior year audit recommendations

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# Progress against prior year audit recommendations

We identified the following issues in our 2023/24 audit of the Council's financial statements, which resulted in 2 recommendations being reported in our 2023/24 Audit Findings Report. We are pleased to report that management have implemented 1 of our recommendations, the other is currently being addressed and,we will follow this up to review/corroborate actions in our fieldwork audit and we will report on this in our Audit Findings Report.

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue(s) |
|---|---|---|
| In progress | GIA and Land Area Records<br>Within our audit work we noted many instances where the council was unable to find or struggled to obtain backing for their gross internal areas (GIAs) and Land areas. Where this information was found for GIAs, it was in the form of condition surveys and therefore floor plans were still unavailable. This meant that for some items not directly maintained by the council there were issues in finding information and required us to go back to information provided to the current valuers by their predecessors. For Land Areas, the client struggled to find audit evidence in a timely manner and we had to obtain some evidence of site areas from the valuer.<br>We therefore recommend that the council improves their system for storing data in relation to GIA and Land area records to ensure that the information is being appropriately updated and is readily available for audit purposes. | Management response:<br>We are undertaking a rolling programme of condition surveys across our Estate. As part of those condition surveys, we will be provided with the measurements and plans. Where the condition surveys have been undertaken already, we can provide the auditors with this data. Otherwise, we will be relying on our historical data.<br><br>GT assessment:<br>We will revisit and review the actions on this recommendation at our fieldwork audit. |
| Implemented | Cut off error in insurance claim income recognition<br>During our testing of payments received to conclude on whether income had been recognised in the correct period, we identified one error in which insurance claim income was being recognised based on when the council received the income post year end, as opposed to when the Council had confirmation that the insurance claim was successful pre year end which would be the correct point at which to recognise the revenues under the accruals principle. The amount of the error was small but we raise a recommendation here against this control deficiency.<br>We therefore recommend that the council ensures that the income cut-off recognition policy (accruals based) is applied in the same way to all relevant streams of income that the council receives. | Management response:<br>We have discussed this with the relevant team and covered it in our year-end training to ensure that insurance income is accrued for correctly going forwards.<br><br>GT assessment:<br>Satisfied that this has been appropriately addressed. |



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# 07 IT audit strategy

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# IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

**The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:**

| IT application | Audit area | Planned level IT audit assessment |
|---|---|---|
| SAP | Financial reporting, General Ledger, Accounts Payable, Accounts Receivable, Payroll | – ITGC Design Assessment<br>– Corroboration of management responses provided for prior year recommendations.<br>– Carried out by our IT audit team |
| Asset4000 | Fixed assets system | – ITGC Design Assessment<br>– Carried out by the audit engagement team |
| ContrOCC | Social Care System | – ITGC Design Assessment<br>– Carried out by the audit engagement team |

### Progress against prior year audit recommendations

We identified the following issues in our 2022/23 audit of the Council's financial statements, which resulted in several recommendations being reported in our 2022/23 Audit Findings Report in relation to IT systems. Our IT audit team reviewed progress on these recommendations during 23/24 Audit Findings Report. And the final report on that work is issued as a paper to this committee meeting. Note that responses to the recommendations were provided after our fieldwork and issue of the draft report, meaning it was not possible for our IT audit team to corroborate the explanations/actions set out by management.

Our IT recommendations are founded on good practice. We are satisfied from our review that management have responded and taken action to mitigate the potential risks which our work has highlighted. Whilst these do not match the recommendations in full, due to available resources and priorities for the Council, but we were satisfied that the council response satisfactorily mitigated the risks. None of our recommendations were considered critical for the financial audit. For each recommendation we have set out our conclusions and whether they have any ongoing impact our financial statements audit approach for the 2024/25 FY.

The Council is planning to bring the Oracle system into operation in the 2025/26 FY and as such we understand that this system is the focus of resources and IT investment for the Council and that further investment in SAP will be limited. We do not plan to revisit these recommendations in detail for the 2024/25 audit (corroboration of the responses received from management) and consider these to be non-significant or closed.



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# 08 Interim audit work

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# Interim Audit Work

## Details of work to be conducted at interim:

| Description | Work commentary |
|---|---|
| IFRS 16 | We will:<br>• Obtain an understanding of the process used to put together the IFRS 16 Disclosures.<br>• Request the data for both Opening Balances and select a sample of these for testing.<br>• Agree these sample items back to third party evidences.<br>At the date of issuing this audit plan, this work is being completed and will be concluded in April. This work will be subject to senior engagement review. We will report any significant findings to management and those charged with governance. |
| Other Service Expenditure and Fees, Charges and Other Income Sampling | We will:<br>• Send a sample of both Other Service Expenditure and Fees, Charges and Other Income to test based on interim data provided.<br>• Agree these sample items back to third party evidences.<br>At the date of issuing this audit plan, this work is being completed and will be concluded in April. This work will be subject to senior engagement review. We will report any significant findings to management and those charged with governance. |
| Employee Benefit Expenditure | We will:<br>• View listings of Starters, Leavers and Change of Circumstance being downloaded from the system after Year End.<br>• Select a sample from these listings and agree information back to data provided by HR.<br>• Investigate the payroll for both Council Staff and Teaching Staff in order to complete our Payroll Analytics work.<br>At the date of issuing this audit plan, this work is being completed and will be concluded in April. This work will be subject to senior engagement review. We will report any significant findings to management and those charged with governance. |



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# 09 Value for Money Arrangements



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# Value for Money Arrangements

### Approach to Value for Money work for the period ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

**Financial sustainability**

How the body plans and manages its resources to ensure it can continue to deliver its services.

**Governance**

How the body ensures that it makes informed decisions and properly manages its risks.

**Improving economy, efficiency and effectiveness**

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

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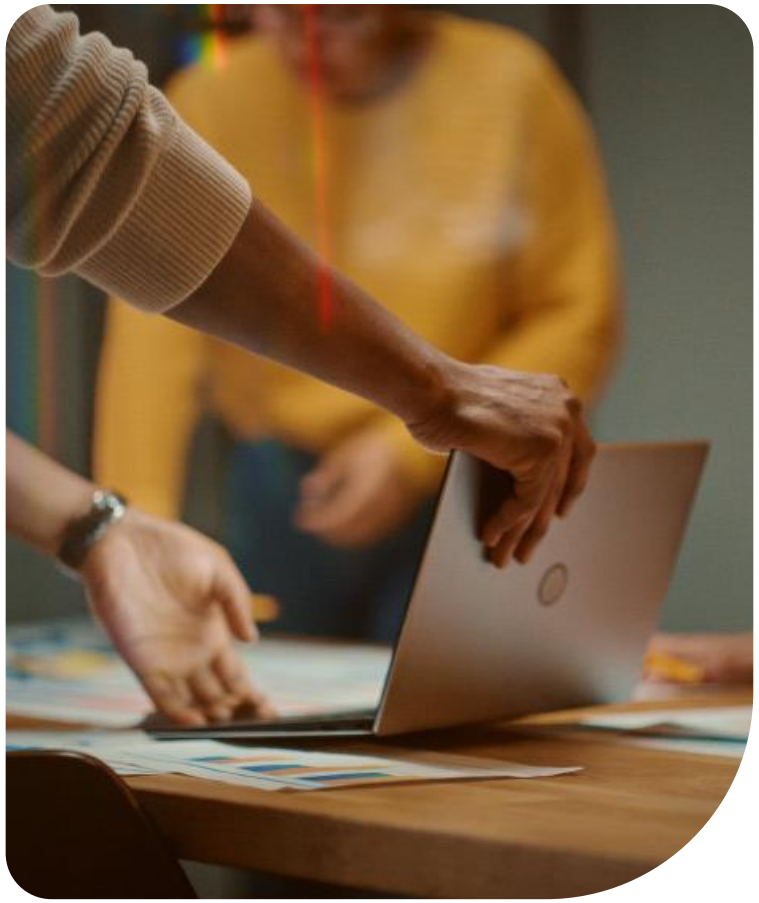
# Risks of significant VFM weaknesses



As part of our initial planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed on the table overleaf along with the further procedures we will perform. We will continue to review the body's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

## Potential types of recommendations

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

### Statutory recommendation

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

### Key recommendation

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

### Improvement recommendation

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



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# Risks of significant weakness in VFM arrangements (continued)

### Initial Risk assessment of the Council's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2024/25. We will continue to evaluate risks of significant weakness and if further risks are identified , we will report these to those charged with governance. We set out our reported assessment below:

| Criteria | 2023/24 Auditor judgement on arrangements | | 2024/25 risk assessment | 2024/25 risk-based procedures |
|---|---|---|---|---|
| Financial sustainability | R | We have reported a key recommendation in respect of the Council's ability, to ensure future financial sustainability. This is a result, of the local government sector wide challenges, of increasing service demand coupled with static or reducing government funding creating a financial gap, and future affordability challenges, as it stands in a climate of limited reserves. Whilst, the Council, is fully aware of the position and taking all possible action, to mitigate, the future risk remains, and this is why we have reported the significant weakness. | Potential risk of significant weakness in arrangements due to a significant weakness raised in the prior year which is a clear indicator of a risk in the current year. | Given the risk of significant weakness identified, we will undertake additional risk-based procedures to assess whether a significant weakness exists. This will focus on arrangements for put in place for savings plans, to identify savings, via efficiency, and/or changes in services, to ensure the cost profile of the Council is as a lean as it can be, whilst providing the statutory services required. Also looking into the conversations taking place on suitable funding for demand led services alongside national local government reform, as being discussed at a national level. |
| Governance | G | No significant weaknesses in arrangements identified, but one improvement recommendation made to support the Council in improving arrangements to achieve best practice | No risks of significant weakness identified | As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendations made in 2023/24. |
| Improving economy, efficiency and effectiveness | G | No significant weaknesses in arrangements identified, but one improvement recommendation made to support the Council in improving arrangements to achieve best practice | No risks of significant weakness identified | As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendations made in 2023/24. |

We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our auditor's annual report. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. We report our value for money work in our Auditor's Annual Report. Any significant weaknesses identified once we have completed our work will be reflected in your Auditor's Report and included within our audit opinion.

G No significant weaknesses in arrangements identified and limited improvement recommendation made.
A No significant weaknesses in arrangements identified, but improvement recommendations made.
R Significant weaknesses in arrangements identified and key recommendations made.



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# 10 Logistics

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# Logistics

## The audit timeline

Key Dates

Year end:
31st March 2025

Audit committee:
21st November 2025

Close out:
31st November 2025

Sign off:
December 2025

Audit phases:

Planning – 3 weeks
February 2025

Interim – 2 weeks
March –April 2025

Final – October to December 2025

Completion – 1 week
December 2025

**Key elements**

- Planning meeting with management to set audit scope
- Planning requirements checklist to management
- Agree timetable and deliverables with management and Audit Committee
- Issue the Audit Plan to management and Audit Committee
- Planning meeting with Audit Committee to discuss the Audit Plan

**Key elements**

- Document design effectiveness of systems and processes
- Review of key judgements and estimates
- Issue Audit progress report and sector update to management and Audit Committee
- Any planned additional testing.
- As per page 27, this work is still in progress.

**Key elements**

- Audit teams to complete fieldwork and detailed testing
- Weekly update meetings with management

**Key elements**

- Draft Audit Findings issued to management
- Audit Findings meeting with management
- Draft Audit Findings issued to Audit Committee
- Audit Findings presentation to Audit Committee
- Auditor's Annual Report
- Finalise and sign financial statements and audit report



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# Our team and communications

## Grant Thornton core team

**Joanne E Brown**
Engagement Lead/
Key Audit Partner

- Key contact for senior management and Audit Committee
- Overall quality assurance

**Andy N Conlan**
Audit Senior Manager

- Audit planning
- Resource management
- Performance management reporting

**Louis RH Barber**
Audit Senior / In-charge

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

| | Service delivery | Audit reporting | Audit progress | Technical support |
|---|---|---|---|---|
| Formal communications | • Annual client service review | • The Audit Plan<br>• Audit Progress and Sector Update Reports<br>• The Audit Findings<br>• Auditor's Annual Report | • Audit planning meetings<br>• Audit clearance meetings<br>• Communication of issues log | • Technical updates |
| Informal communications | • Open channel for discussion | | • Communication of audit issues as they arise | • Notification of up-coming issues |

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

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# 11 Fees and related matters

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# Our fee estimate

**Our estimate of the audit fees is set out in the table across, along with the fees billed in the prior year**

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2024) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

## PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audit for East Sussex County Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2024/25 audit is £292,486.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here Fee Variations Overview – PSAA

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

## Our fee estimate:

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.
- Our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:
  - Valuation of land and buildings
  - Valuation of the pension fund net asset/liability
- As in previous years due to the risk profile of the council we will be using our own experts for the Valuations of Land and Building which will lead to additional fee once the extent of work has been confirmed this additional fee is therefore TBC.
- We will also include a fee variance for additional work in the audit related to the implementation of IFRS16. The extent of this work is TBC, as Council management have not yet completed the work on the implementation, accounting treatment and accounts (though this is in progress).
- As set out on page 25, where responses to our IT audit recommendations for 24/25 were provided a long time after issue of our recommendations/report such that full corroboration was not possible, and this will require follow up in the 2024/25 year to fully close those recommendations. We will confirm any fee for this work as we complete this.

## Previous year

In 2023/24 the scale fee set by PSAA was £262,546. The actual fee charged for the audit, was £279,996, due to additional charges for additional audit risk assessment and business process documentation related to ISA 315 (£12,550) and use of external audit valuation expert (£4,900).

| Company | Audit Fee for 2023/24 (£) | Proposed fee for 2024/25 (£) |
|---|---|---|
| East Sussex County Council Audit | £275,096 | £292,486 |
| Additional fee for audit work related to the implementation of IFRS16 | - | TBC |
| Fee for the disbursement related to the use of our own auditor's valuation expert | 4,900 | TBC |
| IT audit follow-up work | - | TBC |
| Total | £279,996 | TBC |



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# 12 Independence considerations



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# Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). There are no matters that we are required to report.

We are also required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. We note in this instance there ere are no matters that which require reporting.

As part of our assessment of our independence at planning we note the following matters:

| Matter | Conclusions |
|---|---|
| Relationships with Grant Thornton | We are not aware of any relationships between Grant Thornton and the Council/Group that may reasonably be thought to bear on our integrity, independence and objectivity. |
| Relationships and Investments held by individuals | We have not identified any potential issues in respect of personal relationships with the Council/Group or investments in the Group held by individuals. |
| Employment of Grant Thornton staff | We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council/Group as a director or in a senior management role covering financial, accounting or control related areas. |
| Business relationships | We have not identified any business relationships between Grant Thornton and the Council/Group . |
| Contingent fees in relation to non-audit services | No contingent fee arrangements are in place for non-audit services provided. |
| Gifts and hospitality | We have not identified any gifts or hospitality provided to, or received from, a member of the Council/Group's board, senior management or staff (that would exceed the threshold set in the Ethical Standard). |

We confirm that there are no significant facts or matters that impact on our independence at planning as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.



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# Fees and non-audit services

The following tables below sets out the non-audit services charged from the beginning of the financial year to March 2025, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

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

None of the below services were provided on a contingent fee basis.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to East Sussex County Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees due to their size compared to the Audit Fee.



### Assurance Service Fees

| Service | Fees £ | Threats Identified | Safeguards applied |
|---|---|---|---|
| Teachers Pensions return certification | £12,500 | Self-Interest (because this is a recurring fee) | The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £292,486 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. |

This covers all services provided by us and our network to the council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

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# 13 Communication of audit matters with those charged with governance

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# Communication of audit matters with those charged with governance

| Our communication plan | Audit Plan | Audit Findings |
|---|---|---|
| Respective responsibilities of auditor and management/those charged with governance | ● | |
| Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters | ● | |
| Planned use of internal audit | ● | |
| Confirmation of independence and objectivity | ● | ● |
| A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence | ● | ● |
| Significant matters in relation to going concern | ● | ● |
| Views about the qualitative aspects of the Council's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures | | ● |
| Significant findings from the audit | | ● |
| Significant matters and issue arising during the audit and written representations that have been sought | | ● |
| Significant difficulties encountered during the audit | | ● |
| Significant deficiencies in internal control identified during the audit | | ● |
| Significant matters arising in connection with related parties | | ● |
| Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements | | ● |
| Non-compliance with laws and regulations | | ● |
| Unadjusted misstatements and material disclosure omissions | | ● |

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

**Respective responsibilities**

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.



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# 14 Delivering audit quality

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# Delivering audit quality

## Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

### Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

### Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

### Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.



### How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

### The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

### Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

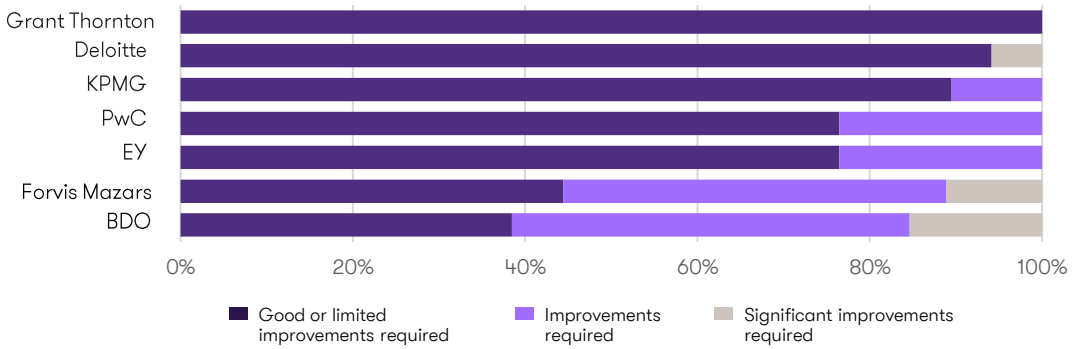
### Oversight and control

Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

**Wendy Russell**
**Partner, UK Head of Audit**

FRC's Audit Quality Inspection and Supervision Inspection
(% of files awarded in each grading, in the most recent report for each firm)

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# 15 Appendices

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# IFRS reporters New or revised accounting standards that are in effect

**First time adoption of IFRS 16**

Lease liability in a sale and leaseback

- IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.
- This year will be the first year IFRS 16 is adopted fully within Local Government.

**IAS 1 amendments**

Non-current liabilities with covenants

- These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

**Amendment to IAS 7 and IFRS 7**

Supplier finance arrangements

- These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.



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# IFRS reporters Future financial reporting changes



### IFRS reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

### Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from **1 April 2025**.

### Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code **in future years**.

### IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code **in future years**.

### IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 is expected to be adopted by the CIPFA Code **in future years**.

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# The Grant Thornton Digital Audit – Inflo

## A suite of tools utilised throughout the audit process

### 01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

**What you'll see**

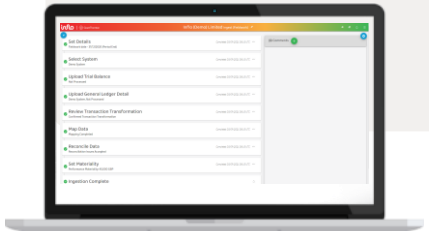
- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

### 02 Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

**What you'll see**

- A step by step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system

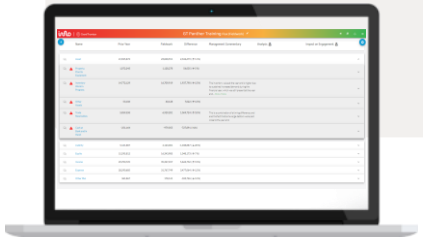


### 03 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

**What you'll see**

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement





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